19.0131.03000

# FISCAL NOTE
**Requested by Legislative Council**
**04/03/2019**

Amendment to: SB 2048

1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

| | 2017-2019 Biennium | | 2019-2021 Biennium | | 2021-2023 Biennium | |
|---|---|---|---|---|---|---|
| | General Fund | Other Funds | General Fund | Other Funds | General Fund | Other Funds |
| **Revenues** | $0 | $0 | $0 | $0 | $0 | $0 |
| **Expenditures** | $0 | $0 | $0 | $0 | $0 | $0 |
| **Appropriations** | $0 | $0 | $0 | $0 | $0 | $0 |

1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

| | 2017-2019 Biennium | 2019-2021 Biennium | 2021-2023 Biennium |
|---|---|---|---|
| **Counties** | $0 | $0 | $0 |
| **Cities** | $0 | $0 | $0 |
| **School Districts** | $0 | $0 | $0 |
| **Townships** | $0 | $0 | $0 |

2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

The bill is to study the NDPERS main retirement plan.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The costs for the studies in the bill are unknown at this time.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

N/A

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The costs for the studies in the bill are unknown at this time.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

The costs for the studies in the bill are unknown at this time. The appropriation for the costs associated with the studies are not included in the executive budget.

**Name:** Bryan Reinhardt
**Agency:** NDPERS
**Telephone:** 701-328-3919
**Date Prepared:** 04/03/2019

19.0131.02000

# FISCAL NOTE
**Requested by Legislative Council**
**02/15/2019**

Amendment to: Engrossed SB 2048

1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

| | 2017-2019 Biennium | | 2019-2021 Biennium | | 2021-2023 Biennium | |
|---|---|---|---|---|---|---|
| | General Fund | Other Funds | General Fund | Other Funds | General Fund | Other Funds |
| **Revenues** | $0 | $0 | $0 | $0 | $0 | $0 |
| **Expenditures** | $0 | $0 | $1,302,580 | $1,704,736 | $5,210,320 | $6,818,944 |
| **Appropriations** | $0 | $0 | $1,302,580 | $1,704,736 | $5,210,320 | $6,818,944 |

1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

| | 2017-2019 Biennium | 2019-2021 Biennium | 2021-2023 Biennium |
|---|---|---|---|
| **Counties** | $0 | $928,509 | $3,714,034 |
| **Cities** | $0 | $565,171 | $2,260,685 |
| **School Districts** | $0 | $1,092,424 | $4,369,697 |
| **Townships** | $0 | $0 | $0 |

2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

The bill is the final year of the four year recovery plan for the NDPERS main retirement plan. The bill would increase employer and employee contributions by 1% beginning January 2021.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Employer contributions would increase by 1% of payroll beginning January 2021.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

N/A

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

Employer contributions would increase by 1% of payroll beginning January 2021.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Employer contributions would increase by 1% of payroll beginning January 2021. The appropriation is included in the executive budget with a January 2020 date.

**Name:** Bryan Reinhardt
**Agency:** NDPERS
**Telephone:** 701-328-3919
**Date Prepared:** 02/15/2019

19.0131.01000

# FISCAL NOTE
**Requested by Legislative Council**
**12/21/2018**

Bill/Resolution No.: SB 2048

1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

| | 2017-2019 Biennium | | 2019-2021 Biennium | | 2021-2023 Biennium | |
|---|---|---|---|---|---|---|
| | General Fund | Other Funds | General Fund | Other Funds | General Fund | Other Funds |
| **Revenues** | $0 | $0 | $0 | $0 | $0 | $0 |
| **Expenditures** | $0 | $0 | $3,907,740 | $5,114,208 | $5,210,320 | $6,818,944 |
| **Appropriations** | $0 | $0 | $3,907,740 | $5,114,208 | $5,210,320 | $6,818,944 |

1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

| | 2017-2019 Biennium | 2019-2021 Biennium | 2021-2023 Biennium |
|---|---|---|---|
| **Counties** | $0 | $2,785,525 | $3,714,034 |
| **Cities** | $0 | $1,695,514 | $2,260,685 |
| **School Districts** | $0 | $3,277,272 | $4,369,697 |
| **Townships** | $0 | $0 | $0 |

2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

The bill is the final year of the four year recovery plan for the NDPERS main retirement plan. The bill would increase employer and employee contributions by 1% beginning January 2020.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Employer contributions would increase by 1% of payroll beginning January 2020.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

N/A

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

Employer contributions would increase by 1% of payroll beginning January 2020.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Employer contributions would increase by 1% of payroll beginning January 2020. The appropriation is included in the executive budget.

**Name:** Bryan Reinhardt
**Agency:** NDPERS
**Telephone:** 701-328-3919
**Date Prepared:** 12/27/2018

**2019 SENATE GOVERNMENT AND VETERANS AFFAIRS**

**SB 2048**

# 2019 SENATE STANDING COMMITTEE MINUTES

**Government and Veterans Affairs Committee**
Sheyenne River Room, State Capitol

SB2048
1/11/2019
# 30695

☐ Subcommittee
☐ Conference Committee

| Committee Clerk: Pam Dever |
|---|

**Explanation or reason for introduction of bill/resolution:**

A bill relating to increased employer and employee contributions under the public employee's retirement system defined benefit and defined contribution plans.

**Minutes:**

| Att #1 – Scott Miller; Att #2 – Nick Archuleta |
|---|

**Chairman Davison**: Open SB2048.

**Scott Miller, Executive Director North Dakota PERS**: I am here in favor of SB2048. This plan has been studied for 8 years. I urge a do pass. (see Att #1)

**Sen. Erin Oban**: Can you talk about temp employees paying a higher percentage and a temp does not get benefits.

**Scott**: Temp employees have an option of participating in the retirement plan. They have paid their own contributions forever. (3.32) They have to pay employee and employer contributions.

**Sen. Erin Oban**: They have always paid double.

**Scott:** Correct.

**Chairman Davison**: More questions. We are reducing the health credit, RHIC, is that correct for new employees as of December 31. We are increasing the contribution on this one and reducing from 2% to 1.75 – the multiplier. Those three things alone will get us on the path to 100% solvency by 2057?

**Scott**: If all three are passed, then it is 2043.

**Chairman Davison**: The other side of that, Sen Dever, in the governor's budget asked for $265 million. Is that the onetime payment outside of these three bills that would get us on that path and by what date?

**Scott:** That is outside of these changes. It would be in 2036 and 2037 range.

**Chairman Davison**: That would be a onetime cash influx into the retirement based on the actuary numbers would get us to those dates provided.

**Scott**: Correct. (5.49)

**Chairman Davison**: More questions. More testimony.

**Nick Archuleta, President of NDUnited**: I am here to support a DO PASS. (see att #2)

**Sen. Erin Oban**: Do you support this contingent on whether public employees get an increase in pay or not?

**Nick**: We will support this regardless.

**Chairman Davison**: Any against:

**Daren Schimkee, Pres of Professional Fire Fighters of North Dakota**: We reorganized as of October. I am the past local president of the Grand Forks local 242 for 12 years. I am inexperienced here. The three bills here are questions. Actuary numbers can be made to look rosy and some are not. We have never been surveyed. A reduction in benefits is not favorable to anyone. (Went on to tell about his plan.) I read an article about PERS and wanted to see if we could join. We went around and talked to city's fathers. We became members of North Dakota PERS. It was a solid plan. 2008 we paid the increases. I stand here today I am opposed to all three, but I do believe in compromise. Has to be a solution in the middle. I agree with Nick. I look at current members just the same as future. The Fire Fighter would like to oppose the first two bills and **support SB2048**.

**Chairman Davison**: Thank you for coming. Any against? Hearing is closed. (14.47)

# 2019 SENATE STANDING COMMITTEE MINUTES

**Government and Veterans Affairs Committee**
Sheyenne River Room, State Capitol

SB2048
2/1/2019
# 31994

☐ Subcommittee
☐ Conference Committee

| |
|---|
| Committee Clerk Signature : Pam Dever |

**Explanation or reason for introduction of bill/resolution:**

Relating to increased employer and employee retirement contributions under the PERS defined benefit and defined contribution plans.

**Minutes:**

**Chairman Davison**: If you look at Scott Miller's testimony, this is the one and one. I think it is 2% and 0 for temp employees. (.31)

**Sen. Erin Oban**: I move a DO PASS and rerefer to Appropriations.

**Sen. Richard Marcellais**: I second.

**Sen. Jay Elkin**: Does this get us to full funding?

**Chairman Davison**: If we pass all four of these bills, it would be year 2037 when fully funded. If we only pass three and Appropriations does the one and one, it is about 2046-2047. If they only don't do the one and one, and only do two bills, I think the date is 2057 or 2059. It gets us on the way.

**Chairman Davison**: Discussion. This is a bit harder for me. We will send it to approps and they can look at it and decide. Call the roll: **YES -- 7 NO -- 0 -0-absent**

**SB2048 PASSED and rerefer to Appropriations**. **Chairman Davison will carry**.

(done – 3.08)

Date: 2/1/19
Roll Call Vote #: 1

**2019 SENATE STANDING COMMITTEE**
**ROLL CALL VOTES**
**BILL/RESOLUTION NO.** SB 2048

Senate Government and Veterans Affairs Committee

☐ Subcommittee

Amendment LC# or Description: 

Recommendation:
☐ Adopt Amendment
☑ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☑ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions:
☐ Reconsider ☐ 

Motion Made By Sen. Oban Seconded By Sen. Marcellais

| Senators | Yes | No | Senators | Yes | No |
|---|---|---|---|---|---|
| Chairman Davison | ✓ | | Sen. Oban | ✓ | |
| Vice Chair Meyer | ✓ | | Sen. Marcellais | ✓ | |
| Sen. Elkin | ✓ | | | | |
| Sen. K. Roers | ✓ | | | | |
| Sen. Vedaa | ✓ | | | | |
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Total (Yes) 7 No 0

Absent -0-

Floor Assignment Chair Davison

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

**SB 2048: Government and Veterans Affairs Committee (Sen. Davison, Chairman)** recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2048 was rereferred to the **Appropriations Committee**.

**2019 SENATE APPROPRIATIONS**

**SB 2048**

# 2019 SENATE STANDING COMMITTEE MINUTES

**Appropriations Committee**
Harvest Room, State Capitol

SB 2048
2/8/2019
Job # 32475

☐ Subcommittee
☐ Conference Committee

| Committee Clerk Signature Rose Laning |
|---|

**Explanation or reason for introduction of bill/resolution:**

Relating to increased employer and employee contributions under the public employee's retirement system defined benefit and defined contribution plans.

**Minutes:**

| Testimony Attached # 1. |
|---|

Legislative Council: Adam Mathiak
OMB: Becky Deichert

**Chairman Holmberg:** Called the committee to order on SB 2048.

**Scott Miller, Executive Director, ND Public Employees Retirement System (NDPERS)** Testimony in support of SB 2048 - Attached # 1. I think it is important since you are the money folks, that you see where this contribution increase is coming from and how it relates to an actuarially determined contribution rate. The ADC is determined by our actuary every year. That is the rate that would be necessary to be contributed to the system in order to make that system 100% funded within 30 years. Under the actuary standards of practice, that is what the actuary is required to provide to the board. That is where the ADC rate comes from.

**Senator Bekkedahl:** The single discount rate – is the 6.32% a standard that is issued by GASB or is that based off some other numbers we have in our system? GASB (Government Accounting Standards Board)

**Scott Miller:** That number is determined by the actuarial depending on where the crossover appears. Where we are projected to never get back to full funding; from that point forward we have to use a single discount rate which is essentially a bond interest rate. They combine our assumed rate of return (7.75%) with the bond rate which is in the 3s to come up with an average, which for us last year, was 6.32.

**Senator Bekkedahl:** That would change year to year depending on where the fund is at if we still use the single discount rate, correct?

**Scott Miller:** That is correct. For 2017 is was slightly higher. It was around 6.4 instead of 6.32.

**Scott Miller:** Scott continued to read from his testimony. Last year was the first year we had to report those increased liabilities and we had a number of calls from political subdivisions wondering why their liabilities increased by 50%.

**Chairman Holmberg:** We do have a fiscal note which has an impact on the General Fund. Have you done a calculation on what the fiscal impact would be on this biennium if the effective date of increases was January 1, 2021? There would be 6 months in this.

**Scott Miller:** We have. Given the $9M is for the effective date of January 1, 2020, through the rest of the biennium. If we took 2/3 away it would be around $3M.

**Chairman Holmberg:** Please send that information to the committee.

**Scott Miller:** I will.

**Senator Dever:** Would that have any actuarial impact to delay it a year? That seems to me to be insignificant.

**Scott Miller:** That would set us back a year. Instead of 2057 it would be 2058. We could have a loss in the middle of that year. We have a loss when we don't receive the ADC. That would add to our unfunded liability. It may extend it a little further than just 2058 but not significantly so.

**Senator Bekkedahl:** Are the numbers here impacted by the $265M infusion that was in the governor's executive budget into the system? Are they included in the calculations by the actuaries?

**Scott Miller:** No. This is a stand-alone bill and the actual analysis was just for this bill. If the $265M were approved, we'd have a spike as far as our funded ratio goes. I would expect that by 4-5%. We would then have a trajectory. The 2 bills combined would certainly get us to 100% funding more quickly. I do not know what that year would be.

**Senator Bekkedahl:** There is a timeline for us to get insolvency with this bill alone. There is a different timeline when we would add the $265M. That actuary would get calculated on a new timeline for the full insolvency. Is that correct?

**Scott Miller:** That is correct.

**Senator Krebsbach:** What impact would it have on a discount rate if delayed for another year?

**Scott Miller:** I think that given we have funding; the actuary would still take that additional funding into account as it was determining our actuary evaluation. That would get us back on the coarse to full funding which would bring us back to that 7.75% rate.

**Chairman Holmberg:** Anyone else wishing to testify on the bill?

**Chairman Holmberg:** Closed the hearing on SB 2048.

# 2019 SENATE STANDING COMMITTEE MINUTES

**Appropriations Committee**
Harvest Room, State Capitol

SB 2048
2/14/2019
Job #32756

☐ Subcommittee
☐ Conference Committee

| Committee Clerk: Alice Delzer and Alicia Larsgaard |
| --- |

**Explanation or reason for introduction of bill/resolution:**

A BILL for an Act to amend and reenact section 54-52-02.9, subsection 2 of section 54-52-05, section 54-52-06, subsection 6 of section 54-52.6-02, and section 54-52.6-09 of the North Dakota Century Code, relating to increased employer and employee contributions under the PERS defined benefit and defined contribution plans.(D P A)

**Minutes:**

| 1.Proposed Amendment # 19.0131.01001 |
| --- |

**Chairman Holmberg:** Called the committee to order on SB 2048. All committee members were present. Alex Cronquist, Legislative Council, Becky J. Keller, and OMB were present.

**Chairman Holmberg:** SB 2048 is one of three bills for PERS. It is part of a recovery plan for PERS. This is the one that increases and changes the contributions of the members of the state and of the individual. You all should have received a communication about the impact of moving the date to the January 1, 2021 as the implementing date. There were three bills that had to do with recovery. Two are in process. These were the other recovery fixes. They didn't have a fiscal impact so they didn't come here.

**Senator Dever:** One of the other bills eliminates the retiree health insurance credit for new employees. The other reduces the multiplier from 2 to 1.75 for new employees. The issues with retirements benefits is that it is like a contract. When you begin employment, that is what it is going to be. They decide on whether or not to work for the state based on the benefits.

**Chairman Holmberg:** 2046 and 2047 are both on the calendar and have been waiting for us to do something on 2048. They were part of the three-legged stool to fix the program and any one of them would put them on a trajectory. The question was just how long do we want that trajectory to be.

**Senator Dever:** If we do nothing, the fund goes broke on 2106. If we do all three plus the cash infusion, it reaches 100% in 18 years. For those who desire to move to define contributions, that means in 18 years, we could do that. Are you interested in this bill and moving the effective date to January 1, 2021?

**Chairman Holmberg:** That makes a big difference on the fiscal impact this year and the impact on state employees. Maybe some people don't want to do the one and one at all.

**Senator Bekkedahl:** Do you have an amendment for that already?

**Chairman Holmberg:** It would just be the implementing date.

**Senator Dever:** I think right now, it's Jan. 21, 2020.

**Vice Chair Krebsbach:** I supported this about 3 sessions ago. We wouldn't be talking about it today. If you want a motion on SB 2048, I would be happy to make one.

**Chairman Holmberg:** Let us have a view moments of discussion. Is there a concern that putting it into effect in 2020 will mean that the state employees will essentially get a 1% decrease in their take home pay because they are going to be paying that?

**Senator Mathern:** the bill already puts it into that January 2020 reporting period.

**Chairman Holmberg:** The question was if we have the bill go effective January 1 of 2021 which would mean there would only be 6 months of the additional assessment to both the state and the individuals.

**Senator Mathern:** It is my opinion that if we put it in sooner, the sooner their retirement program is whole. Not only do they participate, but the employer participates. Essentially, they are getting 4% extra in terms of assuring the wholeness of their retirement program. I am supportive of the bill the way it is. It is a hard thing to recognize that part of one's salary is going to retirement. That is both in the interest of the employee.

**Senator Dever:** The new GASB rules require that each of the political subdivisions report their share of the unfunded liability on their books. When we pass this bill to increase the retirement contribution, it changes the unfunded liability up front and has a positive impact on the reporting of those numbers.

**Chairman Holmberg:** We did hear that testimony that any one of the three would move us into positive territory. The whole issue was at what year is the fund made whole.

**Senator Dever:** When actuaries calculate the actuarial require contribution rate, they base it on (inaudible mike was not on).

**Senator Robinson:** If we are not going to have an infusion in the fund, it seems to me that we ought to be doing this at a minimum if we are serious about making progress. I know there is cost involved. We have to reverse this trend at some point. Sooner is better than later.

**Senator Poolman:** My only question would be; would it improve its chances of survival if it has the delayed date. The fiscal impact is smaller. I am in favor of the concept as it I also want the concept to survive.

**Chairman Holmberg:** Moving it to January 1 of 2021 would mean that if this was the only thing going on, instead of being fully funded in 2057, it would be 2058.

**Vice Chair Krebsbach:** As far as the GASB rules, on reporting the unfunded liability to the counties, I understood that if we delayed it one year, it would have no impact on that. It would still put us in a better position as far as what they have to do.

**Senator Dever:** My understanding is not that we put it in place but that we set it up to be put in place as far as GASB.

**Chairman Holmberg:** We need someone to put a toe in water. We have a few options, we can kill the bill, pass it, or we can pass the bill and move the effective date back to 2021.

**Senator Bekkedahl:** Are we allowed to propose an amendment without having it written up by Legislative Council first?

**Chairman Holmberg:** It depends upon the body. If the body feels that they want to see it in writing, we usually do it.

**Senator Bekkedahl:** I would be in favor of the comments Senator Poolman made. I am in favor of the bill but also making sure it survives. If we have to direct LC to put that language for a January 1, 2021 effective date, I would be in favor of that.

**Chairman Holmberg:** So you are asking to leave the bill as is except the effective date would be January 2021. It reduces the General Fund for this coming biennium from $3.9 M to $1.3 M.

**Chairman Holmberg:** Is there any discussion?

**Senator Mathern:** If we approve this bill the way it is, it will pass. It will have trouble in the House maybe. I do not think we should be solving the House's problems. I suspect if we pass this bill as it, it will sail through the Senate. Then we have to negotiate with the House. I encourage us not to think of it in terms of what the House might do. They have the ability to amend. If we are talking about what the Senate would do, if we were to pass this, we would pass it in the full Senate chamber. I would hope that we would resist this amendment and pass the bill as is. Let us take up that issue that Senator Bekkedahl and Senator Poolman are raising in the House.

**Chairman Holmberg:** The difference is $2.6M additional drag on this biennium. That is also a consideration we have to have and that may make a difference for some people in the Senate.

**Senator Robinson:** Can someone explain the GASB thing one for time and the impact we have on the political subdivisions?

**Senator Dever:** My understanding is GASB doesn't make any difference with the calculation of the funded ratio. It does require that each party in the plan have to report their share of that fund portion. There may be some other considerations too but I do not think they impact that. I will support the motion. I hope that as the session continues, we can make a further adjustment to employee compensation to reflect their additional contribution into the plan. Can someone tell me if the fiscal note only applies to the employer side, or if it reflects the contributions made by the employee.

**Chairman Holmberg:** The employer contribution is 1%, the employee contribution is 1%.

**Senator Bekkedahl:** The fiscal note talks about the employer contributions from the state and the political subdivisions. I do not think it reflects any fiscal note to the employees.

**Senator Oehlke:** If you read the fiscal not where it says fiscal impact summary, under that it said employer and employee contributions by 1% begin in January 2021.

**Senator Bekkedahl:** I think Senator Dever's question related to the amount of dollars the employees have to pay.

**Senator Dever:** It is a 1 and 1 match.

**Chairman Holberg:** If the state put it $1 M, the employees put in $1 M.

**Senator Dever:** The dollar amount in the fiscal note is only the public employer side including political subdivisions.

**Senator Oehlke:** Even that isn't going to be accurate. I know some public employers that pay both side. You are never going to be able to get an accurate number on the employer side.

**Senator Dever:** On the fiscal not, the $3.9 M is what the state pays in addition to that political subdivisions in the next chart underneath.

**Senator Grabinger:** In light of what we have for a compensation package for salaries for our state employees, I think with only 2% the first year of the biennium, I think the idea of waiting until the 3% kicks in, the second year of the biennium makes sense. At least the they are going to see some raise. If we do this right away, they won't see any raise at all. I would be opposed to the amendment.

**Chairman Holmberg:** you would also be for the comment that Senator Dever made that as we go forward, we should use that as part of a calculus on what are we going to do on state employees compensation as we finish up. We have the amendment. The amendment moves the date to January of 2021.

**Senator Bekkedahl: Moved Attachment #1, Proposed Amendment # 19.0131.01001. 2nd by V. Chairman Krebsbach. A Voice Vote Was Taken. It carried.**

**Senator Mathern: Moved a Do Pass as Amended. 2nd by Senator Dever.**

**A Roll Call Vote Was Taken. 14 yeas, 0 nays, 0 absent. Senator Davison from GVA will carry the bill.** The hearing was closed on SB 2048.

SL 1861

19.0131.01001
Title.02000

Prepared by the Legislative Council staff for the Senate Appropriations Committee
February 14, 2019

PROPOSED AMENDMENTS TO SENATE BILL NO. 2048

Page 1, line 19, replace "2020" with "2021"

Page 2, line 14, replace "2020" with "2021"

Page 2, line 25, replace "2020" with "2021"

Page 4, line 5, replace "2020" with "2021"

Page 4, line 24, replace "2020" with "2021"

Page 5, line 1, replace "2020" with "2021"

Renumber accordingly

Date: 2-14-2019
Roll Call Vote #: ~~2~~ 1

**2019 SENATE STANDING COMMITTEE**
**ROLL CALL VOTES**
**BILL/RESOLUTION NO.** 2048

Senate Appropriations Committee

☐ Subcommittee

Amendment LC# or Description: #19.0131.01001 moves date effective date to Jan 2021

Recommendation: ☒ Adopt Amendment
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐ ____________

Motion Made By Bekkedahl Seconded By Krebsbach

| Senators | Yes | No | Senators | Yes | No |
|---|---|---|---|---|---|
| Senator Holmberg | | | Senator Mathern | | |
| Senator Krebsbach | | | Senator Grabinger | | |
| Senator Wanzek | | | Senator Robinson | | |
| Senator Erbele | | | | | |
| Senator Poolman | | | | | |
| Senator Bekkedahl | | | | | |
| Senator G. Lee | | | | | |
| Senator Dever | | | | | |
| Senator Sorvaag | | | | | |
| Senator Oehlke | | | | | |
| Senator Hogue | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

Total (Yes) ____________ No ____________

Absent ____________

Floor Assignment ____________

If the vote is on an amendment, briefly indicate intent:

voice vote carried

Date: 2-14-2019
Roll Call Vote #: 2

**2019 SENATE STANDING COMMITTEE**
**ROLL CALL VOTES**
**BILL/RESOLUTION NO.** 2048

Senate Appropriations Committee

☐ Subcommittee

Amendment LC# or Description: 

Recommendation: ☐ Adopt Amendment
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☒ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐ 

Motion Made By Mathern Seconded By Dever

| Senators | Yes | No | Senators | Yes | No |
|---|---|---|---|---|---|
| Senator Holmberg | ✓ | | Senator Mathern | ✓ | |
| Senator Krebsbach | ✓ | | Senator Grabinger | ✓ | |
| Senator Wanzek | ✓ | | Senator Robinson | ✓ | |
| Senator Erbele | ✓ | | | | |
| Senator Poolman | ✓ | | | | |
| Senator Bekkedahl | ✓ | | | | |
| Senator G. Lee | ✓ | | | | |
| Senator Dever | ✓ | | | | |
| Senator Sorvaag | ✓ | | | | |
| Senator Oehlke | ✓ | | | | |
| Senator Hogue | ✓ | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

Total (Yes) 14 No 0

Absent 0

Floor Assignment GVA Davison

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

**SB 2048: Appropriations Committee (Sen. Holmberg, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2048 was placed on the Sixth order on the calendar.

Page 1, line 19, replace "2020" with "2021"

Page 2, line 14, replace "2020" with "2021"

Page 2, line 25, replace "2020" with "2021"

Page 4, line 5, replace "2020" with "2021"

Page 4, line 24, replace "2020" with "2021"

Page 5, line 1, replace "2020" with "2021"

Renumber accordingly

**2019 HOUSE GOVERNMENT AND VETERANS AFFAIRS**

**SB 2048**

# 2019 HOUSE STANDING COMMITTEE MINUTES

**Government and Veterans Affairs Committee**
Fort Union Room, State Capitol

SB 2048
3/7/2019
33376

☐ Subcommittee
☐ Conference Committee

| Committee Clerk: Carmen Hart |
|---|

**Explanation or reason for introduction of bill/resolution:**

Relating to increased employer and employee contributions under the PERS defined benefit and defined contribution plans

**Minutes:** | Attachments 1-2

**Chairman Kasper** opened the hearing on SB 2048.

**Scott Miller, Executive Director of the NDPERS**, appeared in support. Attachment 1. (:21-7:05)

**Rep. Louser:** If we take all three bills together, when are we going to get there?

**Mr. Miller:** The combination of the three would push it up to 2046.

**Chairman Kasper:** Why did the senate move it back the one year?

**Mr. Miller:** I assume it is for the fiscal note effect, but I don't know that for a fact.

**Vice Chair Steiner:** Can you explain the fiscal note as far as it relates to the political subs? Is the state picking up that money?

**Mr. Miller:** This breaks out the upper, of course, the state share of that contribution increase. The lower graph just below the midpoint is projected to our political subdivision employers. The state doesn't pick up any of that money for them. They are required under statue as participating employers to make those contributions on behalf of their employees.

**Vice Chair Steiner:** Are they aware of that? Are they in support of this plan?

**Mr. Miller:** I don't know the extent that they are aware of the bill today. My understanding is that during the consideration of the four-year recovery plan back in 2011, that was studied extensively over the interim and had quite a bit of input from political subdivisions, employees, other stakeholders, ND United, and the state government.

**Chairman Kasper:** If this bill is passed, it is going to require that the political subdivisions increase contributions?

**Mr. Miller:** Correct.

**Nick Archuleta, President of ND United,** appeared in support. Attachment 2. (10:25-11:20)

**Vice Chair Steiner:** My understanding is that employees pay 3. The employer picks up the rest of it. Is that still the case?

**Mr. Archuleta:** I believe this number is correct.

**Mr. Miller:** The state does pick up a portion of the employee contribution. It is a pickup in lieu of a future salary increase. When that initial 4% pickup was done in the 80s, the question was whether we increase contributions and take it out of their salary or just do a new future salary increase. The benefit of doing it this way is the state picked up amounts are not subject to FICA taxation. It actually saves the state and the employees a significant amount of money. Political subdivisions can pick up or not. That is completely up to them.

**Vice Chair Steiner:** Isn't it more transparent to the public to say 3?

**Mr. Miller:** If this is passed, under the statue it says 8.

**Chairman Kasper:** What we need to have from you is the amount of salary deduction for the employees to provide their benefit. Provide an actual chart showing the employer contribution and employee contribution percentage wise.

**Darren Schimke, President of Professional Fire Fighters of ND,** appeared in support. It has been discussed with the executive board of the professional fire fighters of ND, and I am all about compromise. We are in support of implementing the fourth part of a plan that was put in place to help get the unfunded liability decreased. I know the employees that are part of the plan and the portion that is taken out of their paycheck stands at 7%.

**Chairman Kasper:** That is in the city of Grand Forks?

**Mr. Schimke:** Yes.

**Neutral**

**Lisa Kudelka, Interim Chief People Officer, formerly Human Resources Manager for Bismarck Public Schools,** appeared in a neutral position. I was on the PERS benefits committee representing political subdivisions. We certainly understood the four-year plan and understood that would be an increased cost to the political subdivisions if all four of those years passed.

**Chairman Kasper** closed the hearing.

# 2019 HOUSE STANDING COMMITTEE MINUTES

**Government and Veterans Affairs Committee**
Fort Union Room, State Capitol

SB 2048
3/22/2019
#34172

☐ Subcommittee
☐ Conference Committee

| Committee Clerk: Carmen Hart | ~typed by Jeanette Cook |
|---|---|

**Explanation or reason for introduction of bill/resolution:**

Relating to increased employer and employee contributions under the PERS defined benefit and defined contribution plans

**Minutes:**

**Chairman Kasper** opened the meeting on SB 2048. This bill has a PERS recommendation, and it increases the contribution level from the employer to 1% and 1% by the employee into the retirement plan. We are currently 4.13% below recommended funding levels. This moves us in that direction. It would be effective Jan. 1, 2021. I wonder why they waited so long to put the effective date on this?

**Nick Archuleta, President of ND United**, spoke to answer the Chairman's question. I believe it was because after the raise for state employees, they would feel the full effect of the raise, and then it would kick in after that.

**Rep. Louser**: I don't buy the argument it should be delayed if we are going to do it. If someone gets a 2% raise and then is required to put 1% into retirement, isn't really feeling that they are getting a 1% raise because that is their money eventually. It is also the fourth step in the four step plan to recover, that we weren't able to do previously. I think that if the employees have demonstrated that they believe in this defined benefit and are willing to contribute to it…

**Rep. Louser moved a DO PASS and rereferred to Appropriations on SB 2048.**
**Rep. Schauer seconded the motion.**

**Chairman Kasper**: No one testified against it.

**Rep. Laning**: I will be opposing this. Not that I am entirely against it, it is just with the previous two bills, my understanding is the actuarial curve is now in an upswing. The indication was that it doesn't reach 100% until after 2100, but at least it is going the right direction. If we did all 3 of these, my notes say that 2048 is the projected 100% crossing. Again, this takes 1% out of the employee's paycheck, 1% out of the employer's paycheck, and I would rather encourage the employees to get themselves into a self-invested plan and skip this nonsense.

**Vice Chair Steiner**: I can't support it as it is. We are paying so much in on our side. I know that we need to go to a defined contribution, but if you look at this we actually go over 100% in 2058. That is also a risk where people will move to get additional benefits at that time. We need to have a long term plan that we go to defined contribution before I can agree to go over 100% in 2058. Philosophically I really have concerns about that for the state. I am going to resist.

**Chairman Kasper**: My math says that we are 39 years from 2058. I think the focus I am taking is that we are underfunded 25% right now. Any step that we can take to get down the track to funding…. All the people in the plan right now and in the future that are going to be in the defined benefit plan, the state has obligation to fund their retirement. This helps us get there. Anything we can do to get the funding level up, I think is wise for us to do. I also agree that we should someday get to defined contribution plan, and get out of his merry-go-around of a defined benefit plan. But, we are not there. I am going to support the motion.

**Rep. Schauer:** I am going to support the PERS Board too.

**Rep. P. Anderson**: If we don't do this, we will be back in two years reducing benefits, and it still won't help us get out of the hole. We have to put some money in. This is 50% employer and 50% employee. It is a good bill.

**A roll call vote was taken on SB 2048 and rereferred to Appropriations.**
**Yes 10 No 2 Absent 2**
**The motion carried.**
**Rep. P. Anderson will carry SB 2048.**

Date: 3-22-19
Roll Call Vote #: 1

**2019 HOUSE STANDING COMMITTEE**
**ROLL CALL VOTES**
**BILL/RESOLUTION NO. 2048**

House Government and Veterans Affairs Committee

☐ Subcommittee

Amendment LC# or Description:

Recommendation:
☐ Adopt Amendment
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☒ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐

Motion Made By Rep. Louser Seconded By Rep. Schauer

| Representatives | Yes | No | Representatives | Yes | No |
|---|---|---|---|---|---|
| Chairman Jim Kasper | X | | Rep. Pamela Anderson | X | |
| Vice Chair Vicky Steiner | | X | Rep. Mary Schneider | X | |
| Rep. Jeff Hoverson | A | | | | |
| Rep. Craig Johnson | X | | | | |
| Rep. Daniel Johnston | X | | | | |
| Rep. Karen Karls | X | | | | |
| Rep. Ben Koppelman | A | | | | |
| Rep. Vernon Laning | | X | | | |
| Rep. Scott Louser | X | | | | |
| Rep. Karen Rohr | X | | | | |
| Rep. Austen Schauer | X | | | | |
| Rep. Steve Vetter | X | | | | |
| | | | | | |
| | | | | | |

Total (Yes) 10 No 2

Absent 2

Floor Assignment Rep. P. Anderson

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

**SB 2048, as engrossed: Government and Veterans Affairs Committee (Rep. Kasper, Chairman)** recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (10 YEAS, 2 NAYS, 2 ABSENT AND NOT VOTING). Engrossed SB 2048 was rereferred to the **Appropriations Committee**.

**2019 HOUSE APPROPRIATIONS**

**SB 2048**

# 2019 HOUSE STANDING COMMITTEE MINUTES

**Appropriations Committee**
Roughrider Room, State Capitol

SB 2048
3/27/2019
34256

☐ Subcommittee
☐ Conference Committee

| Committee Clerk: Risa Bergquist |
|---|

**Explanation or reason for introduction of bill/resolution:**

**Relating to increased employer and employee contributions under the public employee's retirement system defined benefit and defined contribution plans.**

**Minutes:**

**Chairman Delzer:** Called the meeting to order for SB 2048, this would add 1% on the state side and 1% for the employee's side.

**Representative Kasper:** It requires an additional employer contribution of 1% and an employee contribution of 1%. I believe the senate amended the bill for the 1 and 1 to begin January 1st of 2020.

**Chairman Delzer:** This is only a 6 month's cost, the fiscal note is for 1.3 million with 1.7 other funds then it jumps to 5 million and 6 million. Brady we need to know; the state is currently paying 11. Whatever and the employees is paying 3%?

**Brady Larson, Legislative Council:** The total right now is 14.12% in total and the employee is paying 3% and the state covers the rest.

**Chairman Delzer:** If we are at 1 and 2 why are we talking 1 and 4 in 2046?

**Mr. Larson, LC:** Sb 2046 would be on top of this 14%.

**Representative Kasper:** That's redirect of the retirement benefit that the employees receive in cash in SB 2046, has nothing to do with and increase at all.

**Chairman Delzer:** And that is paid for by the state as well?

**Mr. Larson, LC:** That is correct.

**Chairman Delzer:** So the state is actually paying 12.27 and the 1 2 is for the administrative cost. Another thing if we require new hires to cover their full half what would that amount to for the state? Further questions? We also need to be aware that the senate passed the bill over but they didn't put anything into any of the budgets for this 1 and 1. If we were going to pass this we are going to have to put it in the budget or expect them to take it out of their budgets. It would on the second year of the biennium it would affect the amount of pay raise that is given because it would be at least 1% of their paycheck.

**Representative Monson:** Was there a discussion on what impact this would have for the state and counties less attractive to new hires?

**Representative Kasper:** My company when not in session is in employee benefits, I deal with private companies and what their benefit package is and what their salaries are and the argument that floats around here about how underfunded our state employees are compared to the private sector and that is not true. I don't know of any other employer in the state of North Dakota that pay 100% of insurance premium for the employee and dependents. There are very few employers that have defined pension plans, most have gone to 401K and defined contribution plans. North Dakota PERS and the employees that work for the state, the retirement benefits, the health plans and the salaries are on par or substantially higher than the private sector.

**Chairman Delzer:** So what kind of defined contribution would you usually see in the private sector?

**Representative Kasper:** Generally, an employer will match 50% of the first 6%. So if the employee contributes 6 the employer will contribute 3 on top of that.

**Chairman Delzer:** What kind of percentage are defined contribution and how many are defined benefit?

**Representative Kasper:** Over the years I would say 95% are defined contribution. You will find some defined benefit in some of the professional corporations.

**Representative Bellew:** This does effect the local political subs too? They would have to increase their contributions too? So we are increases property taxes here, because that's where they get their money?

**Chairman Delzer:** I lot of the schools with the TFRR are at 24% and they are paying both sides of it. No further questions we will close this hearing for SB 2048.

# 2019 HOUSE STANDING COMMITTEE MINUTES

**Appropriations Committee**
Roughrider Room, State Capitol

SB 2048
4/1/2019
34378

☐ Subcommittee
☐ Conference Committee

| Committee Clerk: Risa Bergquist |
|---|

**Explanation or reason for introduction of bill/resolution:**

**Relating to increased employer and employee contributions under the public employee's retirement system defined benefit and defined contribution plans.**

**Minutes:**

**3:45 Chairman Delzer:** Called meeting to order o SB 2048, This is the bill that was doing the 1 and 1, one from the state and one from the employee, we decided to hold that off. The only way to get rid of an unfunded liability is to go to some sort of a defined contribution. I passed out an amendment to change this bill into a study, it's a "shall study", it says during the 2020 interim they shall study state retirement plans for state employees. This study must include a review of the current plan as well as the retirement plan for higher education faculty. Representative Martinson, you had some thoughts about TIAA CREF?

**Representative Martinson:** I did and I thought maybe if we had a little time we could see if they should just take it over.

**Chairman Delzer:** That's why there's that one line, or contracting with the higher ed TIAA entity. That would be the same as taking it over would it not?

**Representative Martinson:** I wouldn't want to involve the board of higher ed.

**Chairman Delzer:** No, the retirement plan for higher education faculty. We will hold this and give you a little time to work on the wording.

# 2019 HOUSE STANDING COMMITTEE MINUTES

**Appropriations Committee**
Roughrider Room, State Capitol

SB 2048
4/1/2019
34383

☐ Subcommittee
☐ Conference Committee

| Committee Clerk: Risa Bergquist |
|---|

**Explanation or reason for introduction of bill/resolution:**

**Relating to increased employer and employee contributions under the public employee's retirement system defined benefit and defined contribution plans.**

**Minutes:**

**Chairman Delzer:** Called the meeting back to order for SB 2048. We have SB 2048 before us, the amendment reads During the 2019-20 interim the legislative management shall study state retirement plans for state employees. Must include a review of the current defined benefits plan and defined contribution plan as well as retirement plan for higher ed faculty. The study most considers options for defined contribution plan only for new hires, including contracting faculty. Must also consider options to adequately fund the defined benefit plans as a closed plan. Shall report its findings and recommendations.

**Representative Martinson: I would Move the Amendment.**

**Representative Schmidt: Second**

**Chairman Delzer:** We have a motion to amend SB 2048 with 19.0131.02003, which is a hog house amendment. Is there any further discussion? Seeing none**. Voice vote, All in Favor, Motion Carries.**

**Representative Beadle: Do Pass as Amended**

**Representative Meier: Second**

**Chairman Delzer:** We have a motion for a Do Pass as Amended, any further discussion? Seeing non we will call the roll.

**A Roll Call vote was taken. Yea: 16 Nay: 0 Absent: 5**

**Motion Carries, Representative Delzer will carry the bill.**

**Chairman Delzer:** With that we will close this meeting.

DO 4/1/19

19.0131.02003
Title.03000

Prepared by the Legislative Council staff for
Representative Delzer
April 1, 2019

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2048

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for a legislative management study regarding state employee retirement plans.

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

**SECTION 1. LEGISLATIVE MANAGEMENT STUDY - RETIREMENT PLANS.** During the 2019-20 interim, the legislative management shall study state retirement plans for state employees. The study must include a review of the current defined benefits plan and defined contribution plan as well as the retirement plan for higher education faculty. The study must consider options for a defined contribution plan only for new hires, including contracting with the organization that administers the retirement plan for higher education faculty. The study must also consider options to adequately fund the defined benefit plan as a closed plan. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-seventh legislative assembly."

Renumber accordingly

Date: 4/1/2019
Roll Call Vote #: 1

**2019 HOUSE STANDING COMMITTEE**
**ROLL CALL VOTES**
**BILL/RESOLUTION NO. SB 2048**

House Appropriations Committee

☐ Subcommittee

Amendment LC# or Description: **19.0131.02003**

Recommendation:
☒ Adopt Amendment
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions:
☐ Reconsider ☐ ______

Motion Made By **Representative Martinson** Seconded By **Representative Schmidt**

| Representatives | Yes | No | Representatives | Yes | No |
|---|---|---|---|---|---|
| Chairman Delzer | | | | | |
| Representative Kempenich | | | | | |
| Representative Anderson | | | Representative Schobinger | | |
| Representative Beadle | | | Representative Vigesaa | | |
| Representative Bellew | | | | | |
| Representative Brandenburg | | | | | |
| Representative Howe | | | Representative Boe | | |
| Representative Kreidt | | | Representative Holman | | |
| Representative Martinson | | | Representative Mock | | |
| Representative Meier | | | | | |
| Representative Monson | | | | | |
| Representative Nathe | | | | | |
| Representative J. Nelson | | | | | |
| Representative Sanford | | | | | |
| Representative Schatz | | | | | |
| Representative Schmidt | | | | | |
| | | | | | |

Total (Yes) ______ No ______

Absent ______

Floor Assignment ______

**Voice Vote/Motion Carries**

Date: 4/1/2019
Roll Call Vote #: 2

**2019 HOUSE STANDING COMMITTEE**
**ROLL CALL VOTES**
**BILL/RESOLUTION NO. SB 2048**

House Appropriations Committee

☐ Subcommittee

Amendment LC# or Description:

Recommendation:
☐ Adopt Amendment
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☒ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions:
☐ Reconsider ☐

Motion Made By **Representative Beadle** Seconded By **Representative Meier**

| Representatives | Yes | No | Representatives | Yes | No |
|---|---|---|---|---|---|
| Chairman Delzer | X | | | | |
| Representative Kempenich | A | | | | |
| Representative Anderson | X | | Representative Schobinger | X | |
| Representative Beadle | X | | Representative Vigesaa | X | |
| Representative Bellew | A | | | | |
| Representative Brandenburg | X | | | | |
| Representative Howe | X | | Representative Boe | X | |
| Representative Kreidt | A | | Representative Holman | A | |
| Representative Martinson | X | | Representative Mock | X | |
| Representative Meier | X | | | | |
| Representative Monson | A | | | | |
| Representative Nathe | X | | | | |
| Representative J. Nelson | X | | | | |
| Representative Sanford | X | | | | |
| Representative Schatz | X | | | | |
| Representative Schmidt | X | | | | |
| | | | | | |

Total (Yes) 16 No 0

Absent 5

Floor Assignment **Representative Delzer**

# Motion Carries

## REPORT OF STANDING COMMITTEE

**SB 2048, as engrossed: Appropriations Committee (Rep. Delzer, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (16 YEAS, 0 NAYS, 5 ABSENT AND NOT VOTING). Engrossed SB 2048 was placed on the Sixth order on the calendar.

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for a legislative management study regarding state employee retirement plans.

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

**SECTION 1. LEGISLATIVE MANAGEMENT STUDY - RETIREMENT PLANS.** During the 2019-20 interim, the legislative management shall study state retirement plans for state employees. The study must include a review of the current defined benefits plan and defined contribution plan as well as the retirement plan for higher education faculty. The study must consider options for a defined contribution plan only for new hires, including contracting with the organization that administers the retirement plan for higher education faculty. The study must also consider options to adequately fund the defined benefit plan as a closed plan. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-seventh legislative assembly."

Renumber accordingly

**2019 TESTIMONY**

**SB 2048**

# EMPLOYEE BENEFITS PROGRAMS COMMITTEE
# REPORT TO THE 66TH LEGISLATIVE ASSEMBLY
# REGARDING PROPOSED SENATE BILL NO. 2048

**Date:** January 1, 2019

**Original LC#:** 19.0131.01000

**Sponsor:** Public Employees Retirement System (PERS)

**Proposal:** Provides for a 1 percent increase in employee and a 1 percent increase in employer contribution for the PERS main plan and the defined contribution plan.

**Actuarial analysis:** The PERS consulting actuary reports:

- The current PERS main plan contribution rate is insufficient to pay off the $1.1 billion unfunded actuarial accrued liability.
- Under the current actuarial assumptions, the PERS main plan will be insolvent in 2106.
- With the contribution increase provided in this bill draft, under the current actuarial assumptions, the PERS main plan will be 100 percent funded in 2087.
- The bill provides for an increase of benefits for defined contribution plan members.

**Committee report:** Favorable recommendation.

SB 2048
1-11-19
Att 1
Pg 1

# TESTIMONY OF SCOTT MILLER

## Senate Bill 2048– Fourth Year of the NDPERS Recovery Plan

Good Morning, my name is Scott Miller. I am the Executive Director of the North Dakota Public Employees Retirement System, or NDPERS. I appear before you today on behalf of the PERS board in support of Senate Bill 2048.

Senate Bill 2048 increases both the employer and the employee contributions into both the NDPERS Main Defined Benefit (DB) Retirement Plan and the Defined Contribution (DC) plan by 1% each. Temporary employees, who pay both the employee and the employer contribution, will see a 2% increase.

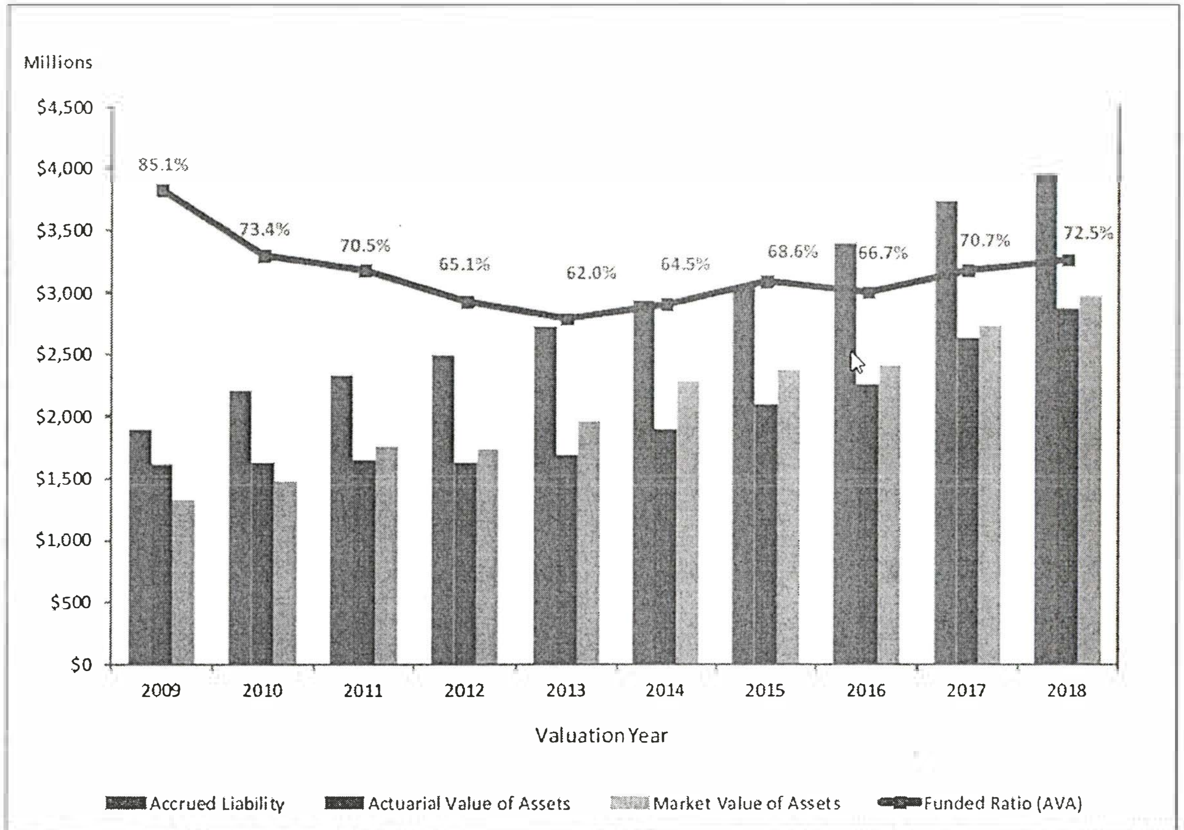
- Employer: 7.12% → 8.12%
- Employee: 7% → 8%
- Temporary Employee: 14.12% → 16.12%

This is the fourth, and final, year of the four-year recovery plan for the NDPERS Main Retirement Plan. If you recall, in 2010 the Employee Benefits Programs Committee held a number of meetings to study ways to improve our funding level. Through those meetings, in which the Committee received information from NDPERS, the state and its political subdivisions, and their employees, the Committee agreed on a four-year, shared recovery plan in which both the employers and their employees shared in the burden of getting us back to full funding. PERS submitted that bill to the 2011 session. You approved the first two years of the recovery plan during that session, and the third year of the recovery plan during the 2013 session. That increased the employer and employee contributions by 3% each, for a total increase of 6%. This bill represents the fourth year of that recovery plan. Importantly, this final step of the recovery plan – increasing contributions by a total of 2% – will put the NDPERS Main Retirement Plan back on the course to full funding. The Employee Benefits Programs Committee gave this bill a favorable recommendation, and it was also funded in the Governor's Budget Recommendation.

This bill is necessary because the main PERS plan is underfunded, and is never projected to become fully funded. I am frequently asked, ""How did we get to this point?" As you are aware, both the tech bubble in 2001-2002 and the global financial crisis of 2008-2009 caused historic losses in our investment portfolio – in 2009 alone, we lost 24%. Those losses caused a significant reduction in our funded ratio. On July 1, 2008, the Main PERS Plan was over 92% funded. By July 1, 2013, our funded ratio had declined to 62% - an over 30% decline in our funded ratio in just five years, which can be attributed to the global financial crisis. Right now, we are about 72% funded – meaning we only have assets to pay off about 72% of our liabilities. In dollar terms, we

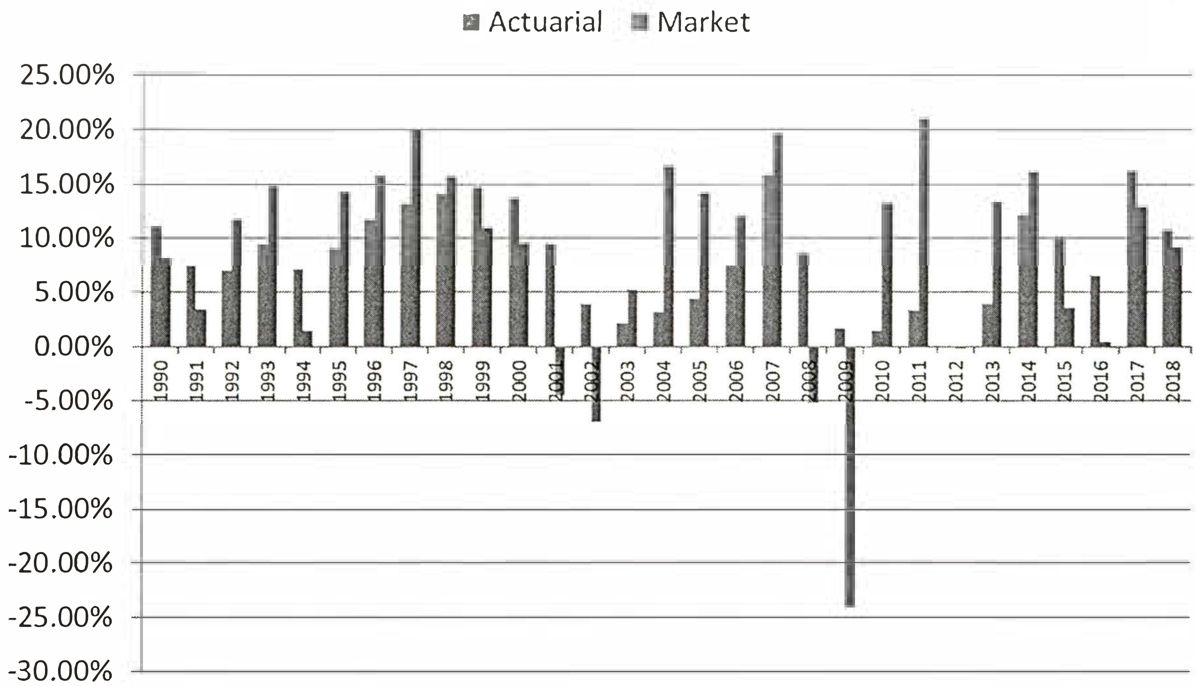
SB 2048
AH #1
1-11-19
pg 2

are about $1.1 billion underfunded – we have $1.1 billion less than we need to pay off all of our liabilities in the future. You can see our funding path in the following graph.




While the markets since then have been somewhat beneficial, returns have not been high enough to put us back on the course to full funding.

SB2048
Att #1
1-11-19
pg 3




There are very few levers we can use to try to get us back on the course to full funding. I have provided the general formula for funding a defined benefit retirement plan below:

***Contributions*** + Investment Returns = ***Benefits*** + Expenses

Since investment returns are not high enough to put us back on the course to full funding, and expenses are not significant enough to have any effect on the equation, we must look at altering either "Contributions" or "Benefits".

Benefits are difficult to change for current members and retirees, although we have submitted a bill that proposes to modify benefits for new employees in the future. This bill, Senate Bill 2048, addresses the "Contributions" side of the equation. Our actuary has calculated that our contribution rate is currently 4.13% below what is necessary to get us back to fully funded within a reasonable time period. While Senate Bill 2048 only increases contributions to the main PERS DB plan by a total of 2%, it is sufficient to get us back on the course to full funding, and our actuaries estimate that we would reach 100% funding by 2057, assuming all of our actuarial assumptions are met.

While 2057 is still a long way off, it still gets us back on the course to full funding, which is essential for two very important reasons – member confidence, and GASB liability reporting. GASB stands for "Governmental Accounting Standards Board". GASB provides "statements" that provide guidance for governmental entities, like the state and its political subdivisions, on how to report certain things in their financial statements. In

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the past few years, GASB issued a statement that requires retirement plans that are not projected to ever reach 100% funding – like the PERS DB plan – to report their liabilities using a discount rate that is below those plans' assumed rates of return. GASB calls that a "single discount rate".

The problem with using that single discount rate is that the rate is significantly below our assumed rate of return – our assumed rate of return is 7.75%, and the single discount rate we had to use last fiscal year is 6.32%. Using a lower rate to determine our liabilities results in a significant increase in those projected liabilities: using the 7.75% rate results in the $1.1 billion of unfunded liabilities I have already mentioned, whereas using the 6.32% rate results in almost $1.7 billion in unfunded liabilities – a 50% increase.

GASB also now requires the state and its political subdivisions to report that higher unfunded liability figure in their financial statements. As a result, the pension liabilities that have to be reported in the financial statements are 50% higher than they would be if we were on the course to being 100% funded. That is causing a significantly negative impact on many of our participating political subdivisions' financial statements. Those increased liabilities may also result in negative rating outlooks from the rating agencies, or even a reduction in the bond rating for your political subdivisions, increasing their cost of borrowing money.

Importantly, if this bill is passed, our actuary can take the increased funding into account when it performs the next actuarial valuation, and that single discount rate will move back to 7.75%. That, in turn, will significantly reduce the liabilities that the state and its political subdivisions must report, and may help their credit rating. That is one of the reasons it is imperative that we get back on the course to full funding as quickly as possible.

The second reason it is imperative that we get back on the course to full funding is to provide confidence to your employees and retirees that the retirement benefit that you have guaranteed them will be there when they need it. As I mentioned, right now the main PERS plan is projected to be insolvent by 2106. At that point, the plan will be a pay-as-you-go plan, and we will need biennial appropriations of hundreds of millions of dollars in order to pay retirement benefits. In the below graph, you can see what our current trajectory looks like – it is the line that curves downward, and will eventually reach zero by 2106.

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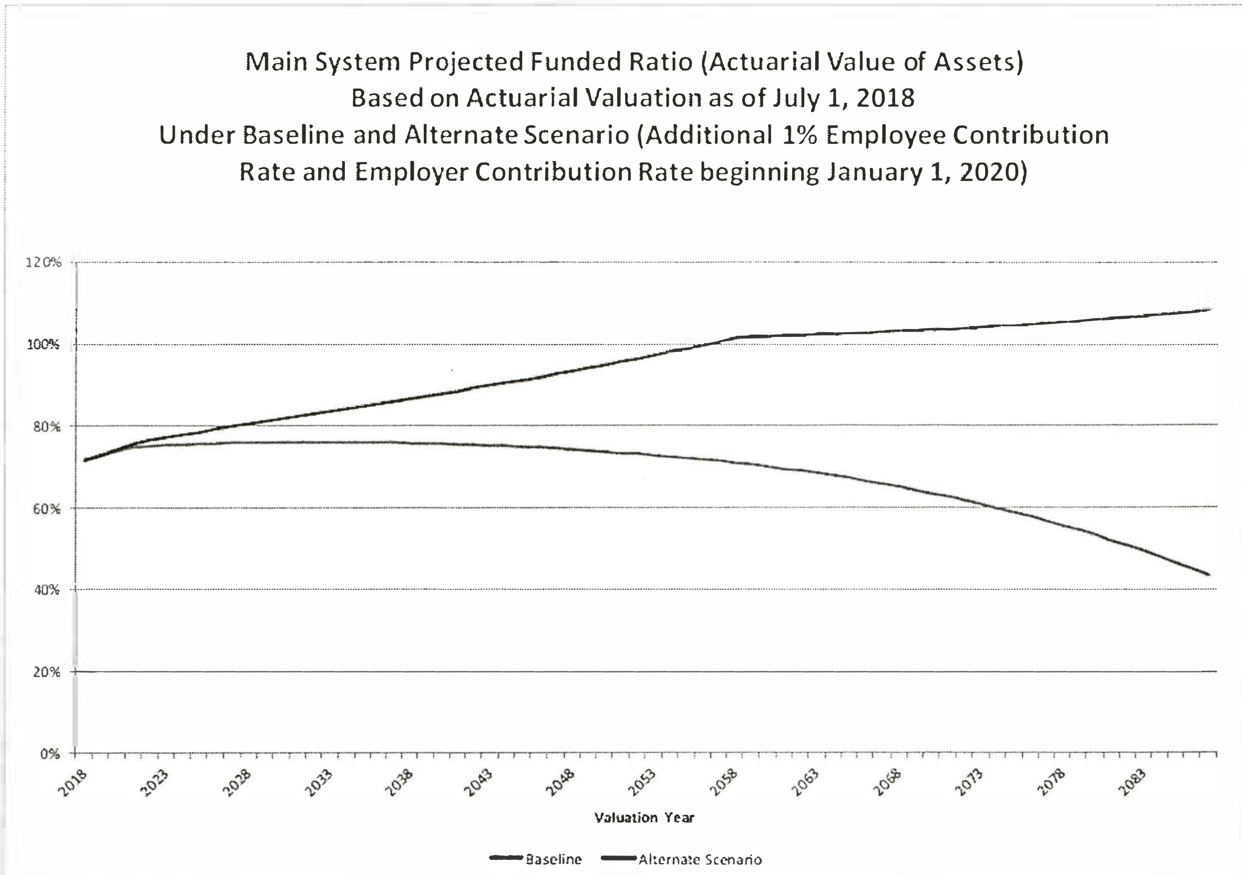


In comparison, the top line is the projection for the main PERS plan in the event that this legislation is passed. As you can see, the main PERS plan becomes 100% funded in 2057. At that time, statute removes two of the contribution increases, and reduces the contribution level to 6% for employees and 6.12% for employers – that is the reason for the bend in that line once we reach 100%.

The cost of Senate Bill 2048 is not insignificant. Below is the fiscal note for the bill.

| | 2017-2019 | | 2019-2021 | | 2021-2023 | |
|---|---|---|---|---|---|---|
| | General Fund | Other Funds | General Fund | Other Funds | General Fund | Other Funds |
| Revenue | $0 | $0 | $0 | $0 | $0 | $0 |
| Expenditures | $0 | $0 | $3,907,740 | $5,114,208 | $5,210,320 | $6,818,944 |
| Appropriations | $0 | $0 | $3,907,740 | $5,114,208 | $5,210,320 | $6,818,944 |

| | 2017-2019 | 2019-2021 | 2021-2023 |
|---|---|---|---|
| Counties | $0 | $2,785,525 | $3,714,034 |
| Cities | $0 | $1,695,514 | $2,260,685 |
| School Districts | $0 | $3,277,272 | $4,369,697 |
| Townships | $0 | $0 | $0 |

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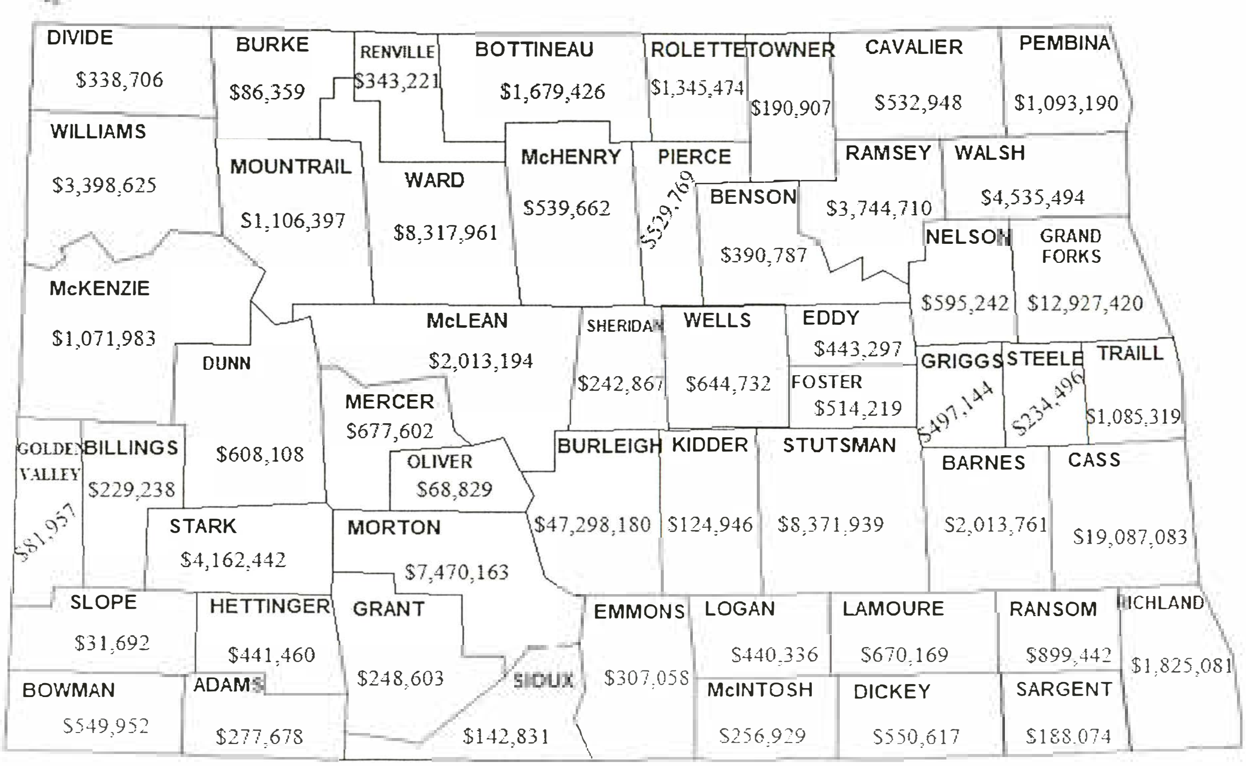
However, remember that without a legislative change, we will become a pay-as-you-go system in 2106. The cost now is a small fraction of hundreds of millions of dollars we will need from you every year in the future to make ongoing retirement benefit payments.

Also keep in mind that your employees have paid just as much as your employers in an effort to shore up our system – every time the employer contribution increased one percent, the employees also contributed an additional one percent. Your employees have personally contributed to helping return NDPERS back to full funding. Passing this bill helps assure your employees that the work they have done, and the sacrifice they have made, was not for nothing. By passing this bill, you will be able to guarantee the thousands of retirees across the state that they will continue to receive the benefits they were promised in exchange for their careers in public service, as you can see in the following map.

Annual Benefits 2017




Out-of-State - $23,452,715

In-State - $145,530,719

Total - $168,983,434

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If only one of our proposed funding bills passes, the benefits of passing this bill instead of SB 2046, the RHIC elimination for new employees, and SB 2047, the multiplier reduction for new employees are as follows:

1. SB 2048 get the plan to 100% funded in the shortest time;
2. SB 2048 will maintain the equity between PERS retirement plans, as well as between the main PERS plan and TFFR;
3. SB 2048 would not affect the Retiree Health Insurance Credit benefit for new employees, insuring them additional financial and health security in their retirement years;
4. SB 2048 would not cause new employees to have a perceived inequity in their benefits. If SB 2047 passes, new employees will be paying the same amount as current employees, but their retirement benefit would be 12.5% lower. Similar experience around the country has shown that can cause internal friction between employees, especially as time goes by and a larger and larger percentage of employees have the reduced multiplier, and can hinder recruitment and retention of employees.

In summary, the Employee Benefits Programs Committee, the NDPERS Board, and the Legislative Assembly have studied the recovery plan in detail over the past eight years. Our members – your employees – played a significant role in developing the recovery plan, and have shared equally in the cost of the recovery plan contribution increases. The final recovery plan contribution increase in Senate Bill 2048 will help ensure that all of your hard work, and all of the increases to date, finish the job you began in 2011, and set us back on the path to full funding of the retirement plan.

Thank you for all of your work and support in the past, and for your positive consideration of this Bill. With your leadership, we can again become fully funded.

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pg 1

NORTH DAKOTA UNITED

*Great Public Schools* *Great Public Service*

**Testimony Before the Senate Government and Veterans Affairs Committee**
**SB 2048**
**Friday, January 11, 2019**

support

Good Morning, Chairman Davison and members of the Committee. For the record, I am Nick Archuleta and I am the president of North Dakota United. I rise today to support a DO PASS recommendation for SB 2048.

SB 2048 increases both the employer and employee contribution to the Public Employee Retirement System by one percent beginning January 1, 2020. Currently, employees contribute 7% of their gross salary toward their retirement and the employer contributes 8.26%. If my math skills are worth anything, this legislation will raise the contribution rates to 8% for employees and 9.26 % for employers.

As I have mentioned in earlier testimony, benefits are crucial in recruiting and retaining highly skilled public employees. Increasing the employer and employee contributions by 1% each will serve to strengthen the defined benefit retirement plan that is so important to all public employees in the Public Employee Retirement System.

On behalf of the 11,500 members of ND United, I urge a DO PASS recommendation for SB 2048.

Thank you, Chairman Davison and members of the Committee. I will stand for questions.

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Pg 1

# TESTIMONY OF SCOTT MILLER

## Senate Bill 2048– Fourth Year of the NDPERS Recovery Plan

Good Morning, my name is Scott Miller. I am the Executive Director of the North Dakota Public Employees Retirement System, or NDPERS. I appear before you today on behalf of the NDPERS board in support of Senate Bill 2048. Note that the Employee Benefits Programs Committee gave this bill a favorable recommendation, and it was also funded in the Governor's Budget Recommendation.

This is the fourth, and final, year of the four-year recovery plan for the NDPERS Main Retirement Plan. Senate Bill 2048 increases both the employer and the employee contributions into both the NDPERS Main Defined Benefit (DB) Retirement Plan and the Defined Contribution (DC) plan by 1% each. Temporary employees, who pay both the employee and the employer contribution, will see a 2% increase.

- Employer: 7.12% → 8.12%
- Employee: 7% → 8%
- Temporary Employee: 14.12% → 16.12%

This bill is necessary because the main PERS plan is underfunded, and is never projected to become fully funded. If you recall, the global financial crisis caused historic losses in our investment portfolio – we lost 24% in 2009 alone. Those losses caused a significant reduction in our funded ratio – our funded ratio dropped 30% in just five years. The losses also caused a dramatic jump in our actuarially determined contribution (ADC) rate. As of June 2008, that rate was 10.09%. By June 2012, the rate went up to 16.24%.

The statutory contributions, however, did not rise with the increase in the ADC rate. As you may recall, in 2011 PERS submitted a recovery plan proposal to the Legislative Assembly that would have raised employer and employee contributions by 4% each over the course of four years, and would have brought us very close to the ADC rate. The first three years of those increases were approved by the 2011 and 2013 Legislative Assemblies, but we have not been successful in our attempts to obtain the fourth increase. Because of that, we have experienced actuarial losses every year due to contributions that were lower than the ADC rate – over the past ten years, we have had a contribution deficiency of more than $400 million, as you can see in this table:

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|
| Actuarially Determined Contribution | 125,714 | 116,564 | 124,336 | 107,514 | 107,864 | 97,985 | 91,458 | 82,910 | 54,158 | 40,327 |
| Contributions in Relation to the Actuarially Determined Contribution | 80,727 | 78,934 | 77,081 | 70,843 | 61,661 | 48,847 | 38,006 | 32,278 | 30,253 | 27,705 |
| Contribution Deficiency (Excess) | 44,987 | 37,630 | 47,255 | 36,671 | 46,203 | 49,138 | 53,452 | 50,632 | 23,905 | 12,622 |

#1 SB 2048
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Today our ADC rate is 18.25%, and our statutory contribution rate is 14.12% (employer and employee) - we are still over 4% short. As a result, the Main PERS plan is never expected to become fully funded, and is projected to become insolvent in 2106.

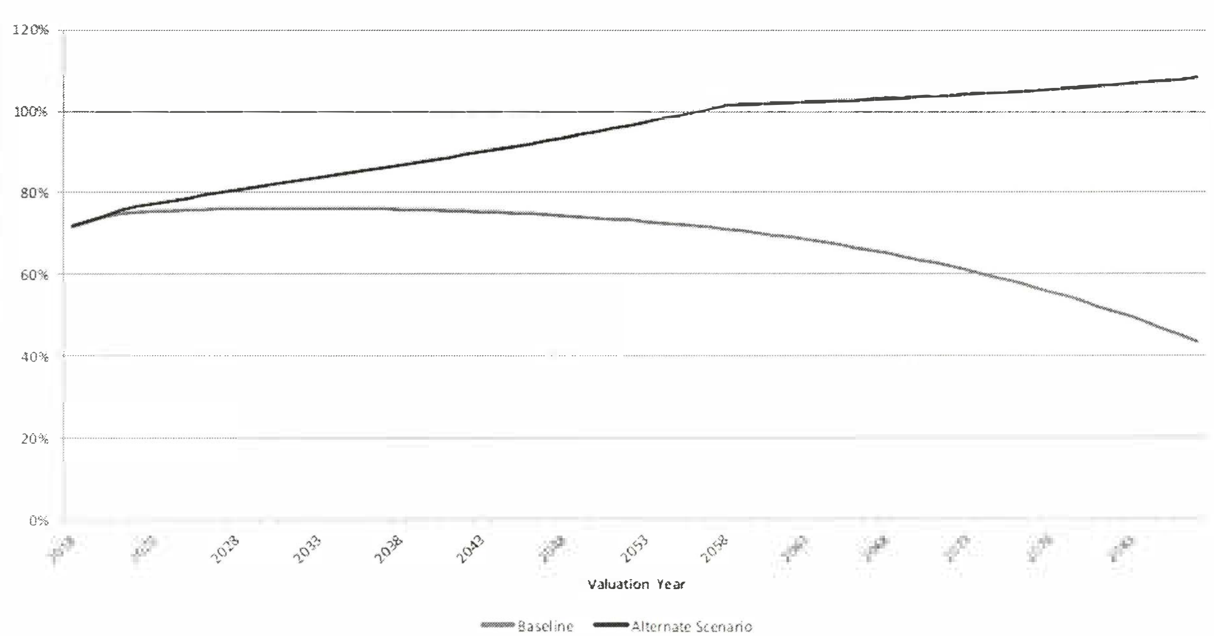
There are very few levers we can use to try to get us back on the course to full funding. I have provided the general formula for funding a defined benefit retirement plan below:

$$\boxed{\underline{\textbf{\textit{Contributions}} +} \text{ Investment Returns} = \underline{\textbf{\textit{Benefits}} +} \text{ Expenses}}$$

Since investment returns are not high enough to put us back on the course to full funding, and expenses are not significant enough to have any effect on the equation, we must look at altering either “Contributions” or “Benefits”.

Benefits are difficult to change for current members and retirees, although we have submitted a bill that proposes to modify benefits for new employees in the future. This bill, Senate Bill 2048, addresses the “Contributions” side of the equation. As I mentioned, our actuary has calculated that our statutory contribution rate is currently 4.13% below the ADC rate. While Senate Bill 2048 only increases contributions to the main PERS DB plan by a total of 2%, it is sufficient to get us back on the course to full funding. Our actuaries estimate that we would reach 100% funding by 2057, assuming all of our actuarial assumptions are met.

Main System Projected Funded Ratio (Actuarial Value of Assets)
Based on Actuarial Valuation as of July 1, 2018
Under Baseline and Alternate Scenario (Additional 1% Employee Contribution Rate and Employer Contribution Rate beginning January 1, 2020)



#1 SB 2048
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pg 3

While 2057 is still a long way off, it still gets us back on the course to full funding, which is essential for two very important reasons – member confidence, and GASB liability reporting. GASB stands for "Governmental Accounting Standards Board". GASB provides "statements" that provide guidance for governmental entities, like the state and its political subdivisions, on how to report certain things in their financial statements. In the past few years, GASB issued a statement that requires retirement plans that are not projected to ever reach 100% funding – like the PERS DB plan – to report their liabilities using a discount rate that is below those plans' assumed rates of return. GASB calls that a "single discount rate".

The problem with using that single discount rate is that the rate is significantly below our assumed rate of return – our assumed rate of return is 7.75%, and the single discount rate we had to use last fiscal year is 6.32%. Using a lower rate to determine our liabilities results in a significant increase in those projected liabilities: using the 7.75% rate results in $1.1 billion of unfunded liabilities, whereas using the 6.32% rate results in almost $1.7 billion in unfunded liabilities – a 50% increase.

GASB also now requires the state and its political subdivisions to report that higher unfunded liability figure in their financial statements. As a result, the pension liabilities that have to be reported in the financial statements are 50% higher than they would be if we were on the course to being 100% funded. That is causing a significantly negative impact on many of our participating political subdivisions' financial statements. Those increased liabilities may also result in negative rating outlooks from the rating agencies, or even a reduction in the bond rating for your political subdivisions, increasing their cost of borrowing money.

Importantly, if this bill is passed, our actuary can take the increased funding into account when it performs the next actuarial valuation, and that single discount rate will move back to 7.75%. That, in turn, will significantly reduce the liabilities that the state and its political subdivisions must report, and may help their credit rating. That is one of the reasons it is imperative that we get back on the course to full funding as quickly as possible.

The cost of Senate Bill 2048 is not insignificant. Below is the fiscal note for the bill.

| | 2017-2019 | | 2019-2021 | | 2021-2023 | |
|---|---|---|---|---|---|---|
| | General Fund | Other Funds | General Fund | Other Funds | General Fund | Other Funds |
| Revenue | $0 | $0 | $0 | $0 | $0 | $0 |
| Expenditures | $0 | $0 | $3,907,740 | $5,114,208 | $5,210,320 | $6,818,944 |
| Appropriations | $0 | $0 | $3,907,740 | $5,114,208 | $5,210,320 | $6,818,944 |

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| | 2017-2019 | 2019-2021 | 2021-2023 |
|---|---|---|---|
| Counties | $0 | $2,785,525 | $3,714,034 |
| Cities | $0 | $1,695,514 | $2,260,685 |
| School Districts | $0 | $3,277,272 | $4,369,697 |
| Townships | $0 | $0 | $0 |

However, keep in mind that without a legislative change, we will become insolvent and become a pay-as-you-go system in 2106. The cost now is a small fraction of the hundreds of millions of dollars we will need from you every year in the future to make ongoing retirement benefit payments.

In summary, the Employee Benefits Programs Committee, the NDPERS Board, and the Legislative Assembly have studied the recovery plan in detail over the past eight years. Our members – your employees – played a significant role in developing the recovery plan, and have shared equally in the cost of the recovery plan contribution increases. The final recovery plan contribution increase in Senate Bill 2048 will help ensure that all of your hard work, and all of the increases to date, finish the job you began in 2011, and set us back on the path to full funding of the retirement plan. It will also help ensure that we do not become like Illinois or Kentucky, both of which are in dire circumstances in part because they did not pay the actuarially determined contribution rate to their retirement plans.

Thank you for all of your work and support in the past, and for your positive consideration of this Bill. With your leadership, we can again become fully funded.

SB 2048
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Title.

Prepared by the Legislative Council staff for
Senate Appropriations Committee
February 14, 2019

PROPOSED AMENDMENTS TO SENATE BILL NO. 2048

Page 1, line 19, replace "2020" with "2021"

Page 2, line 14, replace "2020" with "2021"

Page 2, line 25, replace "2020" with "2021"

Page 4, line 5, replace "2020" with "2021"

Page 4, line 24, replace "2020" with "2021"

Page 5, line 1, replace "2020" with "2021"

Renumber accordingly

#1
SB 2048
3-7-19

# TESTIMONY OF SCOTT MILLER

## Engrossed Senate Bill 2048– Fourth Year of the NDPERS Recovery Plan

Good Morning, my name is Scott Miller. I am the Executive Director of the North Dakota Public Employees Retirement System, or NDPERS. I appear before you today on behalf of the NDPERS board in support of Senate Bill 2048. Note that the Employee Benefits Programs Committee gave this bill a favorable recommendation, and it was also funded in the Governor's Budget Recommendation.

This is the fourth, and final, year of the four-year recovery plan for the NDPERS Main Retirement Plan. Senate Bill 2048 increases both the employer and the employee contributions into both the Main NDPERS Hybrid/Defined Benefit (DB) Retirement Plan and the Defined Contribution (DC) plan by 1% each, starting January 1, 2021. Temporary employees, who pay both the employee and the employer contribution, will see a 2% increase.

- Employer: 7.12% → 8.12%
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This bill is necessary because the main PERS plan is underfunded, and is never projected to become fully funded. If you recall, the global financial crisis caused historic losses in our investment portfolio – we lost 24% in 2009 alone. Those losses caused a significant reduction in our funded ratio – our funded ratio dropped 30% in just five years. The losses also caused a dramatic jump in our actuarially determined contribution (ADC) rate. As of June 2008, that rate was 10.09%. By June 2012, the rate went up to 16.24%.

The statutory contributions, however, did not rise with the increase in the ADC rate. As you may recall, in 2011 PERS submitted a shared recovery plan proposal to the Legislative Assembly that would have raised employer and employee contributions by 4% each over the course of four years, and would have brought us very close to the ADC rate. The first three years of those increases were approved by the 2011 and 2013 Legislative Assemblies, but we have not been successful in our attempts to obtain the fourth increase. Because of that, we have experienced actuarial losses every year due to contributions that were lower than the ADC rate – over the past ten years, we have had a contribution deficiency of more than $400 million, as you can see in this table:

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
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#1
SB 2048, 3-7-19

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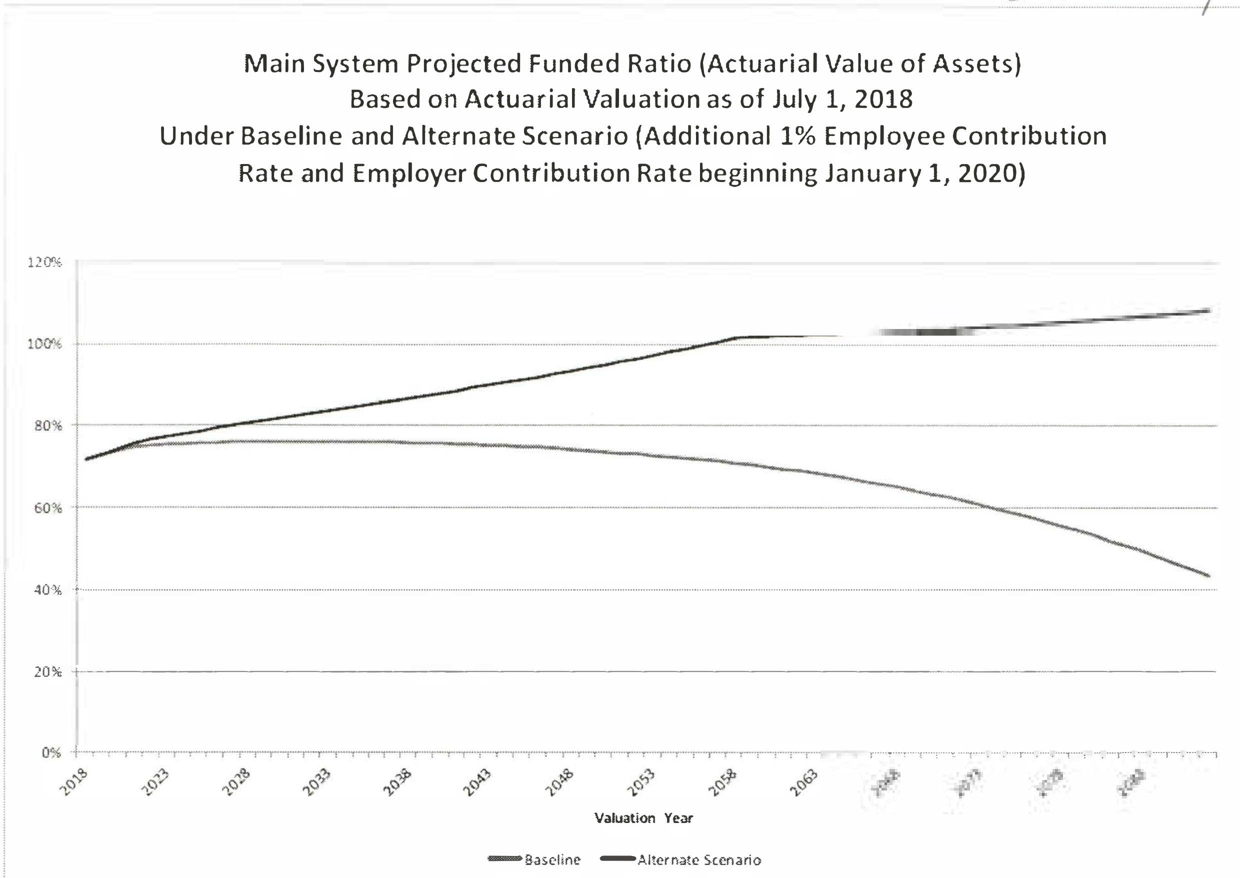
There are very few levers we can use to try to get the PERS plan back on the course to full funding. I have provided the general formula for funding a defined benefit retirement plan below:

| |
|---|
| ***Contributions*** + Investment Returns = ***Benefits*** + Expenses |

Since investment returns are not high enough to put us back on the course to full funding, and expenses are not significant enough to have any effect on the equation, we must look at altering either "Contributions" or "Benefits".

Benefits are difficult to change for current members and retirees, although we have submitted a bill that proposes to modify benefits for new employees in the future. This bill, Senate Bill 2048, addresses the "Contributions" side of the equation. As I mentioned, our actuary has calculated that our statutory contribution rate is currently 4.13% below the ADC rate. While Senate Bill 2048 only increases contributions to the main PERS DB plan by a total of 2%, it is sufficient to get us back on the course to full funding. Our actuaries estimate that we would reach 100% funding by 2058, assuming all of our actuarial assumptions are met.

#1
SB 2048, 3-7-19




*Note the above graph was drafted under the original bill, which would have taken effect January 1, 2020. Delaying the effective date one year only pushes back the 100% funding date one year, to 2058.

While 2058 is still a long way off, it still gets us back on the course to full funding, which is essential for two very important reasons – member confidence, and GASB liability reporting. GASB stands for "Governmental Accounting Standards Board". GASB provides "statements" that provide guidance for governmental entities, like the state and its political subdivisions, on how to report certain things in their financial statements. In the past few years, GASB issued a statement that requires retirement plans that are not projected to ever reach 100% funding – like the PERS DB plan – to report their liabilities using a discount rate that is below those plans' assumed rates of return. GASB calls that a "single discount rate".

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GASB also now requires the state and its political subdivisions to report that higher unfunded liability figure in their financial statements. As a result, the pension liabilities

#1
SB 2048, 3-7-19

that have to be reported in the financial statements are 50% higher than they would be if we were on the course to being 100% funded. That is causing a significantly negative impact on many of our participating political subdivisions' financial statements. Those increased liabilities may also result in negative rating outlooks from the rating agencies, or even a reduction in the bond rating for your political subdivisions, increasing their cost of borrowing money.

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| | 2017-2019 Biennium | | 2019-2021 Biennium | | 2021-2023 Biennium | |
|---|---|---|---|---|---|---|
| | General Fund | Other Funds | General Fund | Other Funds | General Fund | Other Funds |
| Revenues | $0 | $0 | $0 | $0 | $0 | $0 |
| Expenditures | $0 | $0 | $1,302,580 | $1,704,736 | $5,210,320 | $6,818,944 |
| Appropriations | $0 | $0 | $1,302,580 | $1,704,736 | $5,210,320 | $6,818,944 |

| | 2017-2019 Biennium | 2019-2021 Biennium | 2021-2023 Biennium |
|---|---|---|---|
| Counties | $0 | $928,509 | $3,714,034 |
| Cities | $0 | $565,171 | $2,260,685 |
| School Districts | $0 | $1,092,424 | $4,369,697 |
| Townships | $0 | $0 | $0 |

However, keep in mind that without a legislative change, we will become insolvent and become a pay-as-you-go system in 2106. The cost now is a small fraction of the hundreds of millions of dollars we will need from you every year in the future to make ongoing retirement benefit payments.

In summary, the Employee Benefits Programs Committee, the NDPERS Board, and the Legislative Assembly have studied the recovery plan in detail over the past eight years. Our members – your employees – played a significant role in developing the recovery plan, and have shared equally in the cost of the recovery plan contribution increases. The final recovery plan contribution increase in Senate Bill 2048 will help ensure that all of your hard work, and all of the increases to date, finish the job you began in 2011, and set us back on the path to full funding of the retirement plan. It will also help ensure that we do not become like Illinois or Kentucky, both of which are in dire circumstances in part because they did not pay the actuarially determined contribution rate to their retirement plans.

Thank you for all of your work and support in the past, and for your positive consideration of this Bill. With your leadership, we can again become fully funded.

#2
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3-7-19

NORTH DAKOTA UNITED

*Great Public Schools* *Great Public Service*

**Testimony Before the Senate Government and Veterans Affairs Committee**
**SB 2048**
**Thursday, March 7, 2019**

Good Morning, Chairman Kasper and members of the Committee. For the record, I am Nick Archuleta and I am the president of North Dakota United. I rise today to support a DO PASS recommendation for SB 2048.

SB 2048 increases both the employer and employee contribution to the Public Employee Retirement System by one percent beginning January 1, ~~2020~~ 2021. Currently, employees contribute 7% of their gross salary toward their retirement and the employer contributes 8.26%. If my math skills are worth anything, this legislation will raise the contribution rates to 8% for employees and 9.26 % for employers.

As I have mentioned in earlier testimony, benefits are crucial in recruiting and retaining highly skilled public employees. Increasing the employer and employee contributions by 1% each will serve to strengthen the defined benefit retirement plan that is so important to all public employees in the Public Employee Retirement System.

On behalf of the 11,500 members of ND United, I urge a DO PASS recommendation for SB 2048.

Thank you, Chairman Kasper and members of the Committee. I will stand for questions.