

**Public Employees Retirement System
Budget 192
Senate Bill No. 2022; House Bill No. 1364**

	FTE Positions	General Fund	Other Funds	Total
2011-13 legislative appropriation	33.00	\$0	\$6,867,890	\$6,867,890
2009-11 legislative appropriation	<u>33.00</u>	<u>13,000</u>	<u>6,133,488</u>	<u>6,146,488</u>
2011-13 appropriation increase (decrease) to 2009-11 appropriation	0.00	(\$13,000)	\$734,402	\$721,402

Item Description

High-deductible health plan alternative - House Bill No. 1364 (2011) requires the Public Employees Retirement System (PERS) to develop and implement a high-deductible health plan with a health savings account as an alternative to the regular health plan. The bill provides funding of \$91,000 from health insurance premium collections received under North Dakota Century Code Chapter 54-52.1 for implementing a high-deductible health plan alternative with a health savings account option to be available to state employees by January 1, 2012.

PERSLink system carryover authority - In Section 2 of 2011 Senate Bill No. 2022, the Legislative Assembly provided that any unexpended funds related to amounts appropriated for the PERSLink system in the 2009-11 biennium are available for the completion of the PERSLink system during the 2011-13 biennium.

Board member compensation rate increases - In Section 6 of 2011 Senate Bill No. 2022, the Legislative Assembly amended Section 54-52-03 relating to the per day compensation rate of PERS Board members to increase the rate from \$62.50 per day to \$148 per day.

Status/Result

The Public Employees Retirement System has developed and implemented a high-deductible health plan with a health savings account. The plan was available for state employee enrollments as of January 1, 2012. As of March 2012, 84 employees are enrolled in the plan.

The Public Employees Retirement System had \$597,338 of funding continued from the 2009-11 biennium related to the PERSLink system. The Public Employees Retirement System started the information technology replacement project in October 2007 with the selection of Sagitec Solutions as the project vendor. As of October 2011, 98 percent of the system functionality was placed into production. The deployment of the member self-service functionality was delayed and is expected to be fully deployed in the summer of 2012. The total appropriation for the project was \$9,594,000. As of February 2012, expenditures for the project totaled \$9,021,643.

The per day compensation rate of PERS Board members was increased from \$62.50 per day to \$148 per day effective August 2011. The Public Employees Retirement System did not receive additional funding for the rate increase. The agency did not anticipate an issue funding the estimated \$19,000 associated with the rate increase within the agency's 2011-13 legislative appropriation; however, implementation of the Hay Group classification methodology may affect the funding available for the rate increase. The Public Employees Retirement System has been notified by Human Resource Management Services that several employees' salary will be below the minimum of the new pay grades as of July 2012. The estimated cost of increasing employees' salaries to the new minimums is \$25,000.

Appropriation line item transfers - In Section 3 of 2011 Senate Bill No. 2022, the Legislative Assembly provided that PERS may transfer funds from the contingencies line item to any other line item and provides that the agency notify the Office of Management and Budget of each transfer made.

Retirement contributions - In 2011 Senate Bill No. 2108, the Legislative Assembly provided for increases in employer and employee contributions under the Highway Patrolmen's retirement plan and the PERS retirement plan by 4 percent--2 percent employee increase and 2 percent employer increase--phased in annually in January 2012 and January 2013.

Public Employees Retirement System fund status - Provided below is a summary of the actuarial value of the main Public Employees Retirement System fund:

Actuarial Value of Investments (Amounts Shown in Billions)				
	Actuarial Accrued Liability	Fund Balance	Actuarial Percentage Funded	
June 30, 2007	\$1.58	\$1.47		93%
June 30, 2008	\$1.70	\$1.57		92%
June 30, 2009	\$1.86	\$1.58		85%
June 30, 2010	\$2.16	\$1.58		73%
June 30, 2011	\$2.28	\$1.60		70%

Provided below is a status summary of the market value of all PERS retirement funds:

Market Value of Investments (Amounts Shown in Billions)		
	Fund Balance	Annual Percentage Change in Market Value
June 30, 2007	\$1.94	19.0%
June 30, 2008	\$1.81	(5.6%)
June 30, 2009	\$1.35	(24.4%)
June 30, 2010	\$1.51	13.67%
June 30, 2011	\$1.80	21.43%
February 29, 2012, preliminary fund balance	\$1.79	0.80%

The Public Employees Retirement System may transfer funding from the contingencies line item to the salaries and wages line item during the 2011-13 biennium for costs associated with board member compensation rate increases and the implementation of the Hay Group classification methodology.

The Public Employees Retirement System completed an increase in contributions to the retirement system of 2 percent on January 1, 2012, and plans for another 2 percent increase on January 1, 2013. For each increase, employees pay 1 percent of the increased contribution and the state pays the remaining 1 percent.

A decline in the market value of fund investments caused actuarial funded levels to decrease from 92.6 percent as of June 2008 to 70 percent as of June 2011. In 2008 investments declined 5.6 percent from prior year market values and in 2009 investments declined by 24.4 percent.

The Public Employees Retirement System through actuarial analysis determined that relying only on potential market value increases would not return the funded level of the main PERS fund to the target level of at least 90 percent. The Legislative Assembly in 2011 provided for increases in employer and employee contributions of 4 percent during the 2011-13 biennium. The Public Employees Retirement System plans to introduce a bill to the Legislative Assembly in 2013 to improve funding levels by increasing contribution rates of employees and employers again in the 2013-15 biennium.