

EMPLOYEE BENEFITS PROGRAMS COMMITTEE

The Employee Benefits Programs Committee is a statutory committee created under North Dakota Century Code Section 54-35-02.4. The committee's statutory responsibilities include considering and reporting on legislative proposals 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. The committee also is responsible for reviewing legislative measures and proposals affecting public employees retirement programs and health and retiree health plans.

In addition to its duties under Section 54-35-02.4, the committee's other statutory responsibilities include the responsibility to:

- Approve terminology adopted by the Teachers' Fund for Retirement (TFFR) Board to comply with applicable federal statutes or rules, pursuant to Section 15-39.1-35.
- Approve terminology adopted by the Public Employees Retirement System (PERS) Board to comply with federal requirements, pursuant to Sections 39-03.1-29, 54-52-23, 54-52.1-08.2, and 54-52.6-23.
- 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(4).
- Receive an annual report from the 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.
- 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 an annual report from the TFFR Board regarding the annual test of actuarial adequacy of the statutory contribution rate pursuant to Section 15-39.1-10.11.
- Receive notice from the firefighters relief associations of the association's intent to provide a substitution monthly service pension, pursuant to Section 18-11-15.

The Legislative Management assigned the committee the responsibility to receive four reports:

- 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.

Committee members were Representatives Austen Schauer (Chairman), Josh Boschee, Clayton Fegley, Patrick Hatlestad, Jorin Johnson, Jim Kasper, and Corey Mock and Senators Brad Bekkedahl, Sean Cleary, Kyle Davison, Judy Estenson, Larry Luick, and Kristin Roers.

Senator Doug Larsen served on the committee until his death on October 1, 2023.

BACKGROUND

The Employee Benefits Programs 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 affect, actuarially or otherwise, 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 was amended in 2023 to revise the committee's duties, distinguishing between the interim and the legislative session. The 2023 amendments provide during the interim the committee shall review and make recommendations on proposed legislative measures that affect retirement or health benefits programs, and during the legislative session the committee is not active. However, during the legislative session the committee Chairman and Vice Chairman continue to meet and request actuarial reports on legislation introduced without a report and on amendments if the legislation or amendments 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, if jurisdiction is taken over a legislative proposal or measure, the affected program obtains an actuarial report for the proposal from that program's 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. The committee reports historically have identified the sponsor of a proposal, summarized the proposal, summarized the actuarial analysis, and included the committee's recommendation.

Teachers' Fund for Retirement

Background

Chapter 15-39, which was repealed in 1971, established the teachers' insurance and retirement fund. This fund, the rights to which were preserved by Section 15-39.1-03, provided a fixed annuity for full-time teachers whose rights vested in the fund before July 1, 1971. The plan was repealed in 1971, at which time TFFR was established with the enactment of Chapter 15-39.1.

The Teachers' Fund for Retirement became effective July 1, 1971, and is governed by the TFFR Board. The State Investment Board is responsible for the investment of trust assets. The Retirement and Investment Office (RIO) is the administrative agency for TFFR, which is a qualified governmental defined benefit (DB) retirement plan.

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 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, the law relating to TFFR retirement benefits has been amended to grant certain post-retirement benefit increases. However, TFFR has no automatic cost-of-living increase features.

Public Employees Retirement System

The Public Employees Retirement System is governed primarily by Chapters 54-52, 54-52.1, 54-52.2, 54-52.3, and 54-52.6. The PERS retirement benefits include the DB retirement plan, the existing defined contribution (existing DC) retirement plan, the new 2025 defined contribution (new DC) retirement plan, the retiree health insurance credit (RHIC), and the deferred compensation plan. The PERS insurance plans include health insurance for active and retired members, life insurance, dental insurance, vision insurance, and long-term care insurance.

The retirement system is supervised by the PERS Board and covers most public employees of the state, district health units, and the Garrison Diversion Conservancy District. Elected officials and officials first appointed before July 1, 1971, may choose to be members. Officials appointed to office after that date are required to be members. Most North Dakota Supreme Court justices and district court judges are members of the plan but receive benefits that differ from other members. A county, city, or school district may choose to participate on completion of an employee referendum and on execution of an agreement with the PERS Board. Political subdivision employees are not eligible to participate in the existing DC retirement plan.

The PERS main system DB retirement plan is funded from employer contributions, employee contributions, and investment earnings. Contributions are calculated based on a percentage of gross pay. The DB retirement plan is provided through the combined PERS fund, which includes the PERS main system, the judges' retirement system, 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 system, and Job Service North Dakota retirement plan (Job Service).

Retirement Tiers

Receipt of retirement benefits is based on two dates establishing three tiers of retirement benefits for members under the combined PERS fund--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.

There are two classes of RHIC recipients for retirement plan members:

- **RHIC** - Members of the PERS main and public safety systems first enrolled before January 1, 2020, receive a RHIC.
- **No RHIC** - Members of the PERS main and public safety systems first enrolled after December 31, 2019, do not receive a RHIC.

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 Benefits

The standard form of payment for members of the PERS main and public safety systems is a monthly benefit for life with a refund to the beneficiary at death of the remaining balance, if any, of accumulated member contributions. The standard form of payment for members of the judges' retirement system is a monthly benefit for life, with 50 percent payable to an eligible survivor. The final average salary is the average of the highest salary received by a member for any 36 months employed during the last 180 months of employment.

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

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

²Senate Bill No. 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.

House Bill No. 1040 (2023) increased the employer contribution rate by 1 percent effective January 1, 2024, resulting in total state and political subdivision employer contributions of 8.12 percent for employees hired before January 1, 2020, and 9.26 percent for employees hired after December 31, 2019, which includes the 1.14 percent that was reallocated from the RHIC beginning in the 2019-21 biennium. The employer contribution rate for state agencies will increase to the actuarially determined employer contribution (ADEC) rate beginning January 1, 2026, to begin paying the unfunded liability of the plan over a closed period of 31.5 years. The employer contribution rate for political subdivisions will remain at 8.12 percent.

Defined Contribution Retirement Plan

House Bill No. 1040 (2023) closes the main system DB retirement plan and provides employees hired after December 31, 2024, will be enrolled in the new DC retirement plan. The default employee contribution rate under the new DC retirement plan is 4 percent, but employees may elect to contribute an additional 3 percent. Employers are required to match the employee contribution up to 7 percent. If a state employee in the new DC retirement 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 political subdivision employees. For employees participating in the existing DC retirement plan before January 1, 2025, the employee contribution rate remains at 7 percent and the employer contribution rate remains at 7.12 percent.

The new DC retirement plan has an investment option that must include one or more annuity products as part of the investment menu. The existing DC retirement plan has an investment menu but does not provide for annuity products.

Section 17 of House Bill No. 1040 (2023) provides state employees with less than 5 years of experience, who are enrolled in the main system DB retirement plan, the option to transfer to the new DC retirement plan between January 1, 2025, and March 31, 2025. Employees who opt to transfer are eligible for an additional \$3,333 state annual contribution each January in 2026, 2027, and 2028.

Retiree Health Insurance Credit Fund

The 1989 Legislative Assembly established a 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 hires after December 31, 2019.

ACTUARIAL REPORTS

Teachers' Fund for Retirement

The committee received annual actuarial valuation reports for TFFR dated July 1, 2023, and July 1, 2024. The primary purposes of the valuation report are to report TFFR's actuarial assets, calculate TFFR's liabilities, determine the funding policy actuarially determined contribution and compare it to the statutory employer contribution, determine the effective amortization period, explore the reasons why the current valuation differs from the prior valuation, and provide information for annual financial statements. In addition, the report provides information required by TFFR in connection with the Governmental Accounting Standards Board Statement Nos. 67 and 68, the standards that set the accounting rules for public retirement systems and the employers that sponsor or contribute to these plans. 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, 2024, the actuarially determined contribution is 12.46 percent of payroll, compared to 12.5 percent on July 1, 2023. Therefore, the statutory employer contribution rate of 12.75 percent resulted in a contribution margin of .29 percent of payroll as of July 1, 2024.

As of July 1, 2024, the actuarial value of assets was \$3.41 billion, representing 101.8 percent of the fair value of assets of \$3.35 billion. The actuarial value of 101.8 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, 2024, the consulting actuary determined the return on the fair value of assets was 7.9 percent. After gradual recognition of investment gains and losses under the actuarial smoothing method, the actuarial rate of return was 6.9 percent, which represents an experience gain when compared to the assumed rate of 7.25 percent. Based on the actuarial value of assets, the funded ratio increased to 71.6 percent as of July 1, 2024, compared to 71.2 percent as of July 1, 2023. The net pension liability increased from \$1.4 billion as of July 1, 2023, to \$1.41 billion as of July 1, 2024. The fund's cashflow (contributions minus benefit payments, refunds, and expenses) as a percentage of the market value of assets was -2.1 percent as of July 1 of 2023 and 2024.

As of July 1, 2024, the fund had 11,945 active members and 9,693 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 41.3 years, and active members have 11.3 average years of service. Average compensation for active members was \$69,570. As of July 1, 2024, the average monthly benefit amount for retirees and beneficiaries was \$2,311.

Public Employees Retirement System

The committee received annual actuarial valuation reports as of July 1, 2023, and July 1, 2024, on the following PERS funds:

- Combined PERS fund:
 - 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 No. 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 beginning in the 2023-25 biennium. Section 35 of the bill provides for a \$135 million transfer from the strategic investment and improvements fund to the PERS fund for the purpose of reducing the unfunded liability of the main system DB retirement plan during the 2023-25 biennium.

During the 2023 legislative session, PERS estimated the cost to continue reducing the unfunded liability based on the estimated ADEC rate of 30.5 percent during the 2025-27 biennium is approximately \$402 million, of which \$154 million is from the general fund and \$248 million is from other funds. This total includes \$65 million of ongoing funding provided from oil and gas tax revenues and other funding necessary for 6 months of the 1 percent employer retirement contribution increase through December 31, 2025, after which the ADEC rate will be applied.

The statutory or approved employer and employee contribution rates for fiscal year 2025 are:

	Employee Rate	Employer Rate
PERS main system ¹	7.00%	8.52%
Judges' retirement system	8.00%	17.52%
Public safety system with prior PERS main system service	5.62% ²	12.27% ³
Public safety system without prior PERS main system service	5.50%	9.16%
Highway Patrol Troopers' retirement system ⁴	14.80%	21.20%
RHIC	0%	1.14%
Job Service	7.00%	0%

¹The main system employer rate of 8.52 percent is a blend of 8.12 percent for members first enrolled before January 1, 2020, and

9.26 percent for members first enrolled after December 31, 2019.

²The employee contribution rate for public safety with prior main system service is 5.50 percent, for Bureau of Criminal Investigation is 7.00 percent (increasing to 8.00 percent in 2025), and for state public safety employees is 6.00 percent.

³The employer contribution rate for public safety with prior main system service is 11.40 percent, for Bureau of Criminal Investigation is 22.26 percent, and for state public safety employees is 14.34 percent.

⁴Highway 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 2025 are:

	Actuarial Contribution Rate	Statutory/Approved Contribution Rate	Statutory Rate Excess - Deficiency
PERS main system	21.07%	15.52%	(5.55%)
Judges' retirement system	19.81%	25.52%	5.71%
Public safety system with prior PERS main system service	18.25%	17.89%	(0.36%)
Public safety system without prior PERS main system service	14.31%	14.66%	(0.35%)
Highway Patrol Troopers' retirement system	51.79%	36.00%	(15.79%)
RHIC	1.34%	1.14%	(0.20%)

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

	Fiscal Year 2024	Fiscal Year 2025
PERS main system	21.86%	21.07%
Judges' retirement system	19.26%	19.81%
Public safety system with prior PERS main system service	17.90%	18.25%
Public safety system without prior PERS main system service	14.64%	14.31%
Highway Patrol Troopers' retirement system	55.37%	51.79%
RHIC	1.38%	1.34%

Demographics

The following demographic data was reported for active members as of July 1, 2024:

Category	Year Beginning July 1, 2024
PERS main system	
Number of active members	23,839
Average age	45.8
Average service credit	8.9
Total compensation	\$1,311,798,089
Average compensation	\$55,027
Judges' retirement system	
Number of active members	60
Average age	56.2
Average service credit	9.9
Total compensation	\$9,990,447
Average compensation	\$166,507
Public safety system with prior PERS main system service	
Number of active members	1,649
Average age	38
Average service credit	7.6
Total compensation	\$117,265,263
Average compensation	\$71,113
Public safety system without prior PERS main system service	
Number of active members	251
Average age	37.6
Average service credit	4.9
Total compensation	\$15,868,015
Average compensation	\$63,219
Combined PERS fund	
Number of active members	25,799
Average age	45.2
Average service credit	8.8
Total compensation	\$1,454,921,813

Category	Year Beginning July 1, 2024
Average compensation	\$56,395
Highway Patrol Troopers' retirement system	
Number of active members	167
Average age	37.6
Average service credit	10.4
Total compensation	\$14,820,158
Average compensation	\$88,743
Job Service	
Number of active members	1
Average age	68.7
Average service credit	49.3
Total compensation	\$65,088
Average compensation	\$65,088
RHIC	
Number of active members	16,283
Average age	48.5
Average service credit	13.0
Total compensation	\$1,036,707,331
Average compensation	\$63,668

Funding Ratio

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

	July 1, 2023		July 1, 2024	
	Unfunded Actuarial Liability	Funded Ratio	Unfunded Actuarial Liability	Funded Ratio
PERS main system	\$1,875,724,792	66.3%	\$1,887,233,572	67.7%
Judges' retirement system	(\$7,468,985)	112.5%	(\$7,590,318)	112.1%
Public safety system with prior PERS main system service	\$58,752,407	68.6%	\$90,830,855	67.9%
Public safety system without prior PERS main system service	\$1,568,854	93.0%	\$1,303,246	94.9%
Highway Patrol Troopers' retirement system	\$46,285,129	68.4%	\$49,119,040	68.6%
RHIC	\$92,754,158	65.4%	\$89,637,373	67.2%
Job Service	(\$16,346,454)	122.7%	(\$13,994,936)	119.9%

CONSIDERATION OF RETIREMENT AND HEALTH PLAN LEGISLATIVE PROPOSALS

The committee established April 1, 2024, as the deadline for submission by legislators, Legislative Management interim committees, and state agencies with bill introduction privileges, to submit 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 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 testimony by 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 69th Legislative Assembly.

Teachers' Fund for Retirement

The following is a summary of the proposals 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 each proposal:

Bill Draft No. 129

Sponsor: TFFR

Proposal: Revises eligibility requirements for TFFR benefits.

Actuarial analysis: The change is estimated to have no actuarial impact on TFFR.

Committee report: Favorable.

Bill Draft No. 143

Sponsor: Representative Schatz

Proposal: Provides for a state employee compensation adjustment and transfer to TFFR benefits for a cost-of-living adjustment.

Actuarial analysis:

- Assumes a \$49.2 million cash infusion.
- The change is estimated to have no actuarial impact on TFFR because the money transferred in and paid out is estimated to be equivalent.

Committee report: No recommendation.

Public Employees Retirement System

The following is a summary of the proposals primarily 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. 40

Sponsor: Representative Porter

Proposal: Expands participation in the public safety retirement plan to include correctional officers employed by a governmental unit.

Actuarial analysis:

- The actuarial impact will depend on the number and age of new members who enter the public safety retirement plan, and the amount of liabilities and assets that would transfer from the main system DB retirement plan to the public safety retirement plan.
- The transfers result in an actuarial gain to the main system DB retirement plan of approximately \$12.2 million and an actuarial loss to the public safety retirement plan of approximately \$17.4 million.
- Membership of the public safety retirement plan is estimated to increase from 181 to 515 members, while membership of the main system DB retirement plan is estimated to decrease by 334 members.
- The estimated impact on the public safety retirement plan with main system DB retirement plan prior service is an increase of 0.12 percent of pay.

Committee report: Favorable.

Bill Draft No. 41

Sponsor: Representative Porter

Proposal: Revises the definition of correctional officer and expands eligibility for the public safety retirement plan to include dispatchers and emergency medical services personnel.

Actuarial analysis:

- The actuarial impact will depend on the number and age of new members who enter the public safety retirement plan, and the amount of liabilities and assets that would transfer from the main system DB retirement plan to the public safety retirement plan.

- Transfers result in an actuarial gain to the main system DB retirement plan of approximately \$577,000 and an actuarial loss to the public safety retirement plan of approximately \$891,000.
- Membership of the public safety retirement plan is estimated to increase from 181 to 203 members, while membership of the main system DB retirement plan is estimated to decrease by 22 members.
- The estimated impact on the public safety retirement plan is a decrease of 0.07 percent of pay.

Committee report: Unfavorable.

Bill Draft No. 45

Sponsor: Representative Porter

Proposal: Expands eligibility for the public safety retirement plan to include correctional officers employed by a governmental unit, dispatchers, and medical services personnel, and limits application to new hires.

Actuarial analysis: The actuarial impact will depend on the number and age of new members who enter the public safety retirement plan.

Committee report: No recommendation.

Bill Draft No. 68

Sponsor: Representative Karls

Proposal: Provides for health benefit plans to include any amount paid by an enrollee, or on behalf of an enrollee, when calculating an enrollee's overall contribution to an out-of-pocket maximum or cost-sharing requirement for a prescription drug.

Actuarial analysis: The change is estimated to have a financial impact of \$8.7 million in the 2025-27 biennium or a 1.1 percent increase in premium.

Committee report: Favorable.

Bill Draft No. 69

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 \$385,000 in the 2025-27 biennium or a 0.05 percent increase in premium, based on current utilization.

Committee report: Favorable.

Bill Draft No. 70

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 \$345,000 in the 2025-27 biennium or a 0.04 percent increase in premium, based upon current utilization.

Committee report: Favorable.

Bill Draft No. 75

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 \$4.1 million in the 2025-27 biennium or a 0.5 percent increase in premium, based upon current utilization.

Committee report: Favorable.

Bill Draft No. 115

Sponsor: State Forester

Proposal: Revises the PERS definition of firefighter.

Actuarial analysis:

- The transfer of members from the main system DB retirement plan to the public safety retirement plan results in an actuarial gain to the main system DB retirement plan of approximately \$39,000 and an actuarial loss to the public safety retirement plan of approximately \$71,000.
- Membership of the public safety retirement plan is estimated to increase from 181 to 185 members, while membership of the main system DB retirement plan is estimated to decrease by 4 members.

Committee report: Favorable.

Bill Draft No. 116

Sponsor: PERS

Proposal: Provides for PERS to determine the manner of payment of administrative expenses for the deferred compensation plan and for a continuing appropriation.

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

Committee report: Favorable.

Bill Draft No. 117

Sponsor: PERS

Proposal: Provides for a change in the computation of final average salary for the Highway Patrol Troopers' retirement system and PERS retirement benefits.

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

Committee report: Favorable.

Bill Draft No. 118

Sponsor: PERS

Proposal: Provides for health benefit plans to include benefits for insulin drug and medical supplies for insulin dosing and administration.

Actuarial analysis: The change is estimated to have a financial impact of \$1 million in the 2025-27 biennium or a 0.12 percent increase in premium.

Committee report: Favorable.

Bill Draft No. 119

Sponsor: PERS

Proposal: Changes PERS eligibility requirements for disability retirement benefits.

Actuarial analysis: The change is estimated to have no financial impact on PERS. However, a small minority of members' benefits could be reduced, due to the disability benefit formula potentially producing a larger benefit.

Committee report: Favorable.

Bill Draft No. 120

Sponsor: PERS

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

Actuarial analysis:

- Assumes a \$34.3 million cash infusion on July 1, 2025.
- The change is estimated to have a positive impact on the system and actuarial valuation, resulting in a 90 percent funding ratio for the Highway Patrol Troopers' retirement plan as of January 1, 2026, and a 100 percent funding ratio by 2055.

Committee report: Favorable.

Bill Draft No. 121**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. 124****Sponsor:** Representative Mock**Proposal:** Provides step therapy protocol limitations for an associated condition of metastatic cancer.**Actuarial analysis:** The change is estimated to have no financial impact on PERS.**Committee report:** Favorable.**Bill Draft No. 134****Sponsor:** Representative Porter**Proposal:** Revises the definition of correctional officer.**Actuarial analysis:** The change is estimated to have an immaterial impact on PERS.**Committee report:** Favorable.**Bill Draft No. 138****Sponsor:** Senator Barta**Proposal:** Provides for step therapy protocol exceptions.**Actuarial analysis:** The change is estimated to have no financial impact on PERS.**Committee report:** Favorable.**Bill Draft No. 142****Sponsor:** Senator Davison**Proposal:** Provides PERS health benefits coverage for state employees and retirees must be compliant with the federal Patient Protection and Affordable Care Act.**Actuarial analysis:** Moving the state employees and retirees to a nongrandfathered plan as a large employer group is estimated to cost the state and pre-Medicare groups approximately \$26.3 million or 3.9 percent of the premium, which includes a 1 percent additional cost included for anticipated utilization increase once benefits are available.**Committee report:** Favorable.

The committee took jurisdiction of two additional bill drafts the committee determined affect PERS. The Chairman and Vice Chairman of the committee will receive actuarial reports on these two bill drafts and will continue to take jurisdiction of legislative measures throughout the legislative session.

ADDITIONAL COMMITTEE RESPONSIBILITIES

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. The following provides information from the 2021-23 biennium:

Agency	2021-23 Agency Authorized FTE Positions	July 1, 2021, to June 30, 2023 (Biennium Total)					
		Recruit		Referral		Retain	
		Number	Amount	Number	Amount	Number	Amount
Adjutant General	222.00	2	\$3,000			20	\$24,400
Aeronautics Commission	7.00					3	20,000
Department of Agriculture	79.00					5	84,000
Bank of North Dakota	173.00	8	29,583	1	\$1,000	9	70,901
Department of Commerce	58.80	2	4,500			24	72,000

Agency	2021-23 Agency Authorized FTE Positions	July 1, 2021, to June 30, 2023 (Biennium Total)					
		Recruit		Referral		Retain	
		Number	Amount	Number	Amount	Number	Amount
Department of Corrections and Rehabilitation	907.79	153	141,007	82	146,667	403	1,142,450
Department of Environmental Quality	166.00					22	248,265
Department of Financial Institutions	31.00					3	7,281
Governor's office	17.00					3	4,500
Department of Health and Human Services	2,459.83	188	1,023,475	211	69,942	225	1,548,880
Highway Patrol	193.00	26	59,500				
Information Technology Department	479.00	3	11,000			3	16,000
Job Service	156.61	1	5,000				
Commission on Legal Counsel for Indigents	40.00					7	34,000
Department of Mineral Resources	108.00					192	871,301
Office of Management and Budget	108.00					20	92,722
Department of Public Instruction	86.25					22	104,000
Public Service Commission	43.00					1	7,200
Retirement and Investment Office	19.00	7	95,000			5	39,914
School for the Deaf	44.61	1	2,500				
State Auditor's office	61.00					48	181,000
State Tax Commissioner	118.00	1	2,000			1	3,000
Department of Veterans Affairs	8.00					1	8,500
Veterans' Home	114.79	33	73,283	1	1,500	96	342,382
Department of Water Resources	90.00	3	8,200			15	56,125
Workforce Safety and Insurance	260.14	9	19,753	1	500		
Total		433	\$1,467,801	296	\$219,609	1,100	\$4,962,894

NOTE: Amounts paid are rounded to the full dollar value and agencies are listed only if they provided these types of bonuses during this period.

The following provides information for the 1st year of the 2023-25 biennium:

Agency	2023-25 Agency Authorized FTE Positions	July 1, 2023, to June 30, 2024 (Fiscal Year Total)					
		Recruit		Referral		Retain	
		Number	Amount	Number	Amount	Number	Amount
Adjutant General	233.00	26	\$19,114			5	(\$4,998)
Aeronautics Commission	7.00					1	5,000
Attorney General	266.00	1	5,000			3	29,000
Bank of North Dakota	187.00	1	1,000			10	66,125
Department of Commerce	65.80	2	4,500				
Department of Corrections and Rehabilitation	929.79	247	140,983	84	\$205,000	15	(2,328)
Department of Financial Institutions	35.00	1	500				
Governor's office	19.00	1	\$1,200				
Department of Health and Human Services	2,483.83	135	910,627	186	82,700	67	546,638
Highway Patrol	205.00	25	62,500	3	3,000		
Department of Mineral Resources	108.00					5	1,639
Information Technology Department	507.00	2	4,000				
Office of Management and Budget	110.00					1	(3,125)
Public Service Commission	45.00					3	3,889
Retirement and Investment Office	34.00					1	(3,600)
State Tax Commissioner	117.00	1	2,000				
Department of Trust Lands	33.00					1	5,000
Veterans' Home	114.79	21				2	1,750
Department of Water Resources	93.00	1	1,500			1	5,000
Workforce Safety and Insurance	260.14	4	4,802			2	5,040
Total		468	\$1,184,732	273	\$290,700	117	\$655,029

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 for the 2021-23 biennium, state employee service awards totaled \$448,300; employer-paid costs of training or educational courses, including tuition and fees, totaled \$2,907,670; and employer-paid professional organization membership and service club dues for individuals totaled \$1,354,162. The following schedule is a summary of the information presented for the 2021-23 biennium:

Agency	2021-23 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	17		\$2,530.00	\$680.00
108 - Secretary of State	33	\$2,552.00	1,005.00	16,236.00
110 - Office of Management and Budget	108	7,633.89	9,538.65	6,516.96
112 - Information Technology Department	479	27,057.70	327,541.96	108,340.75
117 - State Auditor's office	61	4,270.00	64,529.74	11,986.95
120 - State Treasurer	7	50.00	1,610.00	13,140.00
125 - Attorney General	253			33,358.90
127 - Tax Commissioner	118	8,490.50	65,845.70	5,708.50
140 - Office of Administrative Hearings	5	159.95		
180 - Judicial branch	362	20,556.33	152,894.09	338,257.99
188 - Commission on Legal Counsel for Indigents	40		10,364.67	14,241.76
190 - Retirement and Investment Office	25	1,175.50	37,969.46	21,430.00
192 - Public Employees Retirement System	35.5	2,724.50	23,138.23	28,680.00
195 - Ethics Commission	1	205.95	2,800.00	445.00
201 - Department of Public Instruction	86.25		8,014.31	35,839.05
226 - Department of Trust Lands	30	2,012.57	3,570.00	18,010.10
250 - State Library	26.75	1,309.75		5,000.00
253 - School for the Blind	27.25		6,953.00	1,000.00
270 - Department of Career and Technical Education	50.3	1,052.55	2,724.00	5,535.00
301 - Department of Health and Human Services	210.5	12,777.50	58,224.74	30,639.70
303 - Environmental Quality	166	10,860.50	89,636.06	5,318.00
313 - Veterans' Home	114.79	900.00	19,606.00	1,752.00
321 - Department of Veterans Affairs	8			600.00
325 - Department of Health and Human Services	2249.33	108,489.00	498,357.09	33,972.22
360 - Protection and Advocacy Project	28.5	2,692.61		
380 - Job Service North Dakota	156.61	9,399.00	5,821.00	399.00
401 - Insurance Department	38	2,000.00	16,764.22	9,310.00
405 - Industrial Commission	108.25	4,560.00	3,727.41	244.00
406 - Department of Labor and Human Rights	13	552.82		
408 - Public Service Commission	43	2,384.50	4,770.00	2,572.88
414 - Securities Department	10	375.00		6,384.50
485 - Workforce Safety and Insurance	260.14	21,578.32	198,056.52	87,976.25
504 - Highway Patrol	193		210,002.37	58,276.12
530 - Department of Corrections and Rehabilitation	907.79	49,559.92	390,841.15	164,880.38
540 - Adjutant General	222	19,044.11	57,691.46	33,149.90
601 - Department of Commerce	58.8	4,300.00	14,175.00	600.00
602 - Department of Agriculture	79	2,783.50		65,121.33
616 - State Seed Department		350.00		725.00
701 - State Historical Society	78.75	7,495.00	32,477.38	2,347.00
720 - Game and Fish Department	164	37,337.85	2,895.00	123,441.12
750 - Parks and Recreation Department	57.75	8,448.54	6,681.00	15,650.00
770 - Department of Water Resources	90	5,450.00	67,037.63	9,831.90
801 - Department of Transportation	982	57,711.00	509,877.05	36,563.95
Total		\$448,300.36	\$2,907,669.89	\$1,354,162.21

Health Insurance Mandate Procedure

Under Section 54-03-28, 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 cost-benefit analysis before the deadline to report bills out of committee.

Recommendation

The committee recommended legislators who plan to introduce a legislative measure that provides for a health insurance mandate under Section 54-03-28 be required to provide Legislative Council a copy of the proposed legislative measure by the close of business on the second Friday following adjournment of the Organizational Session.

Federal Requirements

Teachers' Fund for Retirement

The TFFR Board reported action by the committee was required under Section 15-39.1-35 to comply with the federal Setting Every Community Up for Retirement Enhancement (SECURE) 2.0 Act of 2022. The committee received background information on the SECURE 2.0 Act, which raised the age at which required minimum distributions must be withdrawn from retirement accounts to 73. The committee authorized TFFR to amend Section 15-39.1-10 to implement the SECURE 2.0 Act. In compliance with Section 15-39.1-05.2, the TFFR Board notified the committee of its intention to introduce legislation to comply with the SECURE 2.0 Act.

Public Employees Retirement System

The PERS Board reported action by the committee was required under Section 54-52-23 to comply with the SECURE 2.0 Act. The committee authorized PERS to amend Section 54-52-28 to implement the SECURE 2.0 Act. The PERS Board notified the committee of its intention to introduce legislation to comply with the SECURE 2.0 Act.

Firefighters Relief Associations

The committee was not notified by a firefighters relief association pursuant to Section 18-11-15(5), which requires the committee to be notified by any firefighters relief association that implements an alternate schedule of monthly service pension benefits for members of the association.

REPORTS

Retirement and Investment Office

The committee received periodic reports from RIO, including:

- An overview of RIO;
- The status of 2023 legislation implementation relating to RIO;
- The status of investments of the State Investment Board investments for the legacy fund; and
- A summary of RIO's strategic plan and investment management initiative.

The committee was informed performance of the TFFR, PERS, and legacy funds as of June 30, 2023, were:

	TFFR	PERS	Legacy Fund
Total fund - Year-to-date	6.7%	7.1%	7.6%
Total fund - 1 year	7.5%	8.0%	8.2%
Total fund - 3 year	8.4%	8.6%	6.1%
Total fund - 5 year	6.8%	6.9%	5.5%

Public Employees Retirement System

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

- An overview of the PERS agency;
- The status of 2023 legislation implementation relating to PERS;
- An overview of the PERS retirement plans and group insurance plans, including funding solutions for the Highway Patrol Troopers' retirement system fund;
- An overview of the contracts PERS enters under Chapters 54-52, 54-52.1, and 54-52.6; and
- A summary of PERS' strategic plan for 2022 through 2024.

The committee also received testimony and periodic reports from representatives of PERS regarding the status of the closure of the main system DB retirement plan and the transition to the new DC retirement plan. Testimony received by the committee included progress of the administrative rulemaking process, communication with stakeholders, and technology updates associated with the transition. Testimony indicated PERS is on schedule to transition to the new DC retirement plan on January 1, 2025.