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## Bill Draft No. 15.0139.01

August 28, 2014

Mr. Sparb Collins, Executive Director  
State of North Dakota Public Employees' Retirement System  
400 East Broadway, Suite 505  
P.O. Box 1657  
Bismarck, ND 58502

Re: **Technical Comments – Bill Draft No. 15.0139.01000**

Dear Sparb:

The following presents our analysis of the proposed changes found in Bill Draft No. 15.0139.0100:

**Systems Affected:** North Dakota Public Employees Retirement System (Hybrid Plan) and Retiree Health Benefit Fund

**Summary:** The proposed legislation would eliminate National Guard firefighters as a separate group of participating members in the Hybrid Plan and Retiree Health Benefit Fund. The bill would also align the contribution structure of both member and employer contributions for security officers employed by the National Guard with the contribution structure for law enforcement with prior main service members.

**Actuarial Cost Analysis:** The proposed legislation would not have a material impact on the overall actuarial cost of the Hybrid Plan or the Retiree Health Benefit Fund. If assets are transferred between cost groups as a result of the bill, the cost rates associated with those groups could change as discussed below.

**Technical Comments:** Our comments on the bill are as follows:

### General

The Hybrid Plan provides very similar levels of benefits to both National Guard security officers and law enforcement with prior main service members including the benefit accrual formula (2% of final average salary times years of service), death benefits, and optional forms of retirement benefits. However, these employee groups have different normal retirement dates and early retirement reduction rates. For National Guard security officers, the normal retirement date is age 55 with three years of eligible employment, and early retirement reduction is based on months

prior to reaching age 55 with three years of eligible employment. For law enforcement with prior main service members, the normal retirement date is age 55 with three years of eligible employment or attaining Rule of 85 eligibility, and the early retirement reduction is based on months prior to reaching age 55 with three years of eligible employment or the age at which Rule of 85 is met.

By aligning the contribution structure of both member and employer contributions for security officers employed by the National Guard with the contribution structure for law enforcement plan with prior main service members, National Guard security officers would experience an increase in required member contributions from 4.5% of monthly salary to 5.5% of monthly salary with no increase in retirement benefits. We assume the employer contribution rate for National Guard security officers will be identical to the employer contribution rate for law enforcement with prior main service members, as approved by the PERS board. Thus, the National Guard's employer contribution rate may also increase under this bill (from 7.00% to 9.81%).

### **Benefits Policy Issues**

➤ **Adequacy of Retirement Benefits**

No impact.

➤ **Benefits Equity and Group Integrity**

Under the bill, National Guard security officers would pay the same member contributions as law enforcement with prior main service members but would not be eligible to retire under the Rule of 85.

➤ **Competitiveness**

No impact.

➤ **Purchasing Power Retention**

No impact.

➤ **Preservation of Benefits**

Increased funding to the System in the form of additional member contributions from National Guard security officers provides additional funds to pay down the unfunded actuarial accrued liability of the System at a faster rate. By setting up this additional funding mechanism it will help preserve the value of benefits from the System for future years.

> Portability

No impact.

> Ancillary Benefits

- ◆ No impact.
- ◆ Social Security: No impact.

**Funding Policy Issues**

> Actuarial Impacts

Given that the National Guard participants have similar same ages, service and salaries as the Law Enforcement with Prior Main Service participants, the bill does not create a material change in actuarial costs. In particular, the most recent actuarial valuation shows the following information.

	National Guard	Law Enforcement with Prior Main Service
Average age	36.5	38.5
Average service credits	5.5	7.3
Average compensation	\$43,359	\$51,109
Total normal cost	10.49% of pay	10.60% of pay
Member contribution*	4.50%	5.50%
Employer normal cost	5.99%	5.10%

\*Contribution effective January 1, 2014

> Investment Impacts

- ◆ Asset Allocation: The bill does not create new investment asset allocation issues.
- ◆ Cash Flow Impacts: The bill will create additional cash flow to the System.

**Administration Issues**

> Implementation Issues

Pursuant to rules under Internal Revenue Code section 414(h), the National Guard would be required to take formal, written action to elect to pick up the increased member contribution amounts, in order for such contributions to be made on a pre-tax basis.

> Administrative Costs

The bill will have minimal effect on administrative resources.

> Needed Authority

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

> Cross Impact on Other Plans

No impact.

> Employee Communications

Employee communications may be necessary to describe the impact of increased member contributions on pay to National Guard security officers.

> Miscellaneous and Drafting Issues

Since this bill would increase member contribution rates for security officers, the National Guard would need to determine whether they can pay for the increased member contributions from their own funds as a salary supplement or would reduce members' current or future salary, while also perhaps paying an increased employer contribution rate. If the National Guard decides to reduce members' salary to pay for the increased level of member contributions, they must pay and report FICA taxes on the member contribution amounts made via salary reduction.

The actuarial results summarized herein are based on the actuarial valuation as of July 1, 2013, which was completed under the supervision of Tammy Dixon, FSA, MAAA, EA.

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The information contained in this letter is provided within our role as the plan's actuary and benefits consultant and is not intended to provide tax or legal advice. We recommend that you address all issues described herein with your legal counsel. Please call if you have any questions or comments.

Sincerely,



Brad Ramirez, FSA, MAAA, FCA, EA  
Vice President and Consulting Actuary

Sincerely,



Melanie Walker, JD  
Vice President

/cz

cc: Tammy Dixon  
Laura Mitchell

5331547v1/01640.004

**Air National Guard Retirement Plan**  
**2015 Session**  
**LC 15.0139.01**

<b>Proposed Legislation</b>	<b>Reason</b>	<b>Comments</b>
<p>A BILL for an Act to amend and reenact section 54-52-01, subsection 3 of section 54-52-05, sections 54-52-06.4 and 54-52-06.5, subsection 3 of section 54-52-17, and section 54-52.1-03.2 of the North Dakota Century Code, relating to state employee retirement plans; and to repeal section 54-52-06.2 of the North Dakota Century Code, relating to retirement contributions by national guard security officers and firefighters.</p> <p><b>BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:</b>  <b>SECTION 1. AMENDMENT.</b> Section 54-52-01 of the North Dakota Century Code is amended and reenacted as follows:  <b>54-52-01. (Effective through July 31, 2017) Definition of terms.</b>  As used in this chapter, unless the context otherwise requires:</p> <ol style="list-style-type: none"> <li>1. "Account balance" means the total contributions made by the employee, vested employer contributions under section 54-52-11.1, the vested portion of the vesting fund as of June 30, 1977, and interest credited thereon at the rate established by the board.</li> <li>2. "Beneficiary" means any person in receipt of a benefit provided by this plan or any person designated by a participating member to receive benefits.</li> <li>3. "Correctional officer" means a participating member who is employed as a correctional officer by a political subdivision.</li> <li>4. "Eligible employee" means all permanent employees who meet all of the eligibility requirements set by this chapter and who are eighteen years or more of age, and includes appointive and elective officials under sections 54-52-02.5, 54-52-02.11, and 54-52-02.12, and nonteaching employees of the superintendent of public instruction, including the superintendent of public instruction, who elect to transfer from the teachers' fund for retirement to the public employees retirement system under section 54-52-02.13, and employees of the state board for career and technical education who elect to transfer from</li> </ol>	<p>References Law Enforcement plan and reflects changes to Air National Guard Plan</p> <p>Amendment addresses changes to contribution amounts as well as provides for transfer of assets into Law enforcement plan. Following proposals resulted after additional review was completed upon receiving bill.</p>	<p><i>See attachment A for details</i></p> <p><b>"SECTION 1. AMENDMENT.</b> Section 54-52-06.2 of the North Dakota Century Code is amended and reenacted as follows:</p> <p><b>54-52-06.2. Contribution by national guard security officers or firefighters - Employer contribution.</b>  <i>Each national guard security officer or firefighter who is a member of the public employees retirement system is assessed and shall pay monthly four</i></p>

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<p>the teachers' fund for retirement to the public employees retirement system under section 54-52-02.14. Eligible employee does not include state employees who elect to become members of the retirement plan established under chapter 54-52.6.</p> <p>5. "Employee" means any person employed by a governmental unit, whose compensation is paid out of the governmental unit's funds, or funds controlled or administered by a governmental unit, or paid by the federal government through any of its executive or administrative officials; licensed employees of a school district means those employees eligible to participate in the teachers' fund for retirement who, except under subsection 2 of section 54-52-17.2, are not eligible employees under this chapter.</p> <p>6. "Employer" means a governmental unit.</p> <p>7. "Funding agent" or "agents" means an investment firm, trust bank, or other financial institution which the retirement board may select to hold and invest the employers' and members' contributions.</p> <p>8. "Governmental unit" means the state of North Dakota, except the highway patrol for members of the retirement plan created under chapter 39-03.1, or a participating political subdivision thereof.</p> <p>9. "National guard security officer or firefighter" means a participating member who is:</p> <p>a. A security police employee of the North Dakota national guard; or</p> <p>b. A firefighter employee of the North Dakota national guard.</p> <p>10. "Participating member" means all eligible employees who through payment into the plan have established a claim against the plan.</p> <p>11. "Peace officer" means a participating member who is a peace officer as defined in section 12-63-01 and is employed as a peace officer by the bureau of criminal investigation or by a political subdivision and, notwithstanding subsection 12, for persons employed after August 1, 2005, is employed thirty-two hours or more per week and at least twenty weeks each year of employment. Participating members of the law enforcement retirement plan created by this chapter who begin employment after August 1, 2005, are ineligible to participate concurrently in any other retirement plan administered by the public employees retirement system.</p> <p>12. "Permanent employee" means a governmental unit employee whose</p>		<p><i>percent of the employee's monthly salary. Member contributions increase by one-half of one percent of the member's monthly salary beginning with the monthly reporting period of January 2014. <u>Effective August 1, 2015, each national guard security officer or firefighter that is a participating member of the plan under this section shall become a participating member of the plan under section 54-52-06.4 and the board shall thereafter manage any account balance associated with those participating members under section 54-52-06.4. No new eligible employees may become a participating member of the plan under this section after July 31, 2015. The assessment must be deducted and retained out of the employee's salary in equal</u></i></p>

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<p>services are not limited in duration and who is filling an approved and regularly funded position in an eligible governmental unit, and is employed twenty hours or more per week and at least twenty weeks each year of employment.</p> <p>13. "Prior service" means service or employment prior to July 1, 1966.</p> <p>14. "Prior service credit" means such credit toward a retirement benefit as the retirement board may determine under the provisions of this chapter.</p> <p>15. "Public employees retirement system" means the retirement plan and program established by this chapter.</p> <p>16. "Retirement" means the acceptance of a retirement allowance under this chapter upon either termination of employment or termination of participation in the retirement plan and meeting the normal retirement date.</p> <p>17. "Retirement board" or "board" means the seven persons designated by this chapter as the governing authority for the retirement system created.</p> <p>18. "Seasonal employee" means a participating member who does not work twelve months a year.</p> <p>19. "Service" means employment on or after July 1, 1966.</p> <p>20. "Service benefit" means the credit toward retirement benefits as determined by the retirement board under the provisions of this chapter.</p> <p>21. "Temporary employee" means a governmental unit employee who is not eligible to participate as a permanent employee, who is at least eighteen years old and not actively contributing to another employer-sponsored pension fund, and, if employed by a school district, occupies a noncertified teacher's position.</p> <p>22. "Wages" and "salaries" means the member's earnings in eligible employment under this chapter reported as salary on the member's federal income tax withholding statements plus any salary reduction or salary deferral amounts under 26 U.S.C. 125, 401(k), 403(b), 414(h), or 457. "Salary" does not include fringe benefits such as payments for unused sick leave, personal leave, vacation leave paid in a lump sum, overtime, housing allowances, transportation expenses, early retirement incentive pay, severance pay, medical insurance, workforce safety and insurance benefits, disability insurance premiums or benefits, or salary received by a member in lieu of previously employer-provided fringe benefits under an agreement between the member and participating employer. Bonuses may be considered as salary under this section if reported and annualized pursuant to rules adopted by the board.</p>		<p><i>monthly installments. The national guard security officer's or firefighter's employer shall contribute an amount determined by the board to be actuarially required to support the level of benefits specified in section 54-52-17. The employer's contribution must be paid from funds appropriated for salary or from any other funds available for such purposes. If the security officer's or firefighter's assessment is paid by the employer under subsection 3 of section 54-52-05, the employer shall contribute, in addition, an amount equal to the required national guard security officer's or firefighter's assessment."</i></p>

Proposed Legislation	Reason	Comments
<p><b>(Effective after July 31, 2017) Definition of terms.</b> As used in this chapter, unless the context otherwise requires:</p> <ol style="list-style-type: none"> <li>1. "Account balance" means the total contributions made by the employee, vested employer contributions under section 54-52-11.1, the vested portion of the vesting fund as of June 30, 1977, and interest credited thereon at the rate established by the board.</li> <li>2. "Beneficiary" means any person in receipt of a benefit provided by this plan or any person designated by a participating member to receive benefits.</li> <li>3. "Correctional officer" means a participating member who is employed as a correctional officer by a political subdivision.</li> <li>4. "Eligible employee" means all permanent employees who meet all of the eligibility requirements set by this chapter and who are eighteen years or more of age, and includes appointive and elective officials under sections 54-52-02.5, 54-52-02.11, and 54-52-02.12, and nonteaching employees of the superintendent of public instruction, including the superintendent of public instruction, who elect to transfer from the teachers' fund for retirement to the public employees retirement system under section 54-52-02.13, and employees of the state board for career and technical education who elect to transfer from the teachers' fund for retirement to the public employees retirement system under section 54-52-02.14. Eligible employee does not include nonclassified state employees who elect to become members of the retirement plan established under chapter 54-52.6 but does include employees of the judicial branch and employees of the board of higher education and state institutions under the jurisdiction of the board.</li> <li>5. "Employee" means any person employed by a governmental unit, whose compensation is paid out of the governmental unit's funds, or funds controlled or administered by a governmental unit, or paid by the federal government through any of its executive or administrative officials; licensed employees of a school district means those employees eligible to participate in the teachers' fund for retirement who, except under subsection 2 of section 54-52-17.2, are not eligible employees under this chapter.</li> <li>6. "Employer" means a governmental unit.</li> <li>7. "Funding agent" or "agents" means an investment firm, trust bank, or other financial institution which the retirement board may select to hold and invest the</li> </ol>		

Proposed Legislation	Reason	Comments
<p>employers' and members' contributions.</p> <p>8. "Governmental unit" means the state of North Dakota, except the highway patrol for members of the retirement plan created under chapter 39-03.1, or a participating political subdivision thereof.</p> <p>9. "National guard security officer or firefighter" means a participating member who is:</p> <p>a. A security police employee of the North Dakota national guard; or</p> <p>b. A firefighter employee of the North Dakota national guard.</p> <p>10. "Participating member" means all eligible employees who through payment into the plan have established a claim against the plan.</p> <p>11. "Peace officer" means a participating member who is a peace officer as defined in section 12-63-01 and is employed as a peace officer by the bureau of criminal investigation or by a political subdivision and, notwithstanding subsection 12, for persons employed after August 1, 2005, is employed thirty-two hours or more per week and at least twenty weeks each year of employment. Participating members of the law enforcement retirement plan created by this chapter who begin employment after August 1, 2005, are ineligible to participate concurrently in any other retirement plan administered by the public employees retirement system.</p> <p>12. "Permanent employee" means a governmental unit employee whose services are not limited in duration and who is filling an approved and regularly funded position in an eligible governmental unit, and is employed twenty hours or more per week and at least twenty weeks each year of employment.</p> <p>13. "Prior service" means service or employment prior to July 1, 1966.</p> <p>14. "Prior service credit" means such credit toward a retirement benefit as the retirement board may determine under the provisions of this chapter.</p> <p>15. "Public employees retirement system" means the retirement plan and program established by this chapter.</p> <p>16. "Retirement" means the acceptance of a retirement allowance under this chapter upon either termination of employment or termination of participation in the retirement plan and meeting the normal retirement date.</p> <p>17. "Retirement board" or "board" means the seven persons designated by this chapter as the governing authority for the retirement system created.</p> <p>18. "Seasonal employee" means a participating member who does not work</p>		

Proposed Legislation	Reason	Comments
<p>twelve months a year.</p> <p>19. "Service" means employment on or after July 1, 1966.</p> <p>20. "Service benefit" means the credit toward retirement benefits as determined by the retirement board under the provisions of this chapter.</p> <p>21. "Temporary employee" means a governmental unit employee who is not eligible to participate as a permanent employee, who is at least eighteen years old and not actively contributing to another employer-sponsored pension fund, and, if employed by a school district, occupies a noncertified teacher's position.</p> <p>22. "Wages" and "salaries" means the member's earnings in eligible employment under this chapter reported as salary on the member's federal income tax withholding statements plus any salary reduction or salary deferral amounts under 26 U.S.C. 125, 401(k), 403(b), 414(h), or 457. "Salary" does not include fringe benefits such as payments for unused sick leave, personal leave, vacation leave paid in a lump sum, overtime, housing allowances, transportation expenses, early retirement incentive pay, severance pay, medical insurance, workforce safety and insurance benefits, disability insurance premiums or benefits, or salary received by a member in lieu of previously employer-provided fringe benefits under an agreement between the member and participating employer. Bonuses may be considered as salary under this section if reported and annualized pursuant to rules adopted by the board.</p>		
<p><b>SECTION 2. AMENDMENT.</b> Subsection 3 of section 54-52-05 of the North Dakota Century Code is amended and reenacted as follows:</p> <p>3. Each employer, at its option, may pay all or a portion of the employee contributions required by subsection 2 and sections 54-52-06.1, 54-52-06.2, 54-52-06.3, and 54-52-06.4 or the employee contributions required to purchase service credit on a pretax basis pursuant to subsection 5 of section 54-52-17.4. Employees may not receive the contributed amounts directly once the employer has elected to pay the employee contributions. The amount paid must be paid by the employer in lieu of contributions by the employee. If the state determines not to pay the contributions, the amount that would have been paid must continue to be deducted from the employee's compensation. If contributions are paid by the employer, they must be treated as employer contributions in determining tax treatment under this code and the federal Internal Revenue Code. If contributions are paid by the employer, they may not be included as</p>		

Proposed Legislation	Reason	Comments
<p>gross income of the employee in determining tax treatment under this code and the Internal Revenue Code until they are distributed or made available. The employer shall pay these employee contributions from the same source of funds used in paying compensation to the employee or from the levy authorized by subsection 5 of section 57-15-28.1. The employer shall pay these contributions by effecting an equal cash reduction in the gross salary of the employee or by an offset against future salary increases or by a contribution of a reduction in gross salary and offset against future salary increases. If employee contributions are paid by the employer, they must be treated for the purposes of this chapter in the same manner and to the same extent as employee contributions made prior to before the date on which employee contributions were assumed by the employer. An employer exercising its option under this subsection shall report its choice to the board in writing.</p>		
<p><b>SECTION 3. AMENDMENT.</b> Section 54-52-06.4 of the North Dakota Century Code is amended and reenacted as follows:  <b>54-52-06.4. Contribution by peace officers employed by the bureau of criminal investigation or security officers employed by the national guard – Employer contribution.</b> Each peace officer employed by the bureau of criminal investigation <del>or national guard security officer</del> who is a member of the public employees retirement system is assessed and shall pay monthly four percent of the employee's monthly salary. Peace officer contributions increase by one percent of the member's monthly salary beginning with the monthly reporting period of January 2012, and with an additional increase of one percent, beginning with the reporting period of January 2013. The assessment must be deducted and retained out of the employee's salary in equal monthly installments. The peace officer's <del>or security officer's</del> employer shall contribute an amount determined by the board to be actuarially required to support the level of benefits specified in section 54-52-17. The employer's contribution must be paid from funds appropriated for salary or from any other funds available for such purposes. If the peace officer's <del>or security officer's</del> assessment is paid by the employer under subsection 3 of section 54-52-05, the employer shall contribute, in addition, an amount equal to the required peace officer's <del>or security officer's</del> assessment.</p>		<p><i>Overstrike "national guard security officer"</i></p> <p><i>Insert "<u>Effective August 1, 2015, each national guard security officer who is a member of the public employee's retirement system is assessed and shall pay monthly six percent of the employee's monthly salary. National guard security officer contributions shall decrease by one-half of one percent of the</u></i></p>

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		<u>member's monthly salary beginning with the monthly reporting period of January 2016."</u>
<p><b>SECTION 4. AMENDMENT.</b> Section 54-52-06.5 of the North Dakota Century Code is amended and reenacted as follows:</p> <p><b>54-52-06.5. Reduction in member and employer contributions.</b></p> <p>The required increase in the amount of member and employer contributions under sections 54-52-02.9, 54-52-05, 54-52-06, 54-52-06.1, <del>54-52-06.2</del>, 54-52-06.3, 54-52.6-02, and 54-52.6-09 must be reduced to the rate in effect on July 1, 2013, effective on the July first that follows the first valuation of the public employees retirement system main system showing a ratio of the actuarial value of assets to the actuarial accrued liability of the public employees retirement system main system that is equal to or greater than one hundred percent</p>		
<p><b>SECTION 5. AMENDMENT.</b> Subsection 3 of section 54-52-17 of the North Dakota Century Code is amended and reenacted as follows:</p> <p>3. Retirement dates are defined as follows:</p> <p>a. Normal retirement date, except for a national guard security officer <del>or firefighter</del> or a peace officer or correctional officer employed by the bureau of criminal investigation or by a political subdivision, is:</p> <p>(1) The first day of the month next following the month in which the member attains the age of sixty-five years; or</p> <p>(2) When the member has a combined total of years of service credit and years of age equal to eighty-five and has not received a retirement benefit under this chapter.</p> <p>b. Normal retirement date for a national guard security officer <del>or firefighter</del> is the first day of the month next following the month in which the national guard security officer <del>or firefighter</del> attains the age of fifty-five years and has completed at least three eligible years of employment as a national guard security officer <del>or firefighter</del>.</p> <p>c. Normal retirement date for a peace officer or correctional officer employed by a political subdivision is:</p> <p>(1) The first day of the month next following the month in which the peace</p>	<p>Provides "rule of 85" to be consistent with law enforcement plan</p>	<p><i>Remove overstrikes</i></p> <p><i>replace "the" with "(1) <u>The</u>" and overstrike "as a" and insert immediately thereafter "<u>;</u> or (2) <u>When the</u>"</i></p>

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<p>officer or correctional officer attains the age of fifty-five years and has completed at least three eligible years of employment as a peace officer or correctional officer; or (2) When the peace officer or correctional officer has a combined total of years of service credit and years of age equal to eighty-five and has not received a retirement benefit under this chapter.</p> <p>d. Normal retirement date for a peace officer employed by the bureau of criminal investigation is:</p> <p>(1) The first day of the month next following the month in which the peace officer attains the age of fifty-five years and has completed at least three eligible years of employment as a peace officer; or</p> <p>(2) When the peace officer has a combined total of years of service credit and years of age equal to eighty-five and has not received a retirement benefit under this chapter.</p> <p>e. Postponed retirement date is the first day of the month next following the month in which the member, on or after July 1, 1977, actually severs or has severed the member's employment after reaching the normal retirement date.</p> <p>f. Early retirement date, except for a national guard security officer or firefighter or a peace officer or correctional officer employed by the bureau of criminal investigation or by a political subdivision, is the first day of the month next following the month in which the member attains the age of fifty-five years and has completed three years of eligible employment. For a national guard security officer or firefighter, early retirement date is the first day of the month next following the month in which the national guard security officer or firefighter attains the age of fifty years and has completed at least three years of eligible employment. For a peace officer or correctional officer employed by the bureau of criminal investigation or by a political subdivision, early retirement date is the first day of the month next following the month in which the peace officer or correctional officer attains the age of fifty years and has completed at least three years of eligible employment.</p> <p>g. Disability retirement date is the first day of the month after a member becomes permanently and totally disabled, according to medical evidence called for under the rules of the board, and has completed at least one hundred eighty days of eligible employment. For supreme and district court judges, permanent and total disability is based solely on a judge's inability to perform</p>		<p><i>**insert "<u>has a combined total of years of service credit and years of age equal to eighty-five and has not received a retirement benefit under this chapter</u>"</i></p>

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<p>judicial duties arising out of physical or mental impairment, as determined pursuant to rules adopted by the board or as provided by subdivision a of subsection 3 of section 27-23-03. A member is eligible to receive disability retirement benefits only if the member:</p> <p>(1) Became disabled during the period of eligible employment; and</p> <p>(2) Applies for disability retirement benefits within twelve months of the date the member terminates employment. A member is eligible to continue to receive disability benefits as long as the permanent and total disability continues and the member submits the necessary documentation and undergoes medical testing required by the board, or for as long as the member participates in a rehabilitation program required by the board, or both. If the board determines that a member no longer meets the eligibility definition, the board may discontinue the disability retirement benefit. The board may pay the cost of any medical testing or rehabilitation services it deems necessary and these payments are appropriated from the retirement fund for those purposes.</p>		
<p><b>SECTION 6. AMENDMENT.</b> Section 54-52.1-03.2 of the North Dakota Century Code is amended and reenacted as follows:</p> <p><b>54-52.1-03.2. (Contingent expiration date) Retiree health benefits fund - Appropriation.</b></p> <p>1. The board shall establish a retiree health benefits fund account with the Bank of North Dakota for the purpose of prefunding and providing hospital benefits coverage and medical benefits coverage under the uniform group insurance program for retired eligible employees or surviving spouses of retired eligible employees and their dependents as provided in this chapter. The state shall contribute monthly to the retiree health benefits fund an amount equal to one and fourteen hundredths percent of the monthly salaries and wages of all participating members of the highway patrolmen's retirement system under chapter 39-03.1, and one and fourteen hundredths percent of the monthly salaries of all supreme or district court judges who are participating members of the public employees retirement system under chapter 54-52. Each governmental unit that contributes to the public employees retirement system fund under section 54-52-06 or the retirement plan under chapter 54-52.6 shall contribute monthly to the retiree health benefits fund an amount equal</p>	<p>Both groups continue to exist and have RHIC, but merge together in the future, so nothing needs to change</p>	<p><i>Remove this language as it is not necessary.</i></p>

<b>Proposed Legislation</b>	<b>Reason</b>	<b>Comments</b>
<p>to one and fourteen hundredths percent of the monthly salaries or wages of all participating members of the public employees retirement system under chapter 54-52 or chapter 54-52.6, except for nonteaching employees of the superintendent of public instruction who elect to participate in the public employees retirement system pursuant to section 54-52-02.13 and employees of the state board for career and technical education who elect to participate in the public employees retirement system pursuant to section 54-52-02.14. For nonteaching employees of the superintendent of public instruction who elect to participate in the public employees retirement system pursuant to section 54-52-02.13, the superintendent of public instruction shall contribute monthly to the retiree health benefits fund an amount equal to three and twenty-four hundredths percent of the monthly salaries or wages of those nonteaching employee members, beginning on the first of the month following the transfer under section 54-52-02.13 and continuing thereafter for a period of eight years, after which time the superintendent of public instruction shall contribute one and fourteen hundredths percent of the monthly salary or wages of those nonteaching employee members. For employees of the state board for career and technical education who elect to participate in the public employees retirement system pursuant to section 54-52-02.14, the state board for career and technical education shall contribute monthly to the retiree health benefits fund an amount equal to two and ninety-nine hundredths percent of the monthly salary or wages of those employee members, beginning on the first of the month following the transfer under section 54-52-02.14 and continuing thereafter for a period of eight years, after which time the state board for career and technical education shall contribute one and fourteen hundredths percent of the monthly salary or wages of those employee members. The employer of a national guard security officer <del>or firefighter</del> shall contribute monthly to the retiree health benefits fund an amount equal to one and fourteen hundredths percent of the monthly salaries or wages of all national guard security officers <del>or firefighters</del> participating in the public employees retirement system under chapter 54-52. Job service North Dakota shall reimburse monthly the retiree health benefits fund for credit received under section 54-52.1-03.3 by members of the retirement program established by job service North Dakota under section 52-11-01. The board, as trustee of the fund and in exclusive control of its</p>		

Proposed Legislation	Reason	Comments
<p>administration, shall:</p> <p>a. Provide for the investment and disbursement of moneys of the retiree health benefits fund and administrative expenditures in the same manner as moneys of the public employees retirement system are invested, disbursed, or expended.</p> <p>b. Adopt rules necessary for the proper administration of the retiree health benefits fund, including enrollment procedures.</p> <p>2. All moneys deposited in the fund established under subsection 1, not otherwise appropriated, are hereby appropriated to the board for the purpose of making investments for the fund and to make contributions toward hospital and medical benefits coverage for eligible retired employees or surviving spouses of eligible retired employees and their dependents under the uniform group insurance program.</p> <p>3. If a member terminates employment because of death, permanent and total disability, or any voluntary or involuntary reason prior to retirement, the member or the member's designated beneficiary is entitled to the member's account balance at termination. If a member's account balance is withdrawn, the member relinquishes all rights to benefits under the retiree health benefits fund.</p> <p><b>(Contingent effective date) Retiree health benefits fund - Appropriation.</b></p> <p>1. The board shall establish a retiree health benefits fund account with the Bank of North Dakota for the purpose of prefunding and providing hospital benefits coverage and medical benefits coverage and prescription drug coverage under any health insurance program and dental, vision, and long-term care benefits coverage under the uniform group insurance program for retired eligible employees or surviving spouses of retired eligible employees and their dependents as provided in this chapter. The state shall contribute monthly to the retiree health benefits fund an amount equal to one and fourteen hundredths percent of the monthly salaries and wages of all participating members of the highway patrolmen's retirement system under chapter 39-03.1, and one and fourteen hundredths percent of the monthly salaries of all supreme or district court judges who are participating members of the public employees retirement system under chapter 54-52. Each governmental unit that contributes to the public employees retirement system fund under section 54-52-06 or the retirement plan under chapter 54-52.6 shall contribute monthly to the retiree health benefits fund an amount equal to one and fourteen hundredths percent of</p>		

<b>Proposed Legislation</b>	<b>Reason</b>	<b>Comments</b>
<p>the monthly salaries or wages of all participating members of the public employees retirement system under chapter 54-52 or chapter 54-52.6, except for nonteaching employees of the superintendent of public instruction who elect to participate in the public employees retirement system pursuant to section 54-52-02.13 and employees of the state board for career and technical education who elect to participate in the public employees retirement system pursuant to section 54-52-02.14. For nonteaching employees of the superintendent of public instruction who elect to participate in the public employees retirement system pursuant to section 54-52-02.13, the superintendent of public instruction shall contribute monthly to the retiree health benefits fund an amount equal to three and twenty-four hundredths percent of the monthly salaries or wages of those nonteaching employee members, beginning on the first of the month following the transfer under section 54-52-02.13 and continuing thereafter for a period of eight years, after which time the superintendent of public instruction shall contribute one and fourteen hundredths percent of the monthly salary or wages of those nonteaching employee members. For employees of the state board for career and technical education who elect to participate in the public employees retirement system pursuant to section 54-52-02.14, the state board for career and technical education shall contribute monthly to the retiree health benefits fund an amount equal to two and ninety-nine hundredths percent of the monthly salary or wages of those employee members, beginning on the first of the month following the transfer under section 54-52-02.14 and continuing thereafter for a period of eight years, after which time the state board for career and technical education shall contribute one and fourteen hundredths percent of the monthly salary or wages of those employee members. The employer of a national guard security officer <del>or firefighter</del> shall contribute monthly to the retiree health benefits fund an amount equal to one and fourteen hundredths percent of the monthly salaries or wages of all national guard security officers <del>or firefighters</del> participating in the public employees retirement system under chapter 54-52. Job service North Dakota shall reimburse monthly the retiree health benefits fund for credit received under section 54-52.1-03.3 by members of the retirement program established by job service North Dakota under section 52-11-01. The board, as trustee of the fund and in exclusive control of its administration, shall:</p>		

<b>Proposed Legislation</b>	<b>Reason</b>	<b>Comments</b>
<p>a. Provide for the investment and disbursement of moneys of the retiree health benefits fund and administrative expenditures in the same manner as moneys of the public employees retirement system are invested, disbursed, or expended.</p> <p>b. Adopt rules necessary for the proper administration of the retiree health benefits fund, including enrollment procedures.</p> <p>2. All moneys deposited in the fund established under subsection 1, not otherwise appropriated, are hereby appropriated to the board for the purpose of making investments for the fund and to make contributions toward hospital and medical benefits coverage and prescription drug coverage under any health insurance program and dental, vision, and long-term care benefits coverage under the uniform group insurance program for eligible retired employees or surviving spouses of eligible retired employees and their dependents as elected.</p> <p>3. If a member terminates employment because of death, permanent and total disability, or any voluntary or involuntary reason prior to retirement, the member or the member's designated beneficiary is entitled to the member's account balance at termination. If a member's account balance is withdrawn, the member relinquishes all rights to benefits under the retiree health benefits fund.</p>		
<p><b>SECTION 7. REPEAL.</b> Section 54-52-06.2 of the North Dakota Century Code is repealed.</p>		

Actual amendments are found in attachment A

Technical comments are included on attachment B

Attachment A  
PROPOSED AMENDMENTS TO BILL NO. 15.0139.01000

Page 1, line 1, remove "section 54-52-01, subsection 3 of section 54-02-05,"

Page 1, line 2, after "sections" insert "54-52-06.2,"

Page 1, line 2, after the first comma insert "and"

Page 1, line 2, remove ", and section"

Page 1 line 3, remove "54-52.1-03.2"

Page 1, line 3, remove the comma after "plans"

Page 1, line 4, remove "to repeal section 54-52-06.2 of the North Dakota Century Code, relating to"

Page 1, replace lines 7 through 24 with

**"SECTION 1. AMENDMENT.** Section 54-52-06.2 of the North Dakota Century Code is amended and reenacted as follows:

**54-52-06.2. Contribution by national guard security officers or firefighters - Employer contribution.**

Each national guard security officer or firefighter who is a member of the public employees retirement system is assessed and shall pay monthly four percent of the employee's monthly salary. Member contributions increase by one-half of one percent of the member's monthly salary beginning with the monthly reporting period of January 2014. Effective August 1, 2015, each national guard security officer or firefighter that is a participating member of the plan under this section shall become a participating member of the plan under section 54-52-06.4 and the board shall thereafter manage any account balance associated with those participating members under section 54-52-06.4. No new eligible employees may become a participating member of the plan under this section after July 31, 2015. The assessment must be deducted and retained out of the employee's salary in equal monthly installments. The national guard security officer's or firefighter's employer shall contribute an amount determined by the board to be actuarially required to support the level of benefits specified in section 54-52-17. The employer's contribution must be paid from funds appropriated for salary or from any other funds available for such purposes. If the security officer's or firefighter's assessment is paid by the employer under subsection 3 of section 54-52-05, the employer shall contribute, in addition, an amount equal to the required national guard security officer's or firefighter's assessment."

Page 2, remove lines 1 through 30

Page 3, remove lines 1 through 31

Page 4, remove lines 1 through 31

Page 5, remove lines 1 through 31

Page 6, remove lines 1 through 31

Page 7, remove lines 1 through 21

Page 7, line 27, remove "or national guard"

Page 7, line 28, remove "security officer"

Page 8, line 1, after the period insert "Effective August 1, 2015, each national guard security officer who is a member of the public employee's retirement system is assessed and shall pay monthly six percent of the employee's monthly salary. National guard security officer contributions shall decrease by one-half of one percent of the member's monthly salary beginning with the monthly reporting period of January 2016."

Page 8, line 21, remove the overstrike over "~~or firefighter~~"

Page 8, line 29, remove the overstrike over "~~or firefighter~~"

Page 8, line 29, after "is" insert a colon

Page 8, line 29, replace "the" with "(1) The"

Page 8, line 31, remove overstrike over "~~or firefighter~~"

Page 9, line 1, overstrike "as a" and insert immediately thereafter "or  
(2) When the"

Page 9, line 1, remove overstrike over "~~or~~"

Page 9, line 2, remove the overstrike over "~~firefighter~~" and insert immediately thereafter "has a combined total of years of service credit and years of age equal to eighty-five and has not received a retirement benefit under this chapter"

Page 9, line 23, remove the overstrike over "~~firefighter or~~"

Page 9, line 28, remove the overstrike over "~~or firefighter~~"

Page 9, line 29, remove the overstrike over "~~or firefighter~~"

Page 10, remove lines 25 through 31

Page 11, remove lines 1 through 31

Page 12, remove lines 1 through 31

Page 13, remove lines 1 through 31

Page 14, remove lines 1 through 29

Renumber accordingly