

**2023 SENATE APPROPRIATIONS**

**SB 2023**

**Department 192 - Public Employees Retirement System**  
**Senate Bill No. 2023**

**Executive Budget Comparison to Base Level**

	<b>General Fund</b>	<b>Other Funds</b>	<b>Total</b>
2023-25 Executive Budget	\$0	\$11,922,516	\$11,922,516
2023-25 Base Level	0	9,855,296	9,855,296
Increase (Decrease)	\$0	\$2,067,220	\$2,067,220

**Selected Budget Changes Recommended in the Executive Budget**

	<b>General Fund</b>	<b>Other Funds</b>	<b>Total</b>
1. Adds funding for 1 FTE retirement processing position, of which \$214,632 is for salaries and wages and \$725 is for operating expenses.	\$0	\$215,357	\$215,357
2. Adds funding for 1 FTE receptionist position, of which \$124,986 is for salaries and wages and \$725 is for operating expenses.	\$0	\$125,711	\$125,711
3. Adds funding for 2 FTE positions to close the main system defined benefit retirement plan to new hires, of which \$478,760 is for salaries and wages and \$2,350 is for operating expenses.	\$0	\$481,110	\$481,110
4. Adds <b>one-time funding</b> for temporary staff to close the main system defined benefit retirement plan to new hires to provide total funding for temporary salaries of \$570,664.	\$0	\$200,000	\$200,000
5. Adds <b>one-time funding</b> to contract with a developer for the closure of the main system defined benefit retirement plan to new hires.	\$0	\$125,000	\$125,000
6. Adds <b>one-time funding</b> to contract with a developer to upgrade the PERSLink business system.	\$0	\$125,000	\$125,000
7. Adds <b>one-time funding</b> for new FTE position chairs.	\$0	\$5,000	\$5,000

A summary of the executive budget changes to the agency's base level appropriations is attached as an appendix.

A copy of the draft appropriations bill containing the executive budget recommendations is attached as an appendix.

**Selected Bill Sections Recommended in the Executive Budget**

**Appropriation line item transfers** - Section 3 would allow the Public Employees Retirement System (PERS) to transfer funding from the contingency line item in Section 1 to other line items and would require PERS to notify the Office of Management and Budget of each transfer made pursuant to this section.

**Contingent appropriation** - Section 7 would identify \$809,110 in Section 1 as a contingent appropriation for 2 FTE positions that is effective only if the 2023 Legislative Assembly approves legislation to close the main system defined benefit retirement plan to new hires.

**Continuing Appropriations**

**Public Employees Retirement System** - Various sections - For benefit payments, investments, and actuarial and technical consulting for each program area.

**Deficiency Appropriations**

**Transfer to the PERS fund** - The executive budget includes a recommendation to transfer \$250,000 from the general fund to the PERS fund as a 2021-23 biennium supplemental appropriation to reduce the unfunded liability of the main system defined benefit retirement plan.

**Significant Audit Findings**

The audit for PERS conducted by CliftonLarsonAllen LLP, Certified Public Accountants, for the period ending June 30, 2021, did not identify any significant audit findings.

The *Schedules of Employer Allocations and Pension Amounts by Employer* prepared for PERS and audited by CliftonLarsonAllen LLP, for the period ending June 30, 2021, did not identify any significant audit findings.

The other postemployment benefits schedule prepared for PERS and audited by CliftonLarsonAllen LLP, for the period ending June 30, 2021, did not identify any significant audit findings.

## Major Related Legislation

**House Bill No. 1039** - This bill closes the main system defined benefit plan to new hires beginning January 1, 2024, provides a one-time transfer of \$250 million from the general fund to the PERS fund to reduce the unfunded liability of the main system defined benefit plan; provides for a transfer of \$70 million rather than approximately \$48 million from legacy fund earnings to PERS each biennium; creates a defined contribution plan with 4 percent employee and 4.12 percent employer contribution rates; provides for an optional additional 3 percent employee and 3 percent employer matching contributions provided through the PERS 457 deferred compensation plan; and requires employer contribution rates for the defined benefit plan to be based on the actuarially determined employer contribution rates, of which the state would be responsible for the state and political subdivision employer shares.

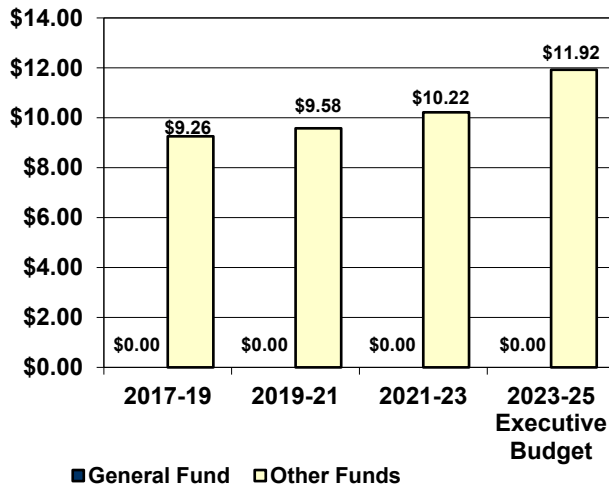
**House Bill No. 1040** - This bill is identical to House Bill No. 1039 except House Bill No. 1040 would become effective beginning January 1, 2025, instead of January 1, 2024.

**House Bill No. 1146** - This bill requires PERS to provide coverage for the expenses of the diagnosis of infertility, fertility treatment, and standard fertility preservation services if recommended and medically necessary. The bill is effective through July 31, 2025, and would require PERS to submit a bill for introduction during the 2025 legislative session to repeal the expiration date of this bill to extend coverage of fertility benefits to all group and individual health insurance policies.

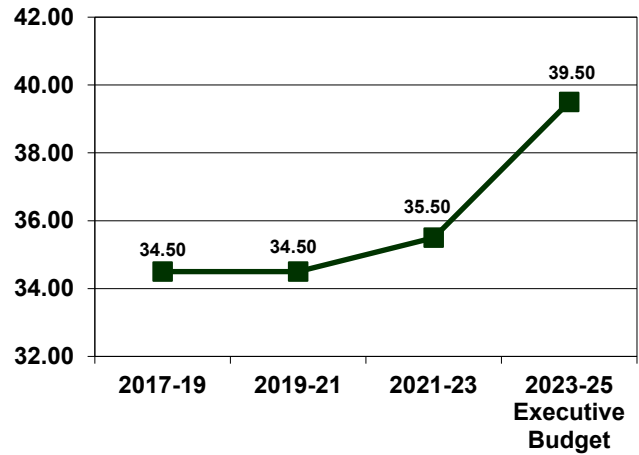
# Historical Appropriations Information

## Agency Appropriations and FTE Positions

Agency Funding (Millions)



FTE Positions



### Ongoing Other Funds Appropriations

	2015-17	2017-19	2019-21	2021-23	2023-25 Executive Budget
Ongoing other fund appropriations	\$9,496,373	\$9,258,390	\$9,346,196	\$9,855,296	\$11,467,516
Increase (decrease) from previous biennium	N/A	(\$237,983)	\$87,806	\$509,100	\$1,612,220
Percentage increase (decrease) from previous biennium	N/A	(2.5%)	0.9%	5.4%	16.4%
Cumulative percentage increase (decrease) from 2015-17 biennium	N/A	(2.5%)	(1.6%)	3.8%	20.8%

### Major Increases (Decreases) in Ongoing Other Fund Appropriations

#### 2017-19 Biennium

- Underfunded salaries and wages (\$150,000)
- Reduced funding for printing and postage costs for newsletters (\$29,752) and annual benefit statements (\$33,220) (\$62,972)
- Reduced funding for hosting costs for a mobile application (\$43,000)

#### 2019-21 Biennium

- Adjusted funding for IT operating expenses (\$230,519)

#### 2021-23 Biennium

- Added funding for an FTE accountant position, of which \$180,926 is for salaries and wages and \$14,365 is for related operating expenses \$195,291
- Added funding for a temporary receptionist position, of which \$139,337 is for salaries and wages and \$15,033 is for related operating expenses \$154,370
- Reduced funding for rent to provide a total of \$272,925. The reduction was due to less space being needed because a number of employees are teleworking. (\$80,865)

#### 2023-25 Biennium (Executive Budget Recommendation)

- Adds funding for 1 FTE retirement processing position, of which \$214,632 is for salaries and wages and \$725 is for operating expenses. \$215,357
- Adds funding for 1 FTE receptionist position, of which \$124,986 is for salaries and wages and \$725 is for operating expenses. \$125,711
- Adds funding for 2 FTE positions to close the main system defined benefit retirement plan to new hires, of which \$478,760 is for salaries and wages and \$2,350 is for operating expenses. \$481,110



**One-Time Other Funds Appropriations**

	<b>2015-17</b>	<b>2017-19</b>	<b>2019-21</b>	<b>2021-23</b>	<b>2023-25 Executive Budget</b>
One-time other funds appropriations	\$177,370	\$0	\$230,000	\$362,100	\$455,000

**Major One-Time Other Funds Appropriations**

**2017-19 Biennium**

1. None

**2019-21 Biennium**

- |                                     |           |
|-------------------------------------|-----------|
| 1. IT risk assessment               | \$40,000  |
| 2. Upgrade business system software | \$190,000 |

**2021-23 Biennium**

- |  |           |
|--|-----------|
| 1. Upgrade benefit enrollment software | \$104,500 |
| 2. Upgrade PERSLink business system    | \$257,600 |

**2023-25 Biennium (Executive Budget Recommendation)**

- |   |           |
|---|-----------|
| 1. Temporary staff to close the main system defined benefit retirement plan to new hires                          | \$200,000 |
| 2. Contract costs for a developer for the closure of the main system defined benefit retirement plan to new hires | \$125,000 |
| 3. Contract costs for a developer to upgrade the PERSLink business system   | \$125,000 |

**Public Employees Retirement System - Budget No. 192**  
**Senate Bill No. 2023**  
**Base Level Funding Changes**

	<b>Executive Budget Recommendation</b>			
	<b>FTE Positions</b>	<b>General Fund</b>	<b>Other Funds</b>	<b>Total</b>
<b>2023-25 Biennium Base Level</b>	35.50	\$0	\$9,855,296	\$9,855,296
<b>2023-25 Ongoing Funding Changes</b>				
Adds funding for the cost to continue salary increases			\$53,963	\$53,963
Salary increase			508,874	508,874
Health insurance increase			210,904	210,904
Adds funding for an FTE retirement processing position	1.00		215,357	215,357
Adds funding for an FTE receptionist position	1.00		125,711	125,711
Adds funding for FTE positions to close the defined benefit plan	2.00		481,110	481,110
Adds funding for IT rate increases			16,301	16,301
Total ongoing funding changes	4.00	\$0	\$1,612,220	\$1,612,220
<b>One-time funding items</b>				
Adds funding for temporary staff to close the defined benefit plan			\$200,000	\$200,000
Adds funding for a developer for the closure of the defined benefit plan			125,000	125,000
Adds funding for a developer to upgrade the PERSLink business system			125,000	125,000
Adds funding for new FTE position chairs			5,000	5,000
Total one-time funding changes	0.00	\$0	\$455,000	\$455,000
<b>Total Changes to Base Level Funding</b>	4.00	\$0	\$2,067,220	\$2,067,220
<b>2023-25 Total Funding</b>	39.50	\$0	\$11,922,516	\$11,922,516
<i>Federal funds included in other funds</i>			\$0	
<i>Total ongoing changes as a percentage of base level</i>	11.3%		16.4%	16.4%
<i>Total changes as a percentage of base level</i>	11.3%		21.0%	21.0%

**Other Sections in Public Employees Retirement System - Budget No. 192**

	<b>Executive Budget Recommendation</b>
Appropriation line item transfers	Section 3 would allow PERS to transfer funding from the contingency line item in Section 1 to other line items and would require PERS to notify the Office of Management and Budget of each transfer made pursuant to this section.
Contingent appropriation	Section 7 would identify \$809,110 in Section 1 as a contingent appropriation for 2 FTE positions that is effective only if the 2023 Legislative Assembly approves legislation to close the main system defined benefit retirement plan to new hires.

**SENATE BILL NO. 2023  
(Governor’s Recommendation)**

Introduced by

Appropriations Committee

(At the request of the Governor)

A bill for an Act to provide an appropriation for defraying the expenses of the public employees retirement system; to provide a contingent appropriation; and to provide for a transfer.

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

**SECTION 1. APPROPRIATION.** The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys from special funds derived from income for the purpose of defraying their expenses, for the biennium beginning July 1, 2023, and ending June 30, 2025, as follows:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and Wages	\$7,209,060	\$1,792,119	\$9,001,179
Operating Expenses	2,396,236	275,101	2,671,337
Contingencies	250,000	0	250,000
Total All Funds	\$9,855,296	\$2,067,220	\$11,922,516
Less Estimated Income	9,855,296	2,067,220	11,922,516
Total General Fund	\$ 0	\$ 0	\$ 0
Full-time Equivalent Positions	35.50	4.00	39.50

**SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO SIXTY-NINTH LEGISLATIVE ASSEMBLY.** The following amounts reflect the one-time funding items approved by the sixty-seventh legislative assembly for the 2021-23 biennium and the 2023-25 one-time funding items included in the appropriation in section 1 of this Act:

<u>One-Time Funding Description</u>	<u>2021-23</u>	<u>2023-25</u>
Upgrade for Benefit Enrollment System	\$104,500	\$0
Upgrade Perslink to BPM	257,600	0
Closure of Defined Benefit Plan	0	203,000
Additional Development Resources	0	125,000
Total Special Funds	\$362,100	\$328,000

The 2023-25 one-time funding amounts are not a part of the entity's base budget for the 2025-27 biennium. The public employees retirement system shall report to the appropriations committees of the sixty-ninth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2023 and ending June 30, 2025.

**SECTION 3. APPROPRIATION LINE ITEM TRANSFERS.** Upon approval of the board, the public employees retirement system may transfer from their contingency line item in section 1 of this Act to all other line items. The agency shall notify the office of management and budget of each transfer made pursuant to this section.

**SECTION 7. CONTINGENT APPROPRIATION.** Section 1 of this Act includes a contingent appropriation of \$809,110, and contingent authority for two FTE positions effective only if the sixty-eight legislative assembly approves legislation to close the defined benefit plan.

# 2023 SENATE STANDING COMMITTEE MINUTES

## Appropriations Committee Roughrider Room, State Capitol

SB 2023  
1/6/2023

A BILL for an Act to provide an appropriation for defraying the expenses of the public employees retirement system.
---

Chairman Bekkedahl opened the hearing on SB 2023 at 8:30 am.

Members present : Senators Bekkedahl, Burckhard, Davison, Dever, Dwyer, Erbele, Kreun, Meyer, Roers, Schaible, Sorvaag, Vedaa, Wanzek, Rust, Mathern; Members absent: Senator Krebsbach

### Discussion Topics:

- Budget overview/introduction
- Organizational chart
- Retirement programs managed and administered
- Number of employees covered
- Number of retirees covered
- Number of upcoming eligible retirees
- Deferred Compensation Plan membership (457 plan)(employee contribution only)
- Health Plan Membership
- Dental & Vision Membership
- Flex Savings Account (FSA) participation
- Challenges seen by NDPERS
- Cost savings, efficiencies in budget
- Budget requests

8:32 Scott Miller – Executive Director of NDPERS (Public Employees Retirement System) – presented an overview of the NDPERS System and budget bill – #12454 and #12455

9:05 Derek Hobein – CFO of NDPERS – budget requests – continued with handouts #12454 and #12455

9:22 Scott Miller – answers questions from the committee

9:29 Derek Hobein – answers questions from the committee

### Additional Testimony: #21269

Chairman Bekkedahl assigned this Bill to the Human Resource Division.

Chairman Bekkedahl closed the hearing at 9:38 am.

*Kathleen Hall, Committee Clerk*

# 2023 SENATE STANDING COMMITTEE MINUTES

## Appropriations - Human Resources Division Roughrider Room, State Capitol

SB 2023  
1/19/2023

A BILL for an Act to provide an appropriation for defraying the expenses of the public employee's retirement system.
--

**8:37AM Chairman Dever** called meeting to order.  
**Senators Dever, Davison, Burckhard, Mathern, Kreun** are present.

### Discussion Topics:

- NDPERS budget overview

**8:40AM Scott Miller, Executive Director, North Dakota Public Employee Retirement System** introduced Derek Hohbein.

**8:42AM Derek Hohbein, Chief Operating and Financial Advisor, North Dakota Public Employees Retirement** provided additional information in favor. #12454 Originally presented on 01/06/2023.

**9:35 AM Vice Chairman Davison** closed the hearing.

*Susan Huntington, Committee Clerk*

# 2023 SENATE STANDING COMMITTEE MINUTES

## Appropriations - Human Resources Division Roughrider Room, State Capitol

SB 2023  
1/23/2023

A BILL for an Act to provide an appropriation for defraying the expenses of the public employee's retirement system.

2:37 PM **Chairman Dever** opens meeting. **Senators Dever, Davison, Burckhard, Mathern, Kreun** are present.

### **Discussion Topics:**

- Budget Changes

**Derek Hohbein, Chief Operating and Financial Advisor, North Dakota Public Employees Retirement** provided additional information in favor. #12454 Originally presented on 01/06/2023.

2:59 PM **Chairman Dever** closes the meeting.

*Patricia Lahr on behalf of Susan Huntington, Committee Clerk*

# 2023 SENATE STANDING COMMITTEE MINUTES

## Appropriations - Human Resources Division Roughrider Room, State Capitol

SB 2023  
2/8/2023

A BILL for an Act to provide an appropriation for defraying the expenses of the public employee's retirement system; to provide a contingent appropriation; and to provide for a report.

2:44 PM Chairman Dever opened the meeting.

Present are Chairman Dever and Senators Burckhard, Davison, Kreun and Mathern.

### Discussion Topics:

- Budget changes
- Amendments

2:45 PM Levi Kinnischtzke, Senior Fiscal Analyst for Legislative Council provided information. #21269, #21268

3:03 PM Senator Davison moved to adopt amendment 23.0277.01001.

Senator Mathern seconded the motion.

3:06 PM Roll call vote is taken.

Senators	Vote
Senator Dick Dever	Y
Senator Randy A. Burckhard	Y
Senator Kyle Davison	Y
Senator Curt Kreun	Y
Senator Tim Mathern	Y

Motion passes 5-0-0.

3:06 Senator Mathern moved to Do Pass the Bill as Amended.

Motion seconded by Senator Davison.

3:07 PM Roll call vote is taken.

Senators	Vote
Senator Dick Dever	Y
Senator Randy A. Burckhard	Y
Senator Kyle Davison	Y
Senator Curt Kreun	Y
Senator Tim Mathern	Y

Motion passes 5-0-0.

Senator Dever will carry the bill.

This bill does not affect workforce development.

3:08 PM Chairman Dever closed the meeting.

*Rick Schuchard on behalf of Susan Huntington, Committee Clerk*

# 2023 SENATE STANDING COMMITTEE MINUTES

**Appropriations Committee**  
Roughrider Room, State Capitol

SB 2023  
2/13/2023

A BILL for an Act to provide an appropriation for defraying the expenses of the public employees retirement system.
---

**8:50 AM Chairman Bekkedahl** opened the meeting.

Members present: **Senators Bekkedahl, Krebsbach, Burckhard, Davison, Dever, Dwyer, Erbele, Kreun, Meyer, Roers, Schaible, Vedaa, Wanzek, Rust.**

Members absent: Senators Mathern, Sorvaag.

**Discussion Topics:**

- Committee Action

**8:51 AM Senator Dever** introduced the bill and proposed amendment LC 23.0277.01001

**8:55 AM Senator Dever** moved to ADOPT AMENDMENT LC 23.0277.01001.

**8:55 AM Senator Mathern** seconded.

**8:58 AM** Roll call vote. Vote held open for absent members.

<b>Senators</b>	<b>Vote</b>
Senator Brad Bekkedahl	Y
Senator Karen K. Krebsbach	Y
Senator Randy A. Burckhard	Y
Senator Kyle Davison	Y
Senator Dick Dever	Y
Senator Michael Dwyer	Y
Senator Robert Erbele	Y
Senator Curt Kreun	Y
Senator Tim Mathern	Y
Senator Scott Meyer	Y
Senator Jim P. Roers	Y
Senator Donald Schaible	Y
Senator Ronald Sorvaag	Y
Senator Shawn Vedaa	Y
Senator Terry M. Wanzek	Y
Senator Rust	Y

Passed 16-0-0

**8:59 AM Senator Dever** moved DO PASS as AMENDED

**8:59 AM Senator Davison** seconded.



**8:59 AM** Roll call vote. Vote held open for absent members.

<b>Senators</b>	<b>Vote</b>
Senator Brad Bekkedahl	Y
Senator Karen K. Krebsbach	Y
Senator Randy A. Burckhard	Y
Senator Kyle Davison	Y
Senator Dick Dever	Y
Senator Michael Dwyer	Y
Senator Robert Erbele	Y
Senator Curt Kreun	Y
Senator Tim Mathern	Y
Senator Scott Meyer	Y
Senator Jim P. Roers	Y
Senator Donald Schaible	Y
Senator Ronald Sorvaag	Y
Senator Shawn Vedaa	Y
Senator Terry M. Wanzek	Y
Senator Rust	Y

Passed 16-0-0

**Senator Dever** will carry the bill.

**9:00 AM Senator Bekkedahl** closed the meeting.

*Peter Gualandri on behalf of Kathleen Hall, Committee Clerk*

*Act  
2-13-23  
(1-3)*

PROPOSED AMENDMENTS TO SENATE BILL NO. 2023

Page 1, line 2, after "system" insert "; to provide a contingent appropriation; and to provide for a report"

Page 1, line 4, after the boldfaced period insert "**APPROPRIATION.**"

Page 1, replace lines 9 through 15 with:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$7,209,060	\$1,262,868	\$8,471,928
Operating expenses	2,396,236	147,476	2,543,712
Contingencies	250,000	0	250,000
Defined benefit plan closure	0	1,006,839	1,006,839
Total special funds	\$9,855,296	\$2,417,183	\$12,272,479
Full-time equivalent positions	35.50	6.00	41.50"

Page 1, line 16, after the boldfaced period insert "**ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO SIXTY-NINTH LEGISLATIVE ASSEMBLY.**"

Page 1, line 17, after "biennium" insert "and the one-time funding items included in the appropriation in section 1 of this Act"

Page 1, replace lines 19 through 21 with:

"Upgrade benefit enrollment system	\$104,500	\$0
Upgrade PERSLink business system	257,600	125,000
Modify PERSLink business system	0	125,000
Temporary salaries	0	200,000
Staff operating expenses	0	7,000
Total special funds	\$362,100	\$457,000

**SECTION 3. DEFINED BENEFIT PLAN CLOSURE LINE ITEM - CONTINGENT FUNDING AND FULL-TIME EQUIVALENT POSITIONS - ONE-TIME FUNDING.** The defined benefit plan closure line item in section 1 of this Act includes the sum of \$1,006,839, of which \$681,839 is for salaries and wages and related operating expenses for three full-time equivalent positions, \$200,000 is for temporary salaries, and \$125,000 is for modification of the PERSLink business system. The public employees retirement system may spend funding from this line item only if the sixty-eight legislative assembly closes the main system defined benefit retirement plan to new hires. Of the funding in this line item, \$328,000 is considered a one-time funding item.

Re-number accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**Senate Bill No. 2023 - Public Employees Retirement System - Senate Action**

	Base Budget	Senate Changes	Senate Version
Salaries and wages	\$7,209,060	\$1,262,868	\$8,471,928

Operating expenses	2,396,236	147,476	2,543,712
Contingencies	250,000		250,000
Defined benefit plan closure		1,006,839	1,006,839
Total all funds	\$9,855,296	\$2,417,183	\$12,272,479
Less estimated income	9,855,296	2,417,183	12,272,479
General fund	\$0	\$0	\$0
FTE	35.50	6.00	41.50

*PK  
2-13-23  
(2-3)*

**Department 192 - Public Employees Retirement System - Detail of Senate Changes**

	Adds Funding for Costs to Continue Salaries <sup>1</sup>	Adds Funding for Salary and Benefit Increases <sup>2</sup>	Adds Funding for Salary Equity Increases <sup>3</sup>	Adds Funding for FTE Positions <sup>4</sup>	Adds Funding for Contingent FTE Positions <sup>5</sup>	Adjusts Base Level Funding <sup>6</sup>
Salaries and wages	\$53,963	\$560,063	\$258,000	\$501,210		(\$110,368)
Operating expenses				2,175		16,301
Contingencies						
Defined benefit plan closure		35,412			\$643,427	
Total all funds	\$53,963	\$595,475	\$258,000	\$503,385	\$643,427	(\$94,067)
Less estimated income	53,963	595,475	258,000	503,385	643,427	(94,067)
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	3.00	3.00	0.00

	Adds One-Time Funding for Contingent Temporary Staff <sup>7</sup>	Adds Contingent One-Time Funding for the PERSLink Business System <sup>8</sup>	Adds One-Time Funding to Upgrade the PERSLink Business System <sup>9</sup>	Adds One-Time Funding for New FTE Position Operating Expenses <sup>10</sup>	Total Senate Changes
Salaries and wages					\$1,262,868
Operating expenses			\$125,000	\$4,000	147,476
Contingencies					
Defined benefit plan closure	\$200,000	\$125,000		3,000	1,006,839
Total all funds	\$200,000	\$125,000	\$125,000	\$7,000	\$2,417,183
Less estimated income	200,000	125,000	125,000	7,000	2,417,183
General fund	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	0.00	6.00

<sup>1</sup> Funding is added for the cost to continue salary increases.

<sup>2</sup> The following funding is added for 2023-25 biennium salary adjustments of 4 percent on July 1, 2023, and 4 percent on July 1, 2024, and increases in health insurance premiums from \$1,429 to \$1,648 per month:

**Other Funds**

Salary increase	\$379,719
Health insurance increase	215,756
Total	\$595,475

<sup>3</sup> Funding is added for salary equity increases.

<sup>4</sup> Funding is added for the following FTE positions:

**Other Funds**

One FTE retirement processing position	\$215,357
One FTE receptionist position	125,711
One FTE member services representative position	162,317
Total	503,385

<sup>5</sup> Funding is added for the following FTE positions, including \$640,352 for salaries and \$3,075 of related ongoing

operating expenses. This funding is available to the Public Employees Retirement System only if the 2023 Legislative Assembly closes the main system defined benefit retirement plan to new hires.

*AK  
2-13-23  
(3-3)*

	<u>Other Funds</u>
One FTE benefit manager position	\$294,451
One FTE counselor position	186,359
One FTE member services representative position	<u>162,617</u>
Total	\$643,427

<sup>6</sup> Base level funding is adjusted to add \$16,301 for Information Technology Department rate increases and to reduce temporary salaries by \$110,368 to provide a total of \$150,000 of ongoing funding for temporary salaries during the 2023-25 biennium.

<sup>7</sup> One-time funding of \$200,000 is added for temporary salaries, which is available to the Public Employees Retirement System only if the 2023 Legislative Assembly closes the main system defined benefit retirement plan to new hires.

<sup>8</sup> One-time funding of \$125,000 is added to hire a third-party developer to modify the PERSLink business system software, which is available to the Public Employees Retirement System only if the 2023 Legislative Assembly closes the main system defined benefit retirement plan to new hires.

<sup>9</sup> One-time funding of \$125,000 is added to hire a third-party developer to upgrade the PERSLink business system software.

<sup>10</sup> One-time funding of \$7,000 purchasing is added for chairs for new FTE positions. Of this amount, \$3,000 is available to the Public Employees Retirement System only if the 2023 Legislative Assembly closes the main system defined benefit retirement plan to new hires.

---

This amendment also adds a section to identify \$1,006,839 appropriated in the defined benefit plan closure line item in Section 1 is available to the Public Employees Retirement System only if the 2023 Legislative Assembly closes the main system defined benefit retirement plan to new hires.

**REPORT OF STANDING COMMITTEE**

**SB 2023: Appropriations Committee (Sen. Bekkedahl, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (16 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2023 was placed on the Sixth order on the calendar. This bill does not affect workforce development.

Page 1, line 2, after "system" insert "; to provide a contingent appropriation; and to provide for a report"

Page 1, line 4, after the boldfaced period insert "**APPROPRIATION.**"

Page 1, replace lines 9 through 15 with:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$7,209,060	\$1,262,868	\$8,471,928
Operating expenses	2,396,236	147,476	2,543,712
Contingencies	250,000	0	250,000
Defined benefit plan closure	0	1,006,839	1,006,839
Total special funds	\$9,855,296	\$2,417,183	\$12,272,479
Full-time equivalent positions	35.50	6.00	41.50"

Page 1, line 16, after the boldfaced period insert "**ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO SIXTY-NINTH LEGISLATIVE ASSEMBLY.**"

Page 1, line 17, after "biennium" insert "and the one-time funding items included in the appropriation in section 1 of this Act"

Page 1, replace lines 19 through 21 with:

"Upgrade benefit enrollment system	\$104,500	\$0
Upgrade PERSLink business system	257,600	125,000
Modify PERSLink business system	0	125,000
Temporary salaries	0	200,000
Staff operating expenses	0	7,000
Total special funds	\$362,100	\$457,000

**SECTION 3. DEFINED BENEFIT PLAN CLOSURE LINE ITEM - CONTINGENT FUNDING AND FULL-TIME EQUIVALENT POSITIONS - ONE-TIME FUNDING.** The defined benefit plan closure line item in section 1 of this Act includes the sum of \$1,006,839, of which \$681,839 is for salaries and wages and related operating expenses for three full-time equivalent positions, \$200,000 is for temporary salaries, and \$125,000 is for modification of the PERSLink business system. The public employees retirement system may spend funding from this line item only if the sixty-eight legislative assembly closes the main system defined benefit retirement plan to new hires. Of the funding in this line item, \$328,000 is considered a one-time funding item.

ReNUMBER accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**Senate Bill No. 2023 - Public Employees Retirement System - Senate Action**

	<u>Base Budget</u>	<u>Senate Changes</u>	<u>Senate Version</u>
Salaries and wages	\$7,209,060	\$1,262,868	\$8,471,928
Operating expenses	2,396,236	147,476	2,543,712
Contingencies	250,000		250,000
Defined benefit plan closure		1,006,839	1,006,839
Total all funds	\$9,855,296	\$2,417,183	\$12,272,479
Less estimated income	9,855,296	2,417,183	12,272,479
General fund	\$0	\$0	\$0

FTE	35.50	6.00	41.50
-----	-------	------	-------

**Department 192 - Public Employees Retirement System - Detail of Senate Changes**

	Adds Funding for Costs to Continue Salaries <sup>1</sup>	Adds Funding for Salary and Benefit Increases <sup>2</sup>	Adds Funding for Salary Equity Increases <sup>3</sup>	Adds Funding for FTE Positions <sup>4</sup>	Adds Funding for Contingent FTE Positions <sup>5</sup>	Adjusts Base Level Funding <sup>6</sup>
Salaries and wages	\$53,963	\$560,063	\$258,000	\$501,210		(\$110,368)
Operating expenses				2,175		16,301
Contingencies						
Defined benefit plan closure		35,412			\$643,427	
Total all funds	\$53,963	\$595,475	\$258,000	\$503,385	\$643,427	(\$94,067)
Less estimated income	53,963	595,475	258,000	503,385	643,427	(94,067)
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	3.00	3.00	0.00

	Adds One-Time Funding for Contingent Temporary Staff <sup>7</sup>	Adds Contingent One-Time Funding for the PERSLink Business System <sup>8</sup>	Adds One-Time Funding to Upgrade the PERSLink Business System <sup>9</sup>	Adds One-Time Funding for New FTE Position Operating Expenses <sup>10</sup>	Total Senate Changes
Salaries and wages					\$1,262,868
Operating expenses			\$125,000	\$4,000	147,476
Contingencies					
Defined benefit plan closure	\$200,000	\$125,000		3,000	1,006,839
Total all funds	\$200,000	\$125,000	\$125,000	\$7,000	\$2,417,183
Less estimated income	200,000	125,000	125,000	7,000	2,417,183
General fund	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	0.00	6.00

<sup>1</sup> Funding is added for the cost to continue salary increases.

<sup>2</sup> The following funding is added for 2023-25 biennium salary adjustments of 4 percent on July 1, 2023, and 4 percent on July 1, 2024, and increases in health insurance premiums from \$1,429 to \$1,648 per month:

<u>Other Funds</u>	
Salary increase	\$379,719
Health insurance increase	215,756
Total	\$595,475

<sup>3</sup> Funding is added for salary equity increases.

<sup>4</sup> Funding is added for the following FTE positions:

<u>Other Funds</u>	
One FTE retirement processing position	\$215,357
One FTE receptionist position	125,711
One FTE member services representative position	162,317
Total	503,385

<sup>5</sup> Funding is added for the following FTE positions, including \$640,352 for salaries and \$3,075 of related ongoing operating expenses. This funding is available to the Public Employees Retirement System only if the 2023 Legislative Assembly closes the main system defined benefit retirement plan to new hires.

<u>Other Funds</u>	
One FTE benefit manager position	\$294,451
One FTE counselor position	186,359
One FTE member services representative position	162,617
Total	\$643,427



<sup>6</sup> Base level funding is adjusted to add \$16,301 for Information Technology Department rate increases and to reduce temporary salaries by \$110,368 to provide a total of \$150,000 of ongoing funding for temporary salaries during the 2023-25 biennium.

<sup>7</sup> One-time funding of \$200,000 is added for temporary salaries, which is available to the Public Employees Retirement System only if the 2023 Legislative Assembly closes the main system defined benefit retirement plan to new hires.

<sup>8</sup> One-time funding of \$125,000 is added to hire a third-party developer to modify the PERSLink business system software, which is available to the Public Employees Retirement System only if the 2023 Legislative Assembly closes the main system defined benefit retirement plan to new hires.

<sup>9</sup> One-time funding of \$125,000 is added to hire a third-party developer to upgrade the PERSLink business system software.

<sup>10</sup> One-time funding of \$7,000 purchasing is added for chairs for new FTE positions. Of this amount, \$3,000 is available to the Public Employees Retirement System only if the 2023 Legislative Assembly closes the main system defined benefit retirement plan to new hires.

This amendment also adds a section to identify \$1,006,839 appropriated in the defined benefit plan closure line item in Section 1 is available to the Public Employees Retirement System only if the 2023 Legislative Assembly closes the main system defined benefit retirement plan to new hires.

**2023 HOUSE APPROPRIATIONS**

**SB 2023**



**Department 192 - Public Employees Retirement System**  
**Senate Bill No. 2023**

**First Chamber Comparison to Base Level**

	<b>General Fund</b>	<b>Other Funds</b>	<b>Total</b>
2023-25 First Chamber Version	\$0	\$12,272,479	\$12,272,479
2023-25 Base Level	0	9,855,296	9,855,296
Increase (Decrease)	\$0	\$2,417,183	\$2,417,183

**First Chamber Changes**

A summary of the first chamber's changes to the agency's base level appropriations and the executive budget is attached as an appendix.

**Selected Bill Sections Included in the First Chamber Version**

**Defined benefit plan closure - Contingent appropriation** - Section 3 identifies \$1,006,839 in the defined benefit plan closure line item in Section 1 is a contingent appropriation for 3 FTE positions, temporary salaries, and operating expenses that is effective only if the 2023 Legislative Assembly approves legislation to close the main system defined benefit retirement plan to new hires.

**Continuing Appropriations**

**Public Employees Retirement System** - Various sections - For benefit payments, investments, and actuarial and technical consulting for each program area.

**Deficiency Appropriations**

**Transfer to the Public Employees Retirement System fund** - The executive budget includes a recommendation to transfer \$250,000 from the general fund to the Public Employees Retirement System (PERS) fund as a 2021-23 biennium supplemental appropriation to reduce the unfunded liability of the main system defined benefit retirement plan.

**Significant Audit Findings**

The audit for PERS conducted by CliftonLarsonAllen LLP, Certified Public Accountants, for the period ending June 30, 2021, did not identify any significant audit findings.

The *Schedules of Employer Allocations and Pension Amounts by Employer* prepared for PERS and audited by CliftonLarsonAllen LLP, for the period ending June 30, 2021, did not identify any significant audit findings.

The other postemployment benefits schedule prepared for PERS and audited by CliftonLarsonAllen LLP, for the period ending June 30, 2021, did not identify any significant audit findings.

**Major Related Legislation**

**House Bill No. 1040** - This bill closes the main system defined benefit plan to new hires beginning January 1, 2026, provides a one-time transfer of \$240 million from the strategic investment and improvements fund to the PERS fund to reduce the unfunded liability of the main system defined benefit plan; provides for a transfer of \$70 million rather than approximately \$48 million from legacy fund earnings to PERS each biennium; creates a defined contribution plan with 4 percent employee and 4.12 percent employer contribution rates; provides for an optional additional 3 percent employee and 3 percent employer matching contributions provided through the PERS 457 deferred compensation plan; increases employer contributions to the main system defined benefit plan by 1 percent from January 1, 2024, until December 31, 2025; and requires employer contribution rates for the defined benefit plan to be based on the actuarially determined employer contribution (ADEC) rates beginning January 1, 2026, of which the state would be responsible for the state and political subdivision employer shares.

**House Bill No. 1183** - This bill expands the definition of peace officer to individuals employed by the state, allowing peace officers to transfer from the PERS main system defined benefit retirement plan to the public safety defined benefit retirement plan. This bill does not include peace officers employed by the Highway Patrol who are enrolled in the Highway Patrol defined benefit retirement plan.

**House Bill No. 1309** - This bill adjusts retirement vesting and multiplier provisions for peace officers of the public safety defined benefit plan.

**House Bill No. 1321** - This bill relates to the PERS Board membership and PERS contracts for health benefits coverage.

**House Bill No. 1411** - This bill expands the PERS health insurance plan to provide coverage for prosthetic limbs, sockets, and other related services.

**Senate Bill No. 2140** - This bill expands the PERS health insurance plan to provide coverage for insulin drug and medical supplies benefits.

**Senate Bill No. 2164** - This bill relates to the PERS Board membership.

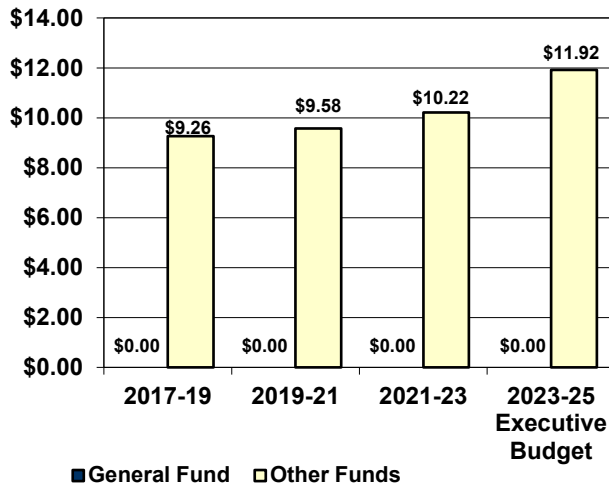
**Senate Bill No. 2171** - This bill creates an enhanced coverage option for state employee health insurance plans that cover services mandated by the federal Patient Protection and Affordable Care Act. The bill requires state employees electing this health insurance plan to pay premiums for the plan.

**Senate Bill No. 2239** - This bill increases employee contributions to the PERS main system defined benefit retirement plan by 1 percent effective January 1, 2024 to provide a total employee statutory rate of 8 percent. The bill increases employer contributions to the PERS main system defined benefit retirement plan by the ADEC rate, effective January 1, 2024, which is estimated to be 4 percent for the 2023-25 biennium. The total employer statutory rate would be approximately 11.12 percent. The bill appropriates \$250 million from the general fund and transfers the funding to the PERS fund for the purpose of reducing the unfunded liability of the PERS main system defined benefit plan. The bill does not close the PERS main system defined benefit retirement plan to new hires.

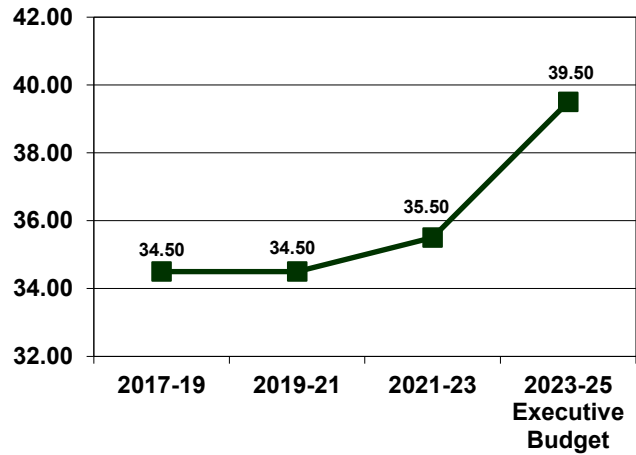
# Historical Appropriations Information

## Agency Appropriations and FTE Positions

Agency Funding (Millions)



FTE Positions



### Ongoing Other Funds Appropriations

	2015-17	2017-19	2019-21	2021-23	2023-25 Executive Budget
Ongoing other fund appropriations	\$9,496,373	\$9,258,390	\$9,346,196	\$9,855,296	\$11,467,516
Increase (decrease) from previous biennium	N/A	(\$237,983)	\$87,806	\$509,100	\$1,612,220
Percentage increase (decrease) from previous biennium	N/A	(2.5%)	0.9%	5.4%	16.4%
Cumulative percentage increase (decrease) from 2015-17 biennium	N/A	(2.5%)	(1.6%)	3.8%	20.8%

### Major Increases (Decreases) in Ongoing Other Fund Appropriations

#### 2017-19 Biennium

- Underfunded salaries and wages (\$150,000)
- Reduced funding for printing and postage costs for newsletters (\$29,752) and annual benefit statements (\$33,220) (\$62,972)
- Reduced funding for hosting costs for a mobile application (\$43,000)

#### 2019-21 Biennium

- Adjusted funding for information technology (IT) operating expenses (\$230,519)

#### 2021-23 Biennium

- Added funding for an FTE accountant position, of which \$180,926 is for salaries and wages and \$14,365 is for related operating expenses \$195,291
- Added funding for a temporary receptionist position, of which \$139,337 is for salaries and wages and \$15,033 is for related operating expenses \$154,370
- Reduced funding for rent to provide a total of \$272,925. The reduction was due to less space being needed because a number of employees are teleworking. (\$80,865)

#### 2023-25 Biennium (Executive Budget Recommendation)

- Adds funding for 1 FTE retirement processing position, of which \$214,632 is for salaries and wages and \$725 is for operating expenses. \$215,357
- Adds funding for 1 FTE receptionist position, of which \$124,986 is for salaries and wages and \$725 is for operating expenses. \$125,711
- Adds funding for 2 FTE positions to close the main system defined benefit retirement plan to new hires, of which \$478,760 is for salaries and wages and \$2,350 is for operating expenses. \$481,110

**One-Time Other Funds Appropriations**

	<b>2015-17</b>	<b>2017-19</b>	<b>2019-21</b>	<b>2021-23</b>	<b>2023-25 Executive Budget</b>
One-time other funds appropriations	\$177,370	\$0	\$230,000	\$362,100	\$455,000

**Major One-Time Other Funds Appropriations**

**2017-19 Biennium**

None

**2019-21 Biennium**

- 1. IT risk assessment \$40,000
- 2. Upgrade business system software \$190,000

**2021-23 Biennium**

- 1. Upgrade benefit enrollment software \$104,500
- 2. Upgrade PERSLink business system \$257,600

**2023-25 Biennium (Executive Budget Recommendation)**

- 1. Temporary staff to close the main system defined benefit retirement plan to new hires \$200,000
- 2. Contract costs for a developer for the closure of the main system defined benefit retirement plan to new hires \$125,000
- 3. Contract costs for a developer to upgrade the PERSLink business system \$125,000

**Public Employees Retirement System - Budget No. 192**  
**Senate Bill No. 2023**  
**Base Level Funding Changes**

	Executive Budget Recommendation				Senate Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
<b>2023-25 Biennium Base Level</b>	35.50	\$0	\$9,855,296	\$9,855,296	35.50	\$0	\$9,855,296	\$9,855,296
<b>2023-25 Ongoing Funding Changes</b>								
Adds funding for the cost to continue salary increases			\$53,963	\$53,963			\$53,963	\$53,963
Salary increase			508,874	508,874			379,719	379,719
Health insurance increase			210,904	210,904			215,756	215,756
Adds funding for salary equity increases			0	0			258,000	258,000
Adds funding for an FTE retirement processing position	1.00		215,357	215,357	1.00		215,357	215,357
Adds funding for an FTE receptionist position	1.00		125,711	125,711	1.00		125,711	125,711
Adds funding for an FTE member services representative position			0	0	1.00		162,317	162,317
Adds funding for FTE positions to close the defined benefit plan	2.00		481,110	481,110	3.00		643,427	643,427
Reduces funding for temporary salaries			0	0			(110,368)	(110,368)
Adds funding for IT rate increases			16,301	16,301			16,301	16,301
Total ongoing funding changes	4.00	\$0	\$1,612,220	\$1,612,220	6.00	\$0	\$1,960,183	\$1,960,183
<b>One-Time Funding Items</b>								
Adds funding for temporary staff to close the defined benefit plan			\$200,000	\$200,000			\$200,000	\$200,000
Adds funding for a developer for the closure of the defined benefit plan			125,000	125,000			125,000	125,000
Adds funding for a developer to upgrade the PERSLink business system			125,000	125,000			125,000	125,000
Adds funding for new FTE position chairs			5,000	5,000			7,000	7,000
Total one-time funding changes	0.00	\$0	\$455,000	\$455,000	0.00	\$0	\$457,000	\$457,000
<b>Total Changes to Base Level Funding</b>	4.00	\$0	\$2,067,220	\$2,067,220	6.00	\$0	\$2,417,183	\$2,417,183
<b>2023-25 Total Funding</b>	39.50	\$0	\$11,922,516	\$11,922,516	41.50	\$0	\$12,272,479	\$12,272,479
<i>Federal funds included in other funds</i>			\$0	\$0			\$0	\$0
<i>Total ongoing changes as a percentage of base level</i>	11.3%		16.4%	16.4%	16.9%		19.9%	19.9%
<i>Total changes as a percentage of base level</i>	11.3%		21.0%	21.0%	16.9%		24.5%	24.5%

**Other Sections in Public Employees Retirement System - Budget No. 192**

	Executive Budget Recommendation	Senate Version
Estimated income - Defined benefit plan closure - Contingent appropriation	Section 7 would identify \$809,110 in Section 1 as a contingent appropriation for 2 FTE positions, temporary salaries, and operating expenses that is effective only if the 2023 Legislative Assembly approves legislation to close the main system defined benefit retirement plan to new hires.	Section 3 identifies \$1,006,839 in the defined benefit plan closure line item in Section 1 is a contingent appropriation for 3 FTE positions, temporary salaries, and operating expenses that is effective only if the 2023 Legislative Assembly approves legislation to close the main system defined benefit retirement plan to new hires.
Appropriation line item transfers	Section 3 would allow PERS to transfer funding from the contingency line item in Section 1 to other line items and would require PERS to notify the Office of Management and Budget of each transfer made pursuant to this section.	

# 2023 HOUSE STANDING COMMITTEE MINUTES

## Appropriations - Government Operations Division Brynhild Haugland Room, State Capitol

SB 2023  
3/9/2023

A BILL for an Act to provide an appropriation for defraying the expenses of the public employees retirement system.
---

**8:35 AM Chairman Monson** called the meeting to order.

**Members present: Chairman Monson, Vice Chair Brandenburg, Rep. Bellew, Rep. Kempenich, Rep. Meier, Rep. Pyle, Rep. Mock**

### **Discussion Topics:**

- Retirement Programs
- Membership
- Operating Expenses
- Defined contribution plan
- Defined benefits
- FTE's

**Scott Miller, Executive Director, ND PERS** testified in favor of the bill. Testimony (#22931)

**Derrick Hohbein, Chief Operating Financial Officer ND PERS**, testified in favor of the bill. Testimony (#22931)

**11:05 AM Chairman Monson** closed the meeting.

*Amy Liepke, Committee Clerk*

# 2023 HOUSE STANDING COMMITTEE MINUTES

## Appropriations - Government Operations Division Brynhild Haugland Room, State Capitol

SB 2023  
3/23/2023

A BILL for an Act to provide an appropriation for defraying the expenses of the public employees retirement system.
---

Chairman Monson opened the meeting at 2:57 PM

**Members present: Chairman Monson, Vice Chair Brandenburg, Rep. Bellew, Rep. Kempenich, Rep. Meier, Rep. Pyle, Rep. Mock**

### **Discussion Topics:**

- Salary equity increases
- Budget 192
- Retirement Programs
- Membership
- Operating Expenses
- Defined contribution plan
- Defined benefits
- FTE's

Derrick Hohbein, Chief Operating Financial Officer ND PERS, (#22931)

**Additional Testimony: #26494**

Chairman Monson closed the hearing at 4:10 PM

*Leah Kuball, Committee Clerk*

# 2023 HOUSE STANDING COMMITTEE MINUTES

## Appropriations - Government Operations Division Brynhild Haugland Room, State Capitol

SB 2023  
3/28/2023

A BILL for an Act to provide an appropriation for defraying the expenses of the public employees retirement system.
---

Chairman Monson opened the meeting at 4:25 PM

**Members present: Chairman Monson, Vice Chair Brandenburg, Rep. Bellew, Rep. Meier, Rep. Pyle**

**Members Absent: Rep. Kempenich, Rep. Mock**

### Discussion Topics:

- Amendment (23.0277.02001)
- Additional FTE's
- Special Funds
- General funds
- Operating Expenses
- Salary Increases
- Vacant FTE's

Legislative Council discusses amendment (23.0277.02001) (#26927)

Representative Meier moved to adopt amendments (23.0277.02001) to SB 2023

Vice Chairman Brandenburg seconded motion

Roll call vote:

Representatives	Vote
Representative David Monson	Y
Representative Mike Brandenburg	Y
Representative Larry Bellew	N
Representative Keith Kempenich	AB
Representative Lisa Meier	Y
Representative Corey Mock	AB
Representative Brandy Pyle	Y

Motion carries: 4-1-2

Representative Meier moved a DO PASS as amended.

Vice Chairman Brandenburg seconded motion



Roll call vote:

<b>Representatives</b>	<b>Vote</b>
Representative David Monson	Y
Representative Mike Brandenburg	Y
Representative Larry Bellew	N
Representative Keith Kempenich	AB
Representative Lisa Meier	Y
Representative Corey Mock	AB
Representative Brandy Pyle	Y

Motion carries: 4-1-2

Bill carrier: Representative Meier

Chairman Monson closed the hearing at 4:49 PM

*Leah Kuball, Committee Clerk*

# 2023 HOUSE STANDING COMMITTEE MINUTES

## Appropriations Committee Brynhild Haugland Room, State Capitol

SB 2023  
4/6/2023

A BILL for an Act to provide an appropriation for defraying the expenses of the public employees retirement system.
---

**11:03 AM Chairman Vigesaa** Called the meeting to order and roll call was taken-

**Members present;** Chairman Vigesaa, Representative Kempenich, Representative B. Anderson, Representative Bellew, Representative Hanson, Representative Kreidt, Representative Martinson, Representative Mitskog, Representative Meier, Representative Mock, Representative Monson, Representative Nathe, Representative J. Nelson, Representative O'Brien, Representative Pyle, Representative Richter, Representative Sanford, Representative Schatz, Representative Schobinger, Representative Strinden, Representative G. Stemen and Representative Swiontek.

**Members not Present-** Representative Brandenburg

### Discussion Topics:

- Amendment
- Committee Action

**Representative Meier** Gives statement of purpose and explains the amendment 23.0277.02001 (Testimony # 27344).

**Representative Meier** Move to adopt the amendment 23.0277.02001

**Representative Monson** Seconds the Motion

Committee Discussion- Roll call vote

Representatives	Vote
Representative Don Vigesaa	Y
Representative Keith Kempenich	Y
Representative Bert Anderson	Y
Representative Larry Bellew	N
Representative Mike Brandenburg	AB
Representative Karla Rose Hanson	Y
Representative Gary Kreidt	Y
Representative Bob Martinson	Y
Representative Lisa Meier	Y
Representative Alisa Mitskog	Y
Representative Corey Mock	AB
Representative David Monson	Y

Representative Mike Nathe	Y
Representative Jon O. Nelson	Y
Representative Emily O'Brien	Y
Representative Brandy Pyle	Y
Representative David Richter	Y
Representative Mark Sanford	Y
Representative Mike Schatz	N
Representative Randy A. Schobinger	Y
Representative Greg Stemen	Y
Representative Michelle Strinden	Y
Representative Steve Swiontek	Y

**Motion Carries 19-2-2**

**Representative Meier** Move for a Do Pass as Amended

**Representative Monson** Seconds the motion.

<b>Representatives</b>	<b>Vote</b>
Representative Don Vigesaa	Y
Representative Keith Kempenich	Y
Representative Bert Anderson	Y
Representative Larry Bellew	N
Representative Mike Brandenburg	AB
Representative Karla Rose Hanson	Y
Representative Gary Kreidt	Y
Representative Bob Martinson	Y
Representative Lisa Meier	Y
Representative Alisa Mitskog	Y
Representative Corey Mock	AB
Representative David Monson	Y
Representative Mike Nathe	Y
Representative Jon O. Nelson	Y
Representative Emily O'Brien	Y
Representative Brandy Pyle	Y
Representative David Richter	Y
Representative Mark Sanford	Y
Representative Mike Schatz	N
Representative Randy A. Schobinger	Y
Representative Greg Stemen	Y
Representative Michelle Strinden	Y
Representative Steve Swiontek	Y

**Motion Carries 19-2-2 Representative Meier will carry the bill**

**11:15 AM Chairman Vigesaa** Closed the meeting for SB 2023.

*Risa Berube, Committee Clerk*

*DR*  
*183*  
*4-6-23*

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2023

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

Page 1, line 2, remove "; and to provide for a report"

Page 1, replace lines 11 through 16 with:

"Salaries and wages	\$7,209,060	\$509,787	\$7,718,847
Operating expenses	2,396,236	144,751	2,540,987
Contingencies	250,000	0	250,000
Defined benefit plan closure	<u>0</u>	<u>372,027</u>	<u>372,027</u>
Total special funds	\$9,855,296	\$1,026,565	\$10,881,861
Full-time equivalent positions	35.50	4.00	39.50"

Page 2, replace lines 2 and 3 with:

"Staff operating expenses	<u>0</u>	<u>4,000</u>
Total special funds	\$362,100	\$454,000

The 2023-25 biennium one-time funding amounts are not part of the entity's base budget for the 2025-27 biennium. The public employees retirement system shall report to the appropriations committees of the sixty-ninth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2023, and ending June 30, 2025."

Page 2, line 5, remove "- **ONE-TIME FUNDING**"

Page 2, line 6, replace "\$1,006,839" with "\$372,027"

Page 2, line 6, replace "\$681,839" with "\$47,027"

Page 2, line 7, after the first "for" insert "a portion of"

Page 2, line 7, replace "three" with "two"

Page 2, line 11, replace "\$328,000" with "\$327,000"

Page 2, line 11, replace "considered" with "identified as"

Page 2, line 11, after the second "item" insert "in section 2 of this Act. In addition, the public employees retirement system may request the office of management and budget to transfer up to \$479,660 of additional funding from the new and vacant FTE funding pool for this line item for salaries and wages of the full-time equivalent positions identified in this section"

Re-number accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**Senate Bill No. 2023 - Public Employees Retirement System - House Action**

OR  
273  
4-6-23

	Base Budget	Senate Version	House Changes	House Version
Salaries and wages	\$7,209,060	\$8,471,928	(\$753,081)	\$7,718,847
Operating expenses	2,396,236	2,543,712	(2,725)	2,540,987
Contingencies	250,000	250,000		250,000
Defined benefit plan closure		1,006,839	(634,812)	372,027
<b>Total all funds</b>	<b>\$9,855,296</b>	<b>\$12,272,479</b>	<b>(\$1,390,618)</b>	<b>\$10,881,861</b>
Less estimated income	9,855,296	12,272,479	(1,390,618)	10,881,861
General fund	\$0	\$0	\$0	\$0
<b>FTE</b>	<b>35.50</b>	<b>41.50</b>	<b>(2.00)</b>	<b>39.50</b>

**Department 192 - Public Employees Retirement System - Detail of House Changes**

	Adjusts Funding for Salary and Benefit Increases <sup>1</sup>	Removes Funding for Salary Equity Increases <sup>2</sup>	Removes FTE Position <sup>3</sup>	Removes Contingent FTE Position <sup>4</sup>	Restores Funding for Temporary Salaries <sup>5</sup>	Removes One-Time Funding for New Position Operating Expenses <sup>6</sup>
Salaries and wages	\$116,138	(\$258,000)	(\$161,592)		\$110,368	
Operating expenses			(725)			(\$2,000)
Contingencies						
Defined benefit plan closure	8,165			(\$162,317)		(1,000)
<b>Total all funds</b>	<b>\$124,303</b>	<b>(\$258,000)</b>	<b>(\$162,317)</b>	<b>(\$162,317)</b>	<b>\$110,368</b>	<b>(\$3,000)</b>
Less estimated income	124,303	(258,000)	(162,317)	(162,317)	110,368	(3,000)
General fund	\$0	\$0	\$0	\$0	\$0	\$0
<b>FTE</b>	<b>0.00</b>	<b>0.00</b>	<b>(1.00)</b>	<b>(1.00)</b>	<b>0.00</b>	<b>0.00</b>

	Removes Salary Funding for Funding Pool <sup>7</sup>	Total House Changes
Salaries and wages	(\$559,995)	(\$753,081)
Operating expenses		(2,725)
Contingencies		
Defined benefit plan closure	(479,660)	(634,812)
<b>Total all funds</b>	<b>(\$1,039,655)</b>	<b>(\$1,390,618)</b>
Less estimated income	(1,039,655)	(1,390,618)
General fund	\$0	\$0
<b>FTE</b>	<b>0.00</b>	<b>(2.00)</b>

<sup>1</sup> Salaries and wages funding is adjusted to provide for 2023-25 biennium salary increases of 6 percent on July 1, 2023, and 4 percent on July 1, 2024, and for adjustments to health insurance premium rates as follows:

	Special Funds
Salary increase	\$129,155
Health insurance increase	(4,852)
<b>Total</b>	<b>\$124,303</b>

The Senate provided salary adjustments of 4 percent on July 1, 2023, and July 1, 2024.

<sup>2</sup> Funding is removed for salary equity increases. The Senate added \$258,000 from special funds.

<sup>3</sup> One FTE member services representative position and funding of \$162,317 from special funds, of which \$161,592 is for salaries and wages and \$725 is for operating expenses, is removed. The Senate added 3 FTE positions, including the FTE member services representative position, an FTE retirement processing lead position, and an FTE receptionist position.

DR  
383  
4-6-23

<sup>4</sup> One contingent FTE member services representative position and funding of \$162,317 from special funds, of which \$161,592 is for salaries and wages and \$725 is for operating expenses, is removed. The Senate added 3 contingent FTE positions, including the FTE member services representative position, an FTE benefit manager position, and an FTE counselor position. The contingent FTE positions are available to the Public Employees Retirement System only if the 2023 Legislative Assembly closes the main system defined benefit retirement plan to new hires.

<sup>5</sup> Funding of \$110,368 from special funds for temporary salaries is restored by the House to provide a total of \$260,368 for temporary salaries. The Senate reduced \$110,368 of temporary salaries to provide a total of \$150,000 from special funds.

<sup>6</sup> One-time funding of \$3,000 from special funds for chairs for new FTE positions is removed to provide a total of \$4,000. The Senate added \$7,000 from special funds for this purpose.

<sup>7</sup> Funding for new FTE positions and estimated savings from vacant FTE positions is removed as shown below. These amounts are available to the agency if needed by submitting a request to the Office of Management and Budget for a transfer from the new and vacant FTE funding pool.

	<b>Special Funds</b>
New FTE positions	(\$819,278)
Vacant FTE positions	<u>(220,377)</u>
Total	(\$1,039,655)

This amendment also changes a section identifying the amount of funding that is appropriated in Section 1 that is available to the Public Employees Retirement System only if the 2023 Legislative Assembly closes the main system defined benefit retirement plan to new hires.

**REPORT OF STANDING COMMITTEE**

**SB 2023, as engrossed: Appropriations Committee (Rep. Vigesaa, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (19 YEAS, 2 NAYS, 2 ABSENT AND NOT VOTING). Engrossed SB 2023 was placed on the Sixth order on the calendar.

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

Page 1, line 2, remove "; and to provide for a report"

Page 1, replace lines 11 through 16 with:

"Salaries and wages	\$7,209,060	\$509,787	\$7,718,847
Operating expenses	2,396,236	144,751	2,540,987
Contingencies	250,000	0	250,000
Defined benefit plan closure	<u>0</u>	<u>372,027</u>	<u>372,027</u>
Total special funds	\$9,855,296	\$1,026,565	\$10,881,861
Full-time equivalent positions	35.50	4.00	39.50"

Page 2, replace lines 2 and 3 with:

"Staff operating expenses	<u>0</u>	<u>4,000</u>
Total special funds	\$362,100	\$454,000

The 2023-25 biennium one-time funding amounts are not part of the entity's base budget for the 2025-27 biennium. The public employees retirement system shall report to the appropriations committees of the sixty-ninth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2023, and ending June 30, 2025."

Page 2, line 5, remove "- **ONE-TIME FUNDING**"

Page 2, line 6, replace "\$1,006,839" with "\$372,027"

Page 2, line 6, replace "\$681,839" with "\$47,027"

Page 2, line 7, after the first "for" insert "a portion of"

Page 2, line 7, replace "three" with "two"

Page 2, line 11, replace "\$328,000" with "\$327,000"

Page 2, line 11, replace "considered" with "identified as"

Page 2, line 11, after the second "item" insert "in section 2 of this Act. In addition, the public employees retirement system may request the office of management and budget to transfer up to \$479,660 of additional funding from the new and vacant FTE funding pool for this line item for salaries and wages of the full-time equivalent positions identified in this section"

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**Senate Bill No. 2023 - Public Employees Retirement System - House Action**

	Base Budget	Senate Version	House Changes	House Version
Salaries and wages	\$7,209,060	\$8,471,928	(\$753,081)	\$7,718,847
Operating expenses	2,396,236	2,543,712	(2,725)	2,540,987



Contingencies	250,000	250,000		250,000
Defined benefit plan closure		1,006,839	(634,812)	372,027
Total all funds	\$9,855,296	\$12,272,479	(\$1,390,618)	\$10,881,861
Less estimated income	9,855,296	12,272,479	(1,390,618)	10,881,861
General fund	\$0	\$0	\$0	\$0
FTE	35.50	41.50	(2.00)	39.50

**Department 192 - Public Employees Retirement System - Detail of House Changes**

	Adjusts Funding for Salary and Benefit Increases <sup>1</sup>	Removes Funding for Salary Equity Increases <sup>2</sup>	Removes FTE Position <sup>3</sup>	Removes Contingent FTE Position <sup>4</sup>	Restores Funding for Temporary Salaries <sup>5</sup>	Removes One-Time Funding for New Position Operating Expenses <sup>6</sup>
Salaries and wages	\$116,138	(\$258,000)	(\$161,592)		\$110,368	
Operating expenses			(725)			(\$2,000)
Contingencies						
Defined benefit plan closure	8,165			(\$162,317)		(1,000)
Total all funds	\$124,303	(\$258,000)	(\$162,317)	(\$162,317)	\$110,368	(\$3,000)
Less estimated income	124,303	(258,000)	(162,317)	(162,317)	110,368	(3,000)
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	(1.00)	(1.00)	0.00	0.00

	Removes Salary Funding for Funding Pool <sup>7</sup>	Total House Changes
Salaries and wages	(\$559,995)	(\$753,081)
Operating expenses		(2,725)
Contingencies		
Defined benefit plan closure	(479,660)	(634,812)
Total all funds	(\$1,039,655)	(\$1,390,618)
Less estimated income	(1,039,655)	(1,390,618)
General fund	\$0	\$0
FTE	0.00	(2.00)

<sup>1</sup> Salaries and wages funding is adjusted to provide for 2023-25 biennium salary increases of 6 percent on July 1, 2023, and 4 percent on July 1, 2024, and for adjustments to health insurance premium rates as follows:

	Special Funds
Salary increase	\$129,155
Health insurance increase	(4,852)
Total	\$124,303

The Senate provided salary adjustments of 4 percent on July 1, 2023, and July 1, 2024.

<sup>2</sup> Funding is removed for salary equity increases. The Senate added \$258,000 from special funds.

<sup>3</sup> One FTE member services representative position and funding of \$162,317 from special funds, of which \$161,592 is for salaries and wages and \$725 is for operating expenses, is removed. The Senate added 3 FTE positions, including the FTE member services representative position, an FTE retirement processing lead position, and an FTE receptionist position.

<sup>4</sup> One contingent FTE member services representative position and funding of \$162,317 from special funds, of which \$161,592 is for salaries and wages and \$725 is for operating expenses, is removed. The Senate added 3 contingent FTE positions, including the FTE member services representative position, an FTE benefit manager position, and an FTE counselor position. The contingent FTE positions are available to the Public Employees Retirement System only if the 2023 Legislative Assembly closes the main system defined benefit retirement plan to new hires.



<sup>5</sup> Funding of \$110,368 from special funds for temporary salaries is restored by the House to provide a total of \$260,368 for temporary salaries. The Senate reduced \$110,368 of temporary salaries to provide a total of \$150,000 from special funds.

<sup>6</sup> One-time funding of \$3,000 from special funds for chairs for new FTE positions is removed to provide a total of \$4,000. The Senate added \$7,000 from special funds for this purpose.

<sup>7</sup> Funding for new FTE positions and estimated savings from vacant FTE positions is removed as shown below. These amounts are available to the agency if needed by submitting a request to the Office of Management and Budget for a transfer from the new and vacant FTE funding pool.

	<b>Special Funds</b>
New FTE positions	(\$819,278)
Vacant FTE positions	(220,377)
Total	(\$1,039,655)

This amendment also changes a section identifying the amount of funding that is appropriated in Section 1 that is available to the Public Employees Retirement System only if the 2023 Legislative Assembly closes the main system defined benefit retirement plan to new hires.

**2023 CONFERENCE COMMITTEE**

**SB 2023**

# 2023 SENATE STANDING COMMITTEE MINUTES

## Appropriations Committee – Human Resources Division Roughrider Room, State Capitol

SB 2023  
4/14/2023  
Conference Committee

A BILL for an Act to provide an appropriation for defraying the expenses of the public employees retirement system; and to provide a contingent appropriation.
--

8:35 AM Chairman Senator Dever called the conference committee to order.

Members present: Chairman Senator Dever, Senator Davison, and Senator Mathern; Representative Meier, Representative Mock, and Representative Pyle.

### **Discussion Topics:**

- Conference Committee discussion
- Public Employee Retirement System
- Agency size
- Related bills to consider

8:35 AM Representative Meier explained the amendments that the House had made to the bill.

### **Additional written testimony:**

- **Legislative Council, long sheet # 27608**

8:53 AM Chairman Senator Dever adjourned the conference committee.

*Kathleen Hall, Committee Clerk*

# 2023 SENATE STANDING COMMITTEE MINUTES

## Appropriations Committee – Human Resources Division Roughrider Room, State Capitol

SB 2023  
4/18/2023  
Conference Committee

A BILL for an Act to provide an appropriation for defraying the expenses of the public employees retirement system; and to provide a contingent appropriation.
--

9:34 AM Chairman Senator Dever called the conference committee to order.

Members present: Chairman Senator Dever, Senator Davison, and Senator Mathern; Representative Meier, Representative Mock, and Representative Pyle.

### **Discussion Topics:**

- Public Employee Retirement System
- Proposed amendments
- Conference Committee discussion

9:34 AM Representative Meier explained the where the committee stands, proposed a verbal amendment for equity funding, adding some funds, and an FTE, testimony # 27608.

9:44 AM Chairman Senator Dever adjourned the conference committee.

*Kathleen Hall, Committee Clerk*

# 2023 SENATE STANDING COMMITTEE MINUTES

## Appropriations - Human Resources Division Roughrider Room, State Capitol

SB 2023  
4/20/2023  
Conference Committee

A BILL for an Act to provide an appropriation for defraying the expenses of the public employees retirement system
--

9:06 AM Chairman Dever called the meeting to order. Members present: Senators Dever, Davison, Mathern; Representatives Pyle, Meier, Mock.

### Discussion Topics:

- Long sheet budget
- Long sheet FTE correction
- Member service position
- Defined benefit plan closure
- Budget additions & corrections
- Salary changes & equity
- FTE authority

9:06 AM Chairman Dever opened discussion.

9:07 AM Representative Meier discussed additions & corrections to Long sheet budget no. 192. Testimony #27730

9:11 AM Senator Mathern asked questions; Representative Meier responded. Discussion.

9:15 AM Representative Meier made a motion that the House recede from House amendments & further amend the bill with LC 23.0277.02002.  
Senator Davison seconded the motion.

9:16 AM Roll call vote. Motion passed 6-0-0.

Representative Meier is the bill carrier for the House.

Senator Dever is the bill carrier for the Senate.

9:17 AM Chairman Dever adjourned the meeting.

*Susan Huntington, Committee Clerk*

AG  
4-21-23  
(1-3)

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2023

That the House recede from its amendments as printed on pages 1529-1531 of the Senate Journal and pages 1739-1741 of the House Journal and that Engrossed Senate Bill No. 2023 be amended as follows:

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

Page 1, line 2, remove "; and to provide for a report"

Page 1, replace lines 11 through 16 with:

"Salaries and wages	\$7,209,060	\$529,419	\$7,738,479
Operating expenses	2,396,236	146,476	2,542,712
Contingencies	250,000	0	250,000
Defined benefit plan closure	<u>0</u>	<u>372,027</u>	<u>372,027</u>
Total special funds	\$9,855,296	\$1,047,922	\$10,903,218
Full-time equivalent positions	35.50	5.00	40.50"

Page 2, replace lines 2 and 3 with:

"Staff operating expenses	<u>0</u>	<u>5,000</u>
Total special funds	\$362,100	\$455,000

The 2023-25 biennium one-time funding amounts are not part of the entity's base budget for the 2025-27 biennium. The public employees retirement system shall report to the appropriations committees of the sixty-ninth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2023, and ending June 30, 2025."

Page 2, line 5, remove "- **ONE-TIME FUNDING**"

Page 2, line 6, replace "\$1,006,839" with "\$372,027"

Page 2, line 6, replace "\$681,839" with "\$47,027"

Page 2, line 7, after the first "for" insert "a portion of"

Page 2, line 7, replace "three" with "two"

Page 2, line 11, replace "\$328,000" with "\$327,000"

Page 2, line 11, replace "considered" with "identified as"

Page 2, line 11, after the second "item" insert "in section 2 of this Act. In addition, the public employees retirement system may request the office of management and budget to transfer up to \$479,660 of additional funding from the new and vacant FTE funding pool to this line item for salaries and wages of the full-time equivalent positions identified in this section"

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

AG  
4-21-23  
(2-3)

**Senate Bill No. 2023 - Public Employees Retirement System - Conference Committee Action**

	Base Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Salaries and wages	\$7,209,060	\$8,471,928	(\$733,449)	\$7,738,479	\$7,718,847	\$19,632
Operating expenses	2,396,236	2,543,712	(1,000)	2,542,712	2,540,987	1,725
Contingencies	250,000	250,000		250,000	250,000	
Defined benefit plan closure		1,006,839	(634,812)	372,027	372,027	
<b>Total all funds</b>	<b>\$9,855,296</b>	<b>\$12,272,479</b>	<b>(\$1,369,261)</b>	<b>\$10,903,218</b>	<b>\$10,881,861</b>	<b>\$21,357</b>
Less estimated income	9,855,296	12,272,479	(1,369,261)	10,903,218	10,881,861	21,357
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	35.50	41.50	(1.00)	40.50	39.50	1.00

**Department 192 - Public Employees Retirement System - Detail of Conference Committee Changes**

	Adjusts Funding for Salary and Benefit Increases <sup>1</sup>	Reduces Funding for Salary Equity Increases <sup>2</sup>	Removes Contingent FTE Position <sup>3</sup>	Removes Salary Funding for Funding Pool <sup>4</sup>	Reduces Funding for Temporary Salaries <sup>5</sup>	Removes One-Time Funding for New Position Operating Expenses <sup>6</sup>
Salaries and wages	\$116,138	(\$78,000)		(\$721,587)	(\$50,000)	
Operating expenses						(\$1,000)
Contingencies						
Defined benefit plan closure	8,165		(\$162,317)	(479,660)		(1,000)
<b>Total all funds</b>	<b>\$124,303</b>	<b>(\$78,000)</b>	<b>(\$162,317)</b>	<b>(\$1,201,247)</b>	<b>(\$50,000)</b>	<b>(\$2,000)</b>
Less estimated income	124,303	(78,000)	(162,317)	(1,201,247)	(50,000)	(2,000)
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	(1.00)	0.00	0.00	0.00

	Total Conference Committee Changes
Salaries and wages	(\$733,449)
Operating expenses	(1,000)
Contingencies	
Defined benefit plan closure	(634,812)
<b>Total all funds</b>	<b>(\$1,369,261)</b>
Less estimated income	(1,369,261)
General fund	\$0
FTE	(1.00)

<sup>1</sup> Salaries and wages funding is adjusted to provide for 2023-25 biennium salary increases of 6 percent on July 1, 2023, and 4 percent on July 1, 2024, and for adjustments to health insurance premium rates as follows:

	Special Funds
Salary increase	\$129,155
Health insurance adjustment	(4,852)
<b>Total</b>	<b>\$124,303</b>

The funding adjusted by the conference committee is the same as adjusted by House. The Senate provided salary adjustments of 4 percent on July 1, 2023, and July 1, 2024.

<sup>2</sup> Funding for salary equity increases is reduced by \$78,000 to provide a total of \$180,000 from special funds. The Senate provided \$258,000. The House did not provide funding for salary equity increases.



<sup>3</sup> One contingent FTE member services representative position and funding of \$162,317 from special funds, of which \$161,592 is for salaries and wages and \$725 is for operating expenses, is removed. The House also removed this position. The Senate added 3 contingent FTE positions, including the FTE member services representative position, an FTE benefit manager position, and an FTE counselor position. The contingent FTE positions are available to the Public Employees Retirement System only if the 2023 Legislative Assembly closes the main system defined benefit retirement plan to new hires.

AG  
4-21-23  
(3-3)

<sup>4</sup> Funding for new FTE positions and estimated savings from vacant FTE positions is removed as shown below. These amounts are available to the agency if needed by submitting a request to the Office of Management and Budget for a transfer from the new and vacant FTE funding pool.

	<b>Special Funds</b>
New FTE positions	(\$980,870)
Vacant FTE positions	(220,377)
Total	(\$1,201,247)

<sup>5</sup> Funding from special funds for temporary salaries is reduced from the Senate version by \$50,000 to provide a total of \$100,000. The Senate reduced the base level of \$260,368 by \$110,368 to provide a total of \$150,000. The House restored the \$110,368 to the base level of \$260,368.

<sup>6</sup> One-time funding of \$2,000 from special funds for chairs for new FTE positions is removed to provide a total of \$5,000. The Senate added \$7,000 from special funds for this purpose. The House removed \$3,000 to provide a total of \$4,000 from special funds.

---

The Conference Committee version:

- Restores 1 FTE member services representative position and funding of \$162,317 from special funds, of which \$161,592 is for salaries and wages and \$725 is for operating expenses, which was added by the Senate but removed by the House. The Senate, House, and Conference Committee also added an FTE retirement processing lead position and an FTE receptionist position.
- Amends a section identifying the amount of funding that is appropriated in Section 1 that is available to the Public Employees Retirement System only if the 2023 Legislative Assembly closes the main system defined benefit retirement plan to new hires, the same as amended by the House.



**2023 SENATE CONFERENCE COMMITTEE  
ROLL CALL VOTES**

BILL/RESOLUTION NO. \_SB 2023\_ as engrossed

**Senate Appropriations Committee – Human Resources Division**

- Action Taken**     **SENATE accede to House Amendments**  
 **SENATE accede to House Amendments and further amend**  
 **HOUSE recede from House amendments**  
 **HOUSE recede from House amendments and amend as follows**  
 **Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion Made by: Representative Meier      Seconded by: Senator Davison

<b>Senators</b>	4/14	4/18	4/20	<b>Yes</b>	<b>No</b>		<b>Representatives</b>	4/14	4/18	4/20	<b>Yes</b>	<b>No</b>
Senator Dever	x	X	x	Y			Representative Meier	X	X	x	Y	
Senator Davison	x	X	x	Y			Representative Pyle	X	X	x	Y	
Senator Mathern	x	x	x	Y			Representative Mock	x	x	x	Y	
<b>Total Senate Vote</b>				3	0		<b>Total Rep. Vote</b>				3	0

Vote Count      Yes: 6      No: 0      Absent: 0

Senate Carrier Dever      House Carrier Meier

LC Number 23.0277 . 02002 of amendment

LC Number 23.0277 . 04000 of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

Insert LC: 23.0277.02002  
Senate Carrier: Dever  
House Carrier: Meier

**REPORT OF CONFERENCE COMMITTEE**

**SB 2023, as engrossed:** Your conference committee (Sens. Dever, Davison, Mathern and Reps. Meier, Pyle, Mock) recommends that the **HOUSE RECEDE** from the House amendments as printed on SJ pages 1529-1531, adopt amendments as follows, and place SB 2023 on the Seventh order:

That the House recede from its amendments as printed on pages 1529-1531 of the Senate Journal and pages 1739-1741 of the House Journal and that Engrossed Senate Bill No. 2023 be amended as follows:

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

Page 1, line 2, remove "; and to provide for a report"

Page 1, replace lines 11 through 16 with:

"Salaries and wages	\$7,209,060	\$529,419	\$7,738,479
Operating expenses	2,396,236	146,476	2,542,712
Contingencies	250,000	0	250,000
Defined benefit plan closure	0	<u>372,027</u>	<u>372,027</u>
Total special funds	\$9,855,296	\$1,047,922	\$10,903,218
Full-time equivalent positions	35.50	5.00	40.50"

Page 2, replace lines 2 and 3 with:

"Staff operating expenses		<u>0</u>	<u>5,000</u>
Total special funds		\$362,100	\$455,000

The 2023-25 biennium one-time funding amounts are not part of the entity's base budget for the 2025-27 biennium. The public employees retirement system shall report to the appropriations committees of the sixty-ninth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2023, and ending June 30, 2025."

Page 2, line 5, remove "- **ONE-TIME FUNDING**"

Page 2, line 6, replace "\$1,006,839" with "\$372,027"

Page 2, line 6, replace "\$681,839" with "\$47,027"

Page 2, line 7, after the first "for" insert "a portion of"

Page 2, line 7, replace "three" with "two"

Page 2, line 11, replace "\$328,000" with "\$327,000"

Page 2, line 11, replace "considered" with "identified as"

Page 2, line 11, after the second "item" insert "in section 2 of this Act. In addition, the public employees retirement system may request the office of management and budget to transfer up to \$479,660 of additional funding from the new and vacant FTE funding pool to this line item for salaries and wages of the full-time equivalent positions identified in this section"

ReNUMBER accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

Insert LC: 23.0277.02002  
 Senate Carrier: Dever  
 House Carrier: Meier

**Senate Bill No. 2023 - Public Employees Retirement System - Conference Committee Action**

	Base Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Salaries and wages	\$7,209,060	\$8,471,928	(\$733,449)	\$7,738,479	\$7,718,847	\$19,632
Operating expenses	2,396,236	2,543,712	(1,000)	2,542,712	2,540,987	1,725
Contingencies	250,000	250,000		250,000	250,000	
Defined benefit plan closure		1,006,839	(634,812)	372,027	372,027	
<b>Total all funds</b>	<b>\$9,855,296</b>	<b>\$12,272,479</b>	<b>(\$1,369,261)</b>	<b>\$10,903,218</b>	<b>\$10,881,861</b>	<b>\$21,357</b>
Less estimated income	9,855,296	12,272,479	(1,369,261)	10,903,218	10,881,861	21,357
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	35.50	41.50	(1.00)	40.50	39.50	1.00

**Department 192 - Public Employees Retirement System - Detail of Conference Committee Changes**

	Adjusts Funding for Salary and Benefit Increases <sup>1</sup>	Reduces Funding for Salary Equity Increases <sup>2</sup>	Removes Contingent FTE Position <sup>3</sup>	Removes Salary Funding for Funding Pool <sup>4</sup>	Reduces Funding for Temporary Salaries <sup>5</sup>	Removes One-Time Funding for New Position Operating Expenses <sup>6</sup>
Salaries and wages	\$116,138	(\$78,000)		(\$721,587)	(\$50,000)	
Operating expenses						(\$1,000)
Contingencies						
Defined benefit plan closure	8,165		(\$162,317)	(479,660)		(1,000)
<b>Total all funds</b>	<b>\$124,303</b>	<b>(\$78,000)</b>	<b>(\$162,317)</b>	<b>(\$1,201,247)</b>	<b>(\$50,000)</b>	<b>(\$2,000)</b>
Less estimated income	124,303	(78,000)	(162,317)	(1,201,247)	(50,000)	(2,000)
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	(1.00)	0.00	0.00	0.00

	Total Conference Committee Changes
Salaries and wages	(\$733,449)
Operating expenses	(1,000)
Contingencies	
Defined benefit plan closure	(634,812)
<b>Total all funds</b>	<b>(\$1,369,261)</b>
Less estimated income	(1,369,261)
General fund	\$0
FTE	(1.00)

<sup>1</sup> Salaries and wages funding is adjusted to provide for 2023-25 biennium salary increases of 6 percent on July 1, 2023, and 4 percent on July 1, 2024, and for adjustments to health insurance premium rates as follows:

	Special Funds
Salary increase	\$129,155
Health insurance adjustment	(4,852)
Total	\$124,303

The funding adjusted by the conference committee is the same as adjusted by House. The Senate provided salary adjustments of 4 percent on July 1, 2023, and July 1, 2024.

<sup>2</sup> Funding for salary equity increases is reduced by \$78,000 to provide a total of \$180,000 from special funds. The Senate provided \$258,000. The House did not provide funding for salary equity increases.

<sup>3</sup> One contingent FTE member services representative position and funding of \$162,317 from special funds, of which \$161,592 is for salaries and wages and \$725 is for operating

Insert LC: 23.0277.02002  
Senate Carrier: Dever  
House Carrier: Meier

expenses, is removed. The House also removed this position. The Senate added 3 contingent FTE positions, including the FTE member services representative position, an FTE benefit manager position, and an FTE counselor position. The contingent FTE positions are available to the Public Employees Retirement System only if the 2023 Legislative Assembly closes the main system defined benefit retirement plan to new hires.

<sup>4</sup> Funding for new FTE positions and estimated savings from vacant FTE positions is removed as shown below. These amounts are available to the agency if needed by submitting a request to the Office of Management and Budget for a transfer from the new and vacant FTE funding pool.

	<b>Special Funds</b>
New FTE positions	(\$980,870)
Vacant FTE positions	(220,377)
Total	(\$1,201,247)

<sup>5</sup> Funding from special funds for temporary salaries is reduced from the Senate version by \$50,000 to provide a total of \$100,000. The Senate reduced the base level of \$260,368 by \$110,368 to provide a total of \$150,000. The House restored the \$110,368 to the base level of \$260,368.

<sup>6</sup> One-time funding of \$2,000 from special funds for chairs for new FTE positions is removed to provide a total of \$5,000. The Senate added \$7,000 from special funds for this purpose. The House removed \$3,000 to provide a total of \$4,000 from special funds.

The Conference Committee version:

- Restores 1 FTE member services representative position and funding of \$162,317 from special funds, of which \$161,592 is for salaries and wages and \$725 is for operating expenses, which was added by the Senate but removed by the House. The Senate, House, and Conference Committee also added an FTE retirement processing lead position and an FTE receptionist position.
- Amends a section identifying the amount of funding that is appropriated in Section 1 that is available to the Public Employees Retirement System only if the 2023 Legislative Assembly closes the main system defined benefit retirement plan to new hires, the same as amended by the House.

Engrossed SB 2023 was placed on the Seventh order of business on the calendar.

**TESTIMONY**

**SB 2023**



# ND PUBLIC EMPLOYEES RETIREMENT SYSTEM

Budget – 68<sup>th</sup>  
Legislative Assembly

# NDPERS BOARD



Mona Rindy  
Chair



Casey Goodhouse  
Member Elected



Adam Miller  
Member Elected



Jason Grueneich  
Member Elected



Yvonne Smith  
Member Elected



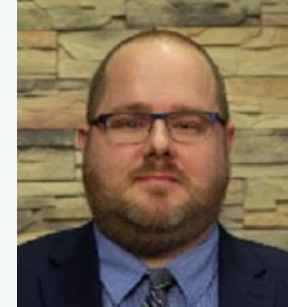
Representative  
Gretchen Dobervich



Representative Greg  
Stemen

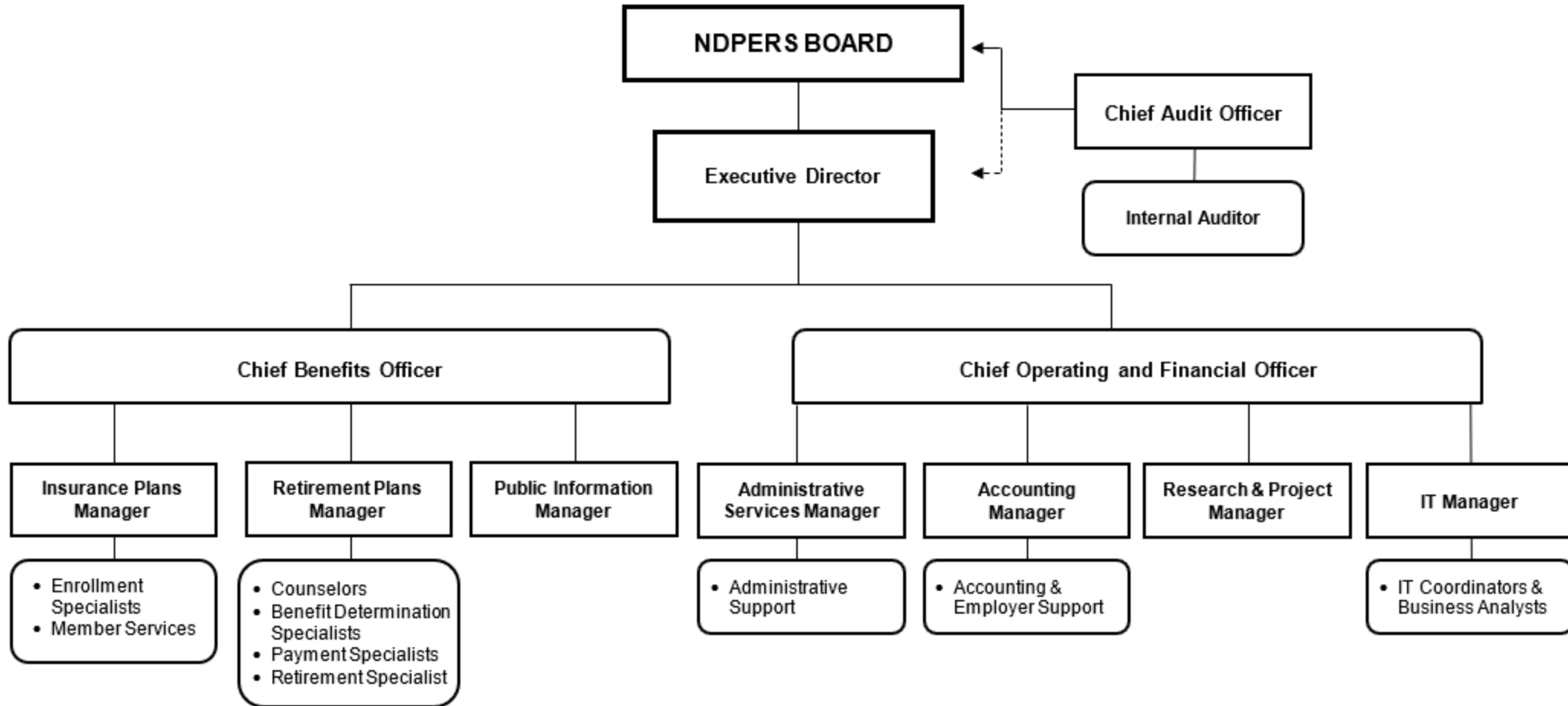


Claire Ness  
AG Appointee



Dirk Wilke – State  
Health Designee

# ORGANIZATIONAL CHART





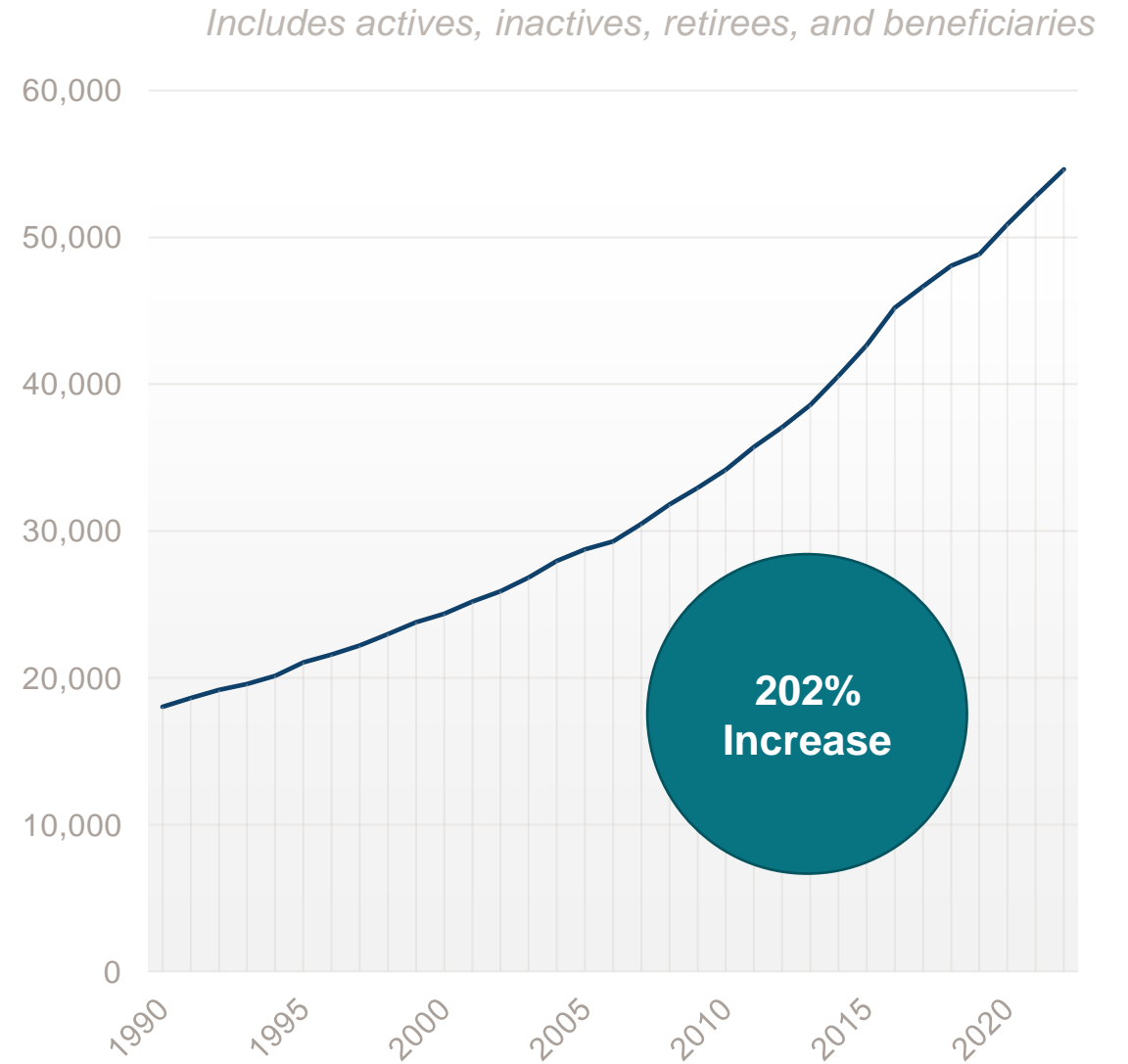
January 2022

## RETIREMENT PROGRAMS MANAGED AND ADMINISTERED BY NDPERS

	<i>TOTAL RETIREMENT</i>	<i>Main System</i>	<i>Judges</i>	<i>Public Safety</i>	<i>Highway Patrol</i>	<i>Job Service</i>	<i>DEFINED CONTRIBUTION</i>	<i>DEFERRED COMP</i>	<i>HEALTH CREDIT (RHIC)</i>
<b>PARTICIPATING EMPLOYERS</b>									
State	97	97	1	5	1	1	97	97	97
Counties	52	52		20				34	52
School Dist	129	129						28	129
Cities	90	90		22				39	90
Others	90	90		1				46	90
TOTAL	<b>458</b>							<b>244</b>	<b>458</b>
<b>EMPLOYEES</b>									
State	10,361	9,992	57	79	151	0	82	6,841	8,674
Counties	4,242	3,695		546			1	821	3,557
School Dist	7,351	7,350					1	105	5,113
Cities	2,814	2,265		546			3	419	2,273
Others	846	834		12				341	641
Subtotal	25,614	24,136	57	1,183	151	0	87	8,527	20,258
Retirees	14,000	13,361	63	151	135	181	109		<b>13,697</b>
Subtotal	<b>39,614</b>	<b>37,497</b>	<b>120</b>	<b>1,334</b>	<b>286</b>	<b>181</b>	<b>196</b>	<b>8,527</b>	<b>33,955</b>
Deferred Members	15,020	14,477	1	493	49	0			7,112
TOTAL	<b>54,634</b>	<b>51,974</b>	<b>121</b>	<b>1,827</b>	<b>335</b>	<b>181</b>	<b>196</b>	<b>8,527</b>	<b>41,067</b>

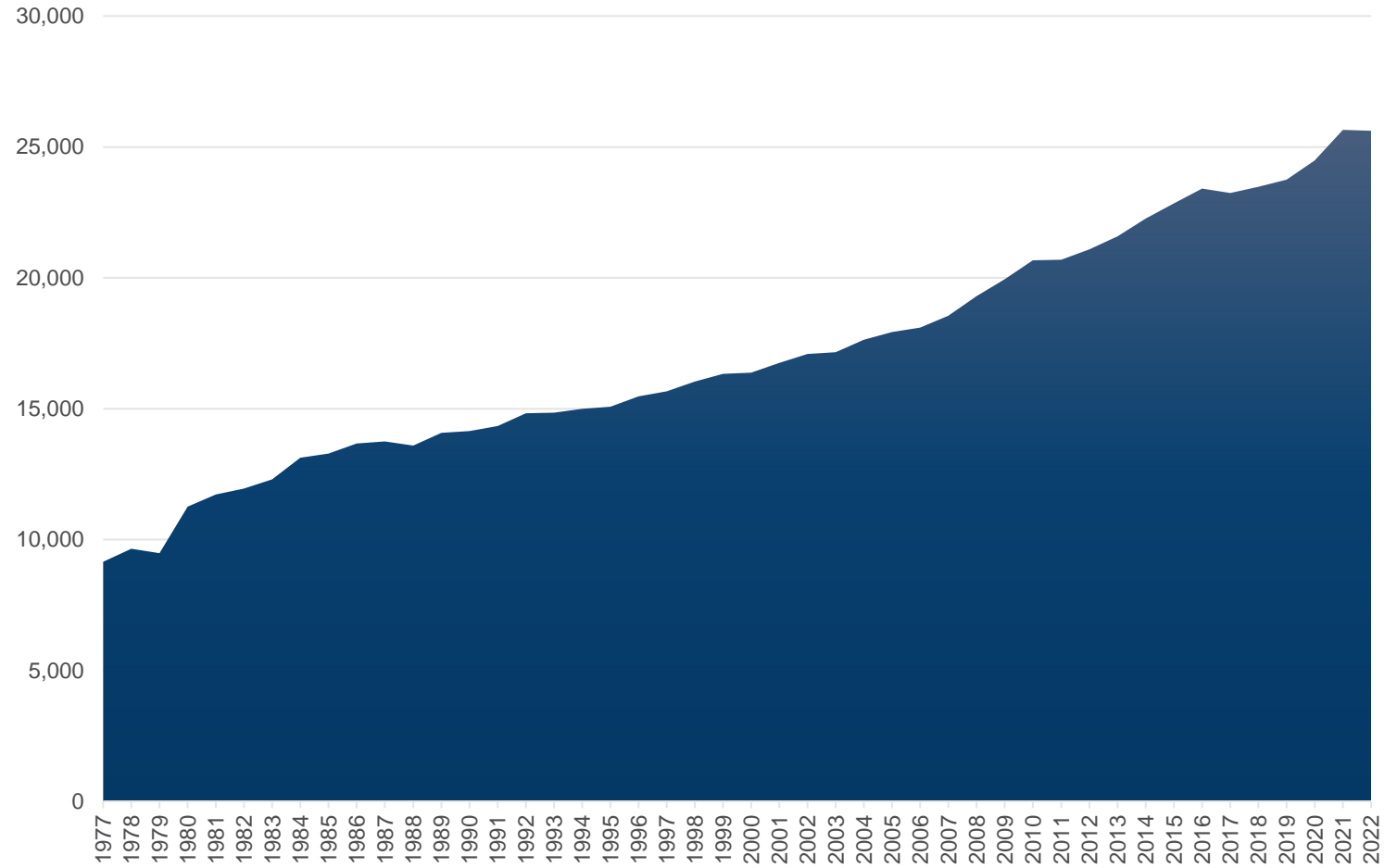


# RETIREMENT PLAN MEMBERSHIP



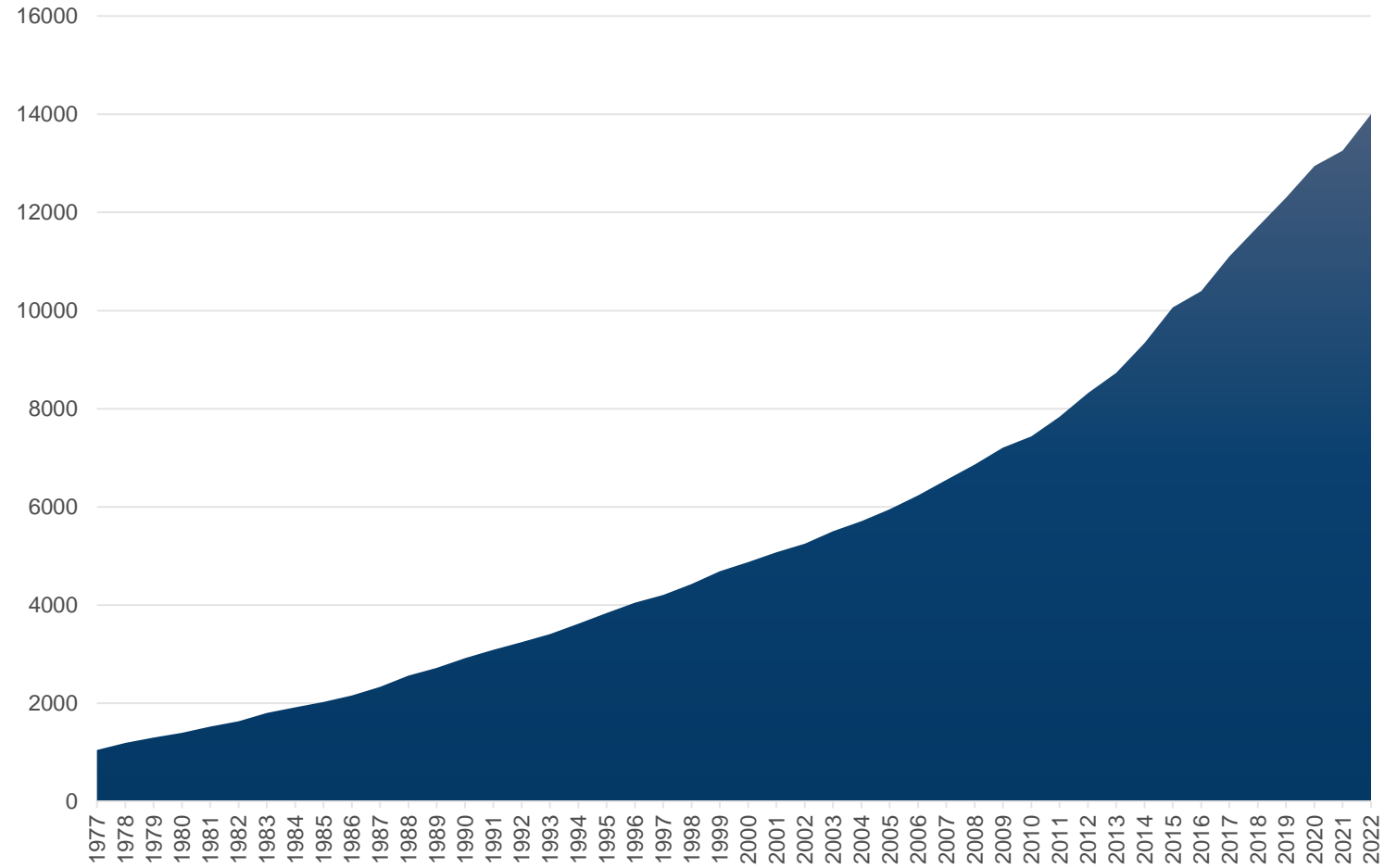
**ACTIVE  
MEMBERS IN  
NDPERS  
RETIREMENT  
SYSTEM**

*Includes members in Main, Judges, and Public Safety*



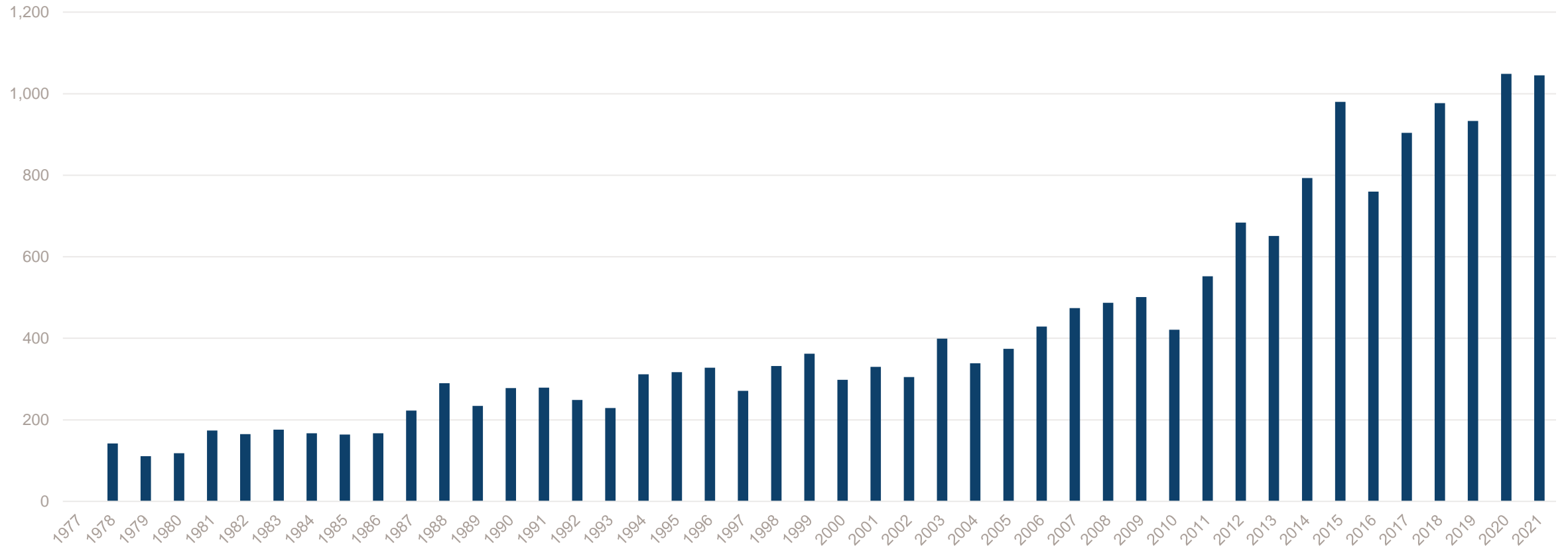
**RETIREES IN  
NDPERS  
RETIREMENT  
SYSTEM**

*Includes members in Main, Judges, and Public Safety*



# NEW PENSIONS

*Includes actives members in Main, Judges, and Public Safety*

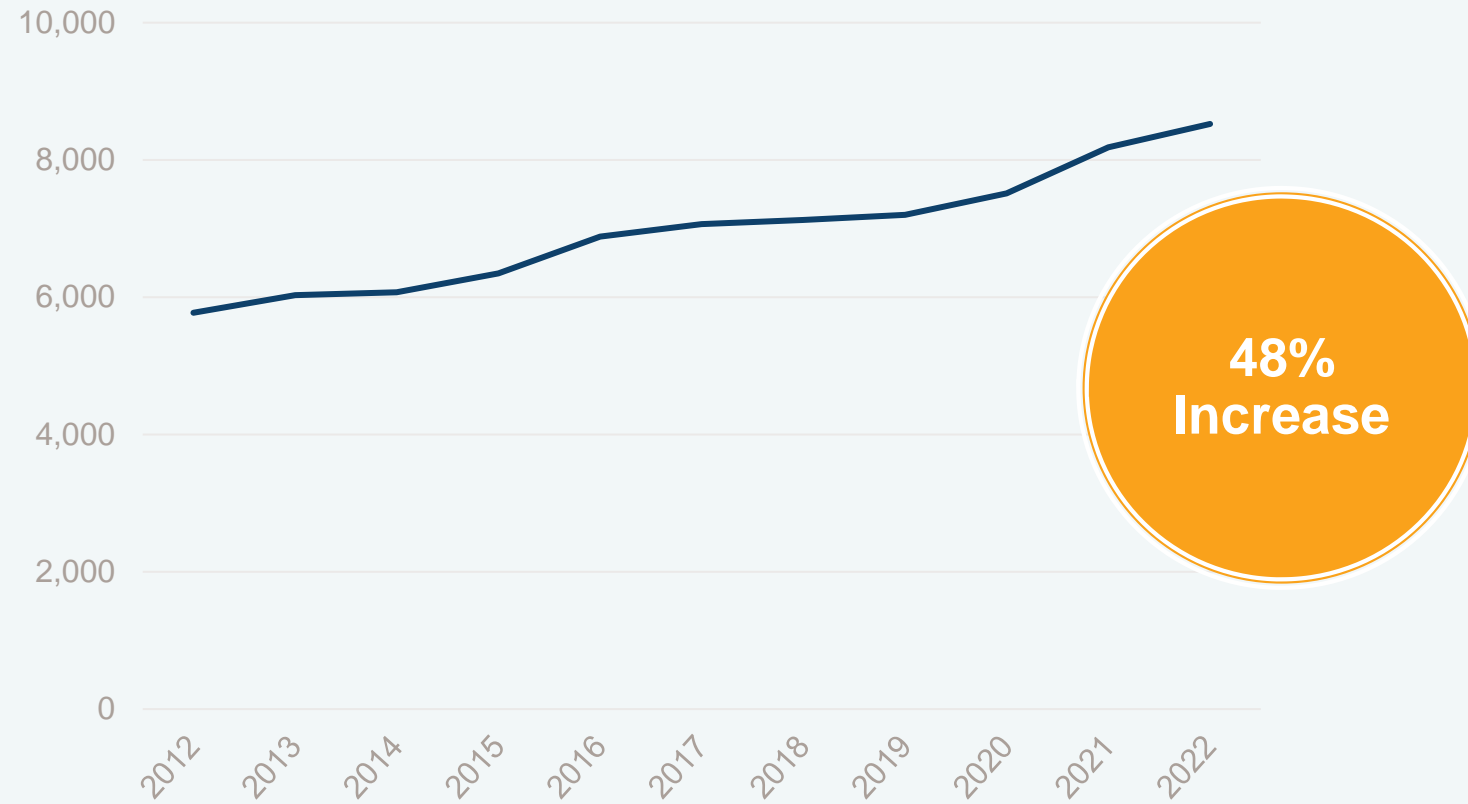


# Upcoming Eligible Retirees

---

	Age 65	Rule of 85	Total
Currently eligible as of June 2022	1,090	1,175	2,265
Newly eligible as of June 2023	284	305	589
Newly eligible as of June 2024	323	288	611
Newly eligible as of June 2025	378	276	654
Newly eligible as of June 2026	380	287	667
Newly eligible as of June 2027	341	305	646

# DEFERRED COMPENSATION PLAN ACTIVE MEMBERSHIP



January 2022

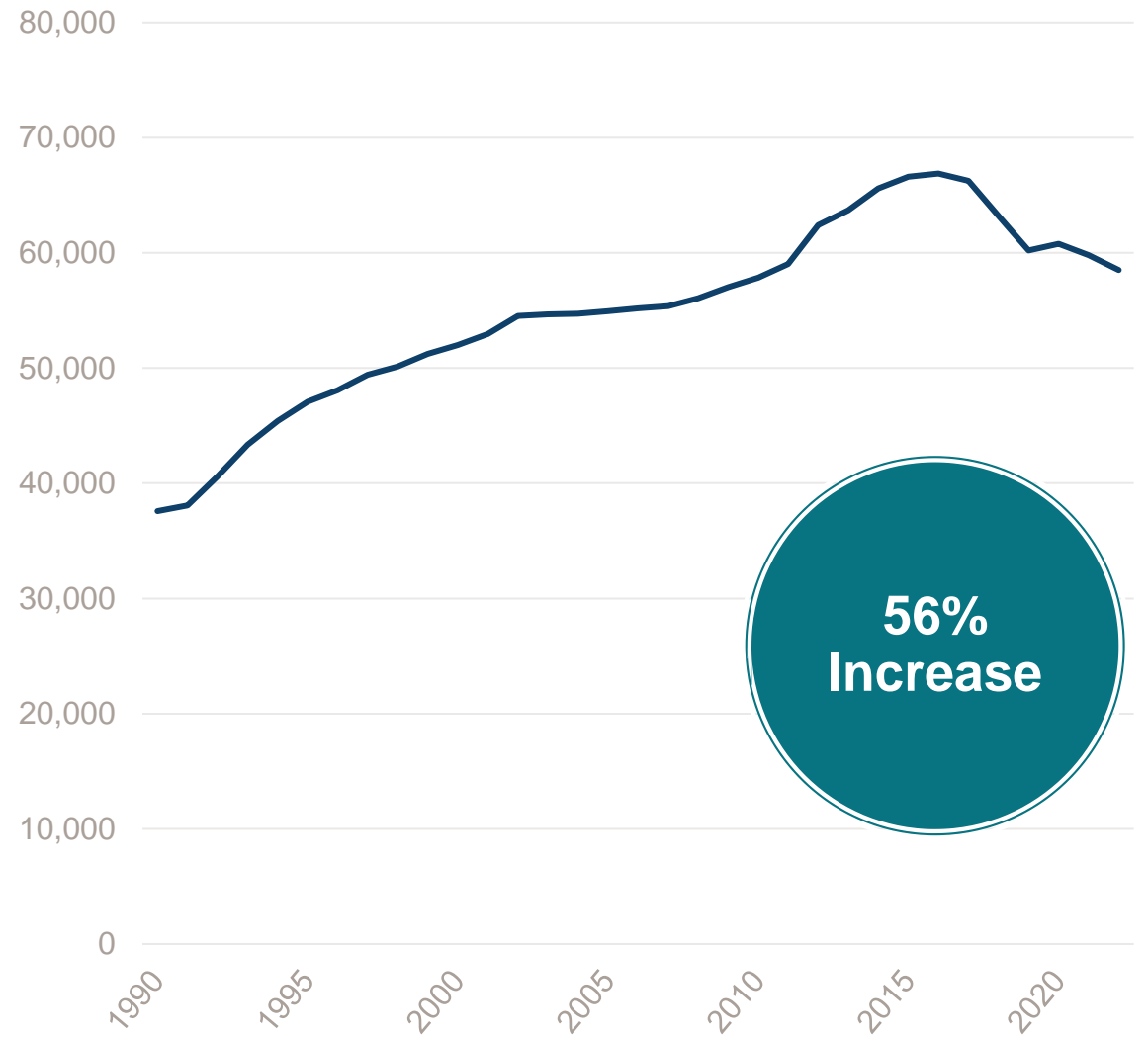
## GROUP INSURANCE PROGRAMS MANAGED AND ADMINISTERED BY NDPERS

	<i>HEALTH</i>	<i>LIFE</i>	<i>DENTAL</i>	<i>VISION</i>	<i>EAP</i>	<i>FLEXCOMP</i>
<b>PARTICIPATING EMPLOYERS</b>						
State	97	97	97	97	97	81
Counties	34	33				
School Dist	22	13				
Cities	30	29				
Others	50	32	20	20	20	5
<b>TOTAL</b>	<b><i>233</i></b>	<b><i>204</i></b>	<b><i>117</i></b>	<b><i>117</i></b>	<b><i>117</i></b>	<b><i>86</i></b>
<b>EMPLOYEES</b>						
State	14,362	15,027	8,879	9,314	15,074	2,363
Legislators	133	137				
Counties	1,618	2,807				
School Dist	797	100				
Cities	659	249				
Others	483	418			273	45
Retirees	6,835	3,216	3,981	3,779		
COBRA	138		41	44		
<b>TOTAL</b>	<b><i>25,025</i></b>	<b><i>21,954</i></b>	<b><i>12,901</i></b>	<b><i>13,137</i></b>	<b><i>15,347</i></b>	<b><i>2,408</i></b>
<b>Covered Lives</b>	<b><i>58,504</i></b>					

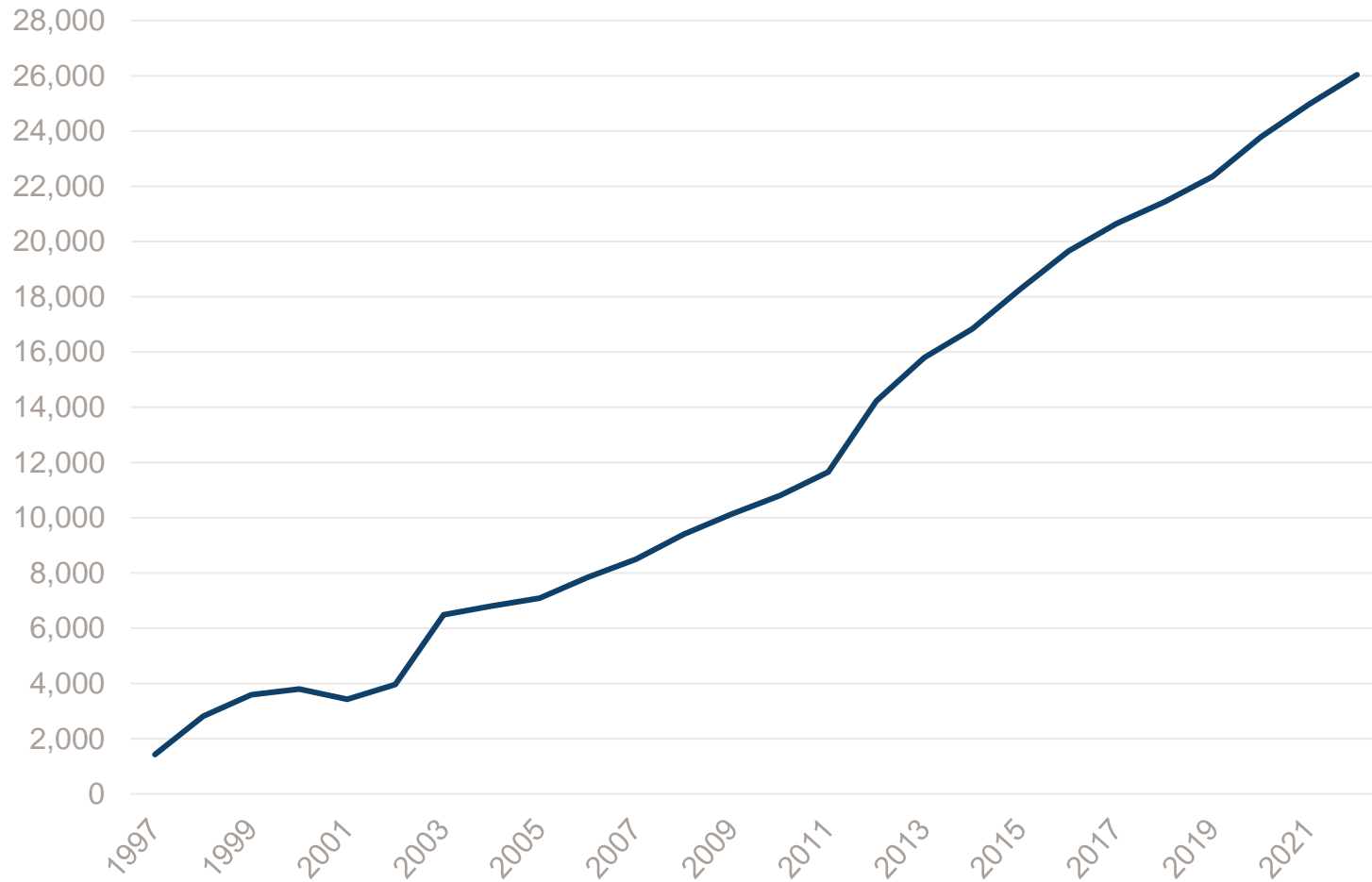




# HEALTH PLAN MEMBERSHIP



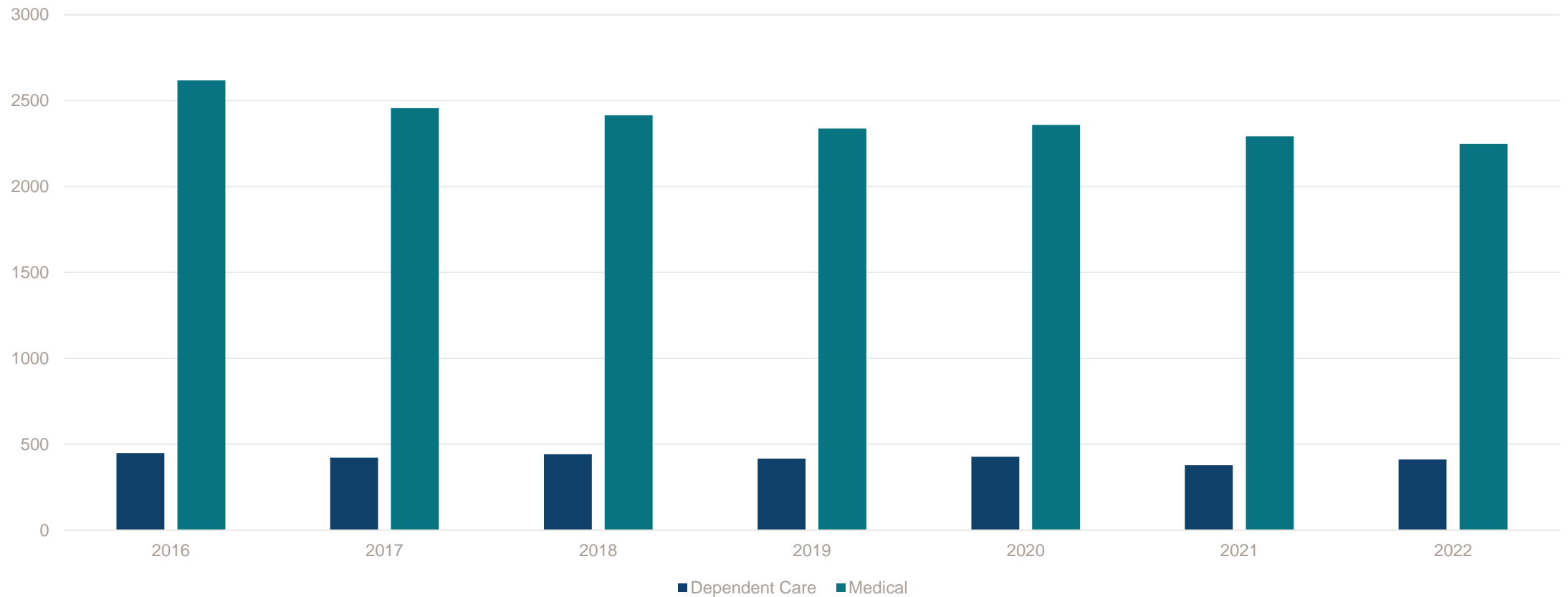
# Dental & Vision Insurances Membership



**1,713%  
Increase**

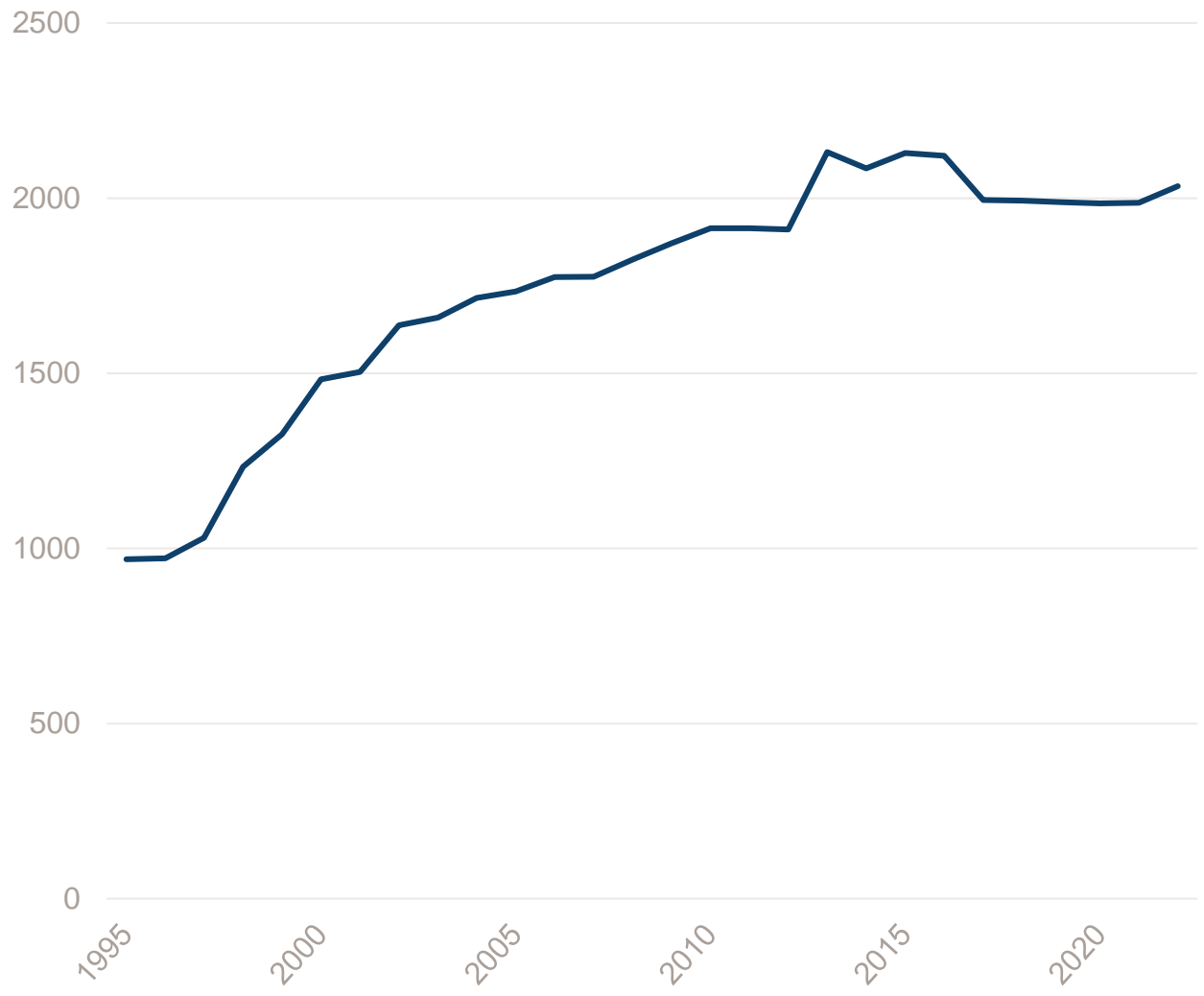
# FSA Participation

*The Dependent Care and Medical Flexible Spending Accounts (FSA) are part of the FlexComp Program*



# TOTAL Participating Employers in NDPERS Plans

---



Year	# of responses	Courtesy received from NDPERS Staff.	Promptness of NDPERS response.	Information was properly explained.	Information easy to understand.
2015	464	3.82	3.67	3.73	3.62
2016	478	3.83	3.73	3.75	3.62
2017	540	3.83	3.76	3.69	3.58
2018 Sent via email	1,084	3.76	3.59	3.63	3.56
2019	2,392	3.75	3.48	3.63	3.59
2020	2,066	3.76	3.51	3.66	3.62
2021	2,268	3.74	3.49	3.60	3.56
2022 As of November	1,855	3.72	3.47	3.58	3.52



## MEMBER EXPERIENCE



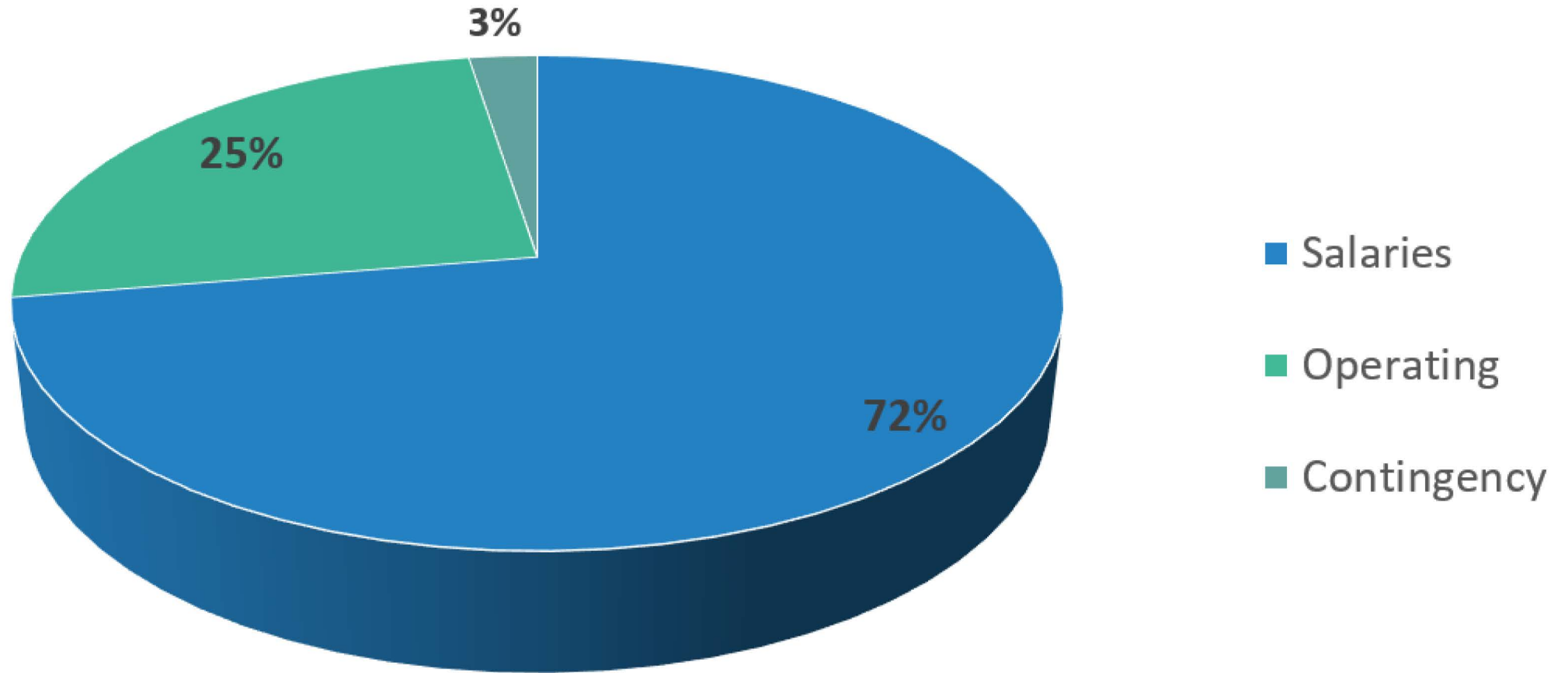
# NDPERS BUDGET



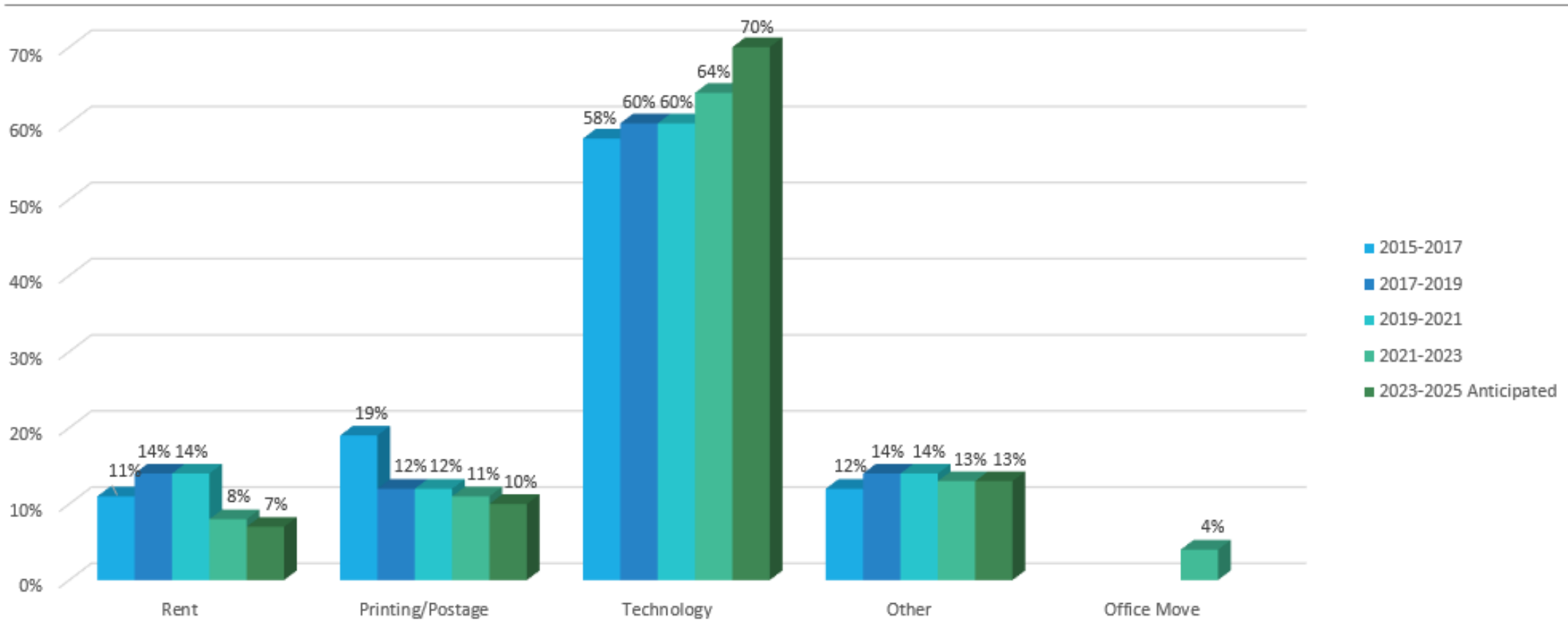


	<b>2021-23 Appropriation</b>	<b>One-Time Expenditures</b>	<b>2023-2025 Legislative Base Budget</b>	<b>% Increase/ (Decrease)</b>
Salaries & Wages	7,209,060	-	7,209,060	0.0%
Operating Expenses	2,500,736	(104,500)	2,396,236	(4.2%)
Capital Expenditures	257,600	(257,600)	-	(100.0%)
Contingencies	250,000	-	250,000	0.0%
Total Special Funds	10,217,396	(362,100)	9,855,296	(3.5%)
FTE	35.5		35.5	

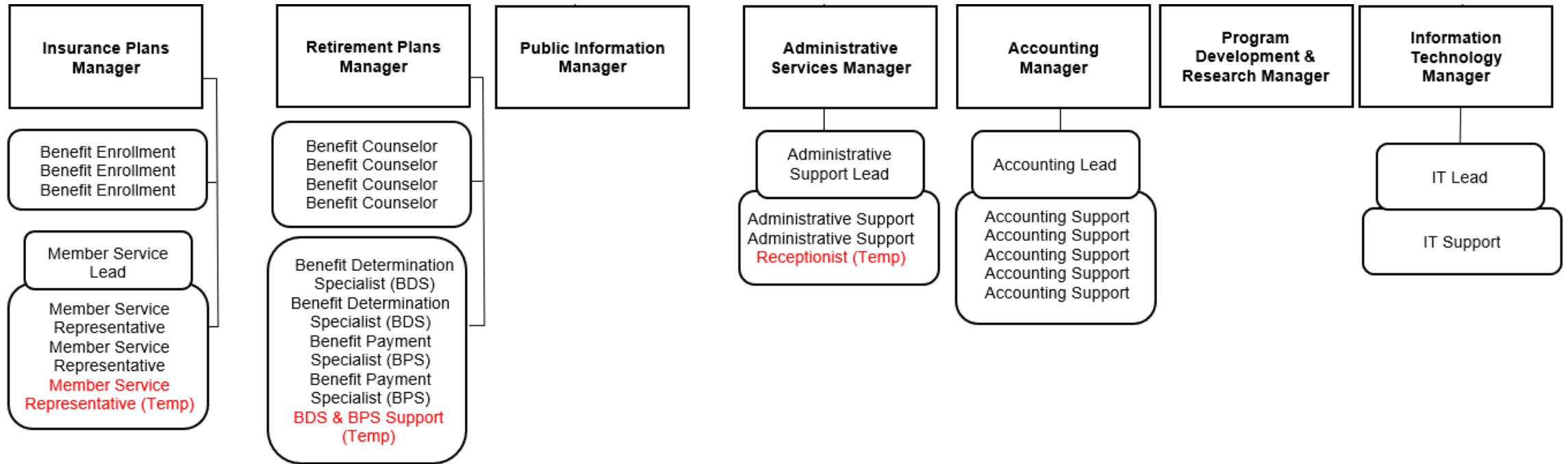
# NDPERS Budget Allocation





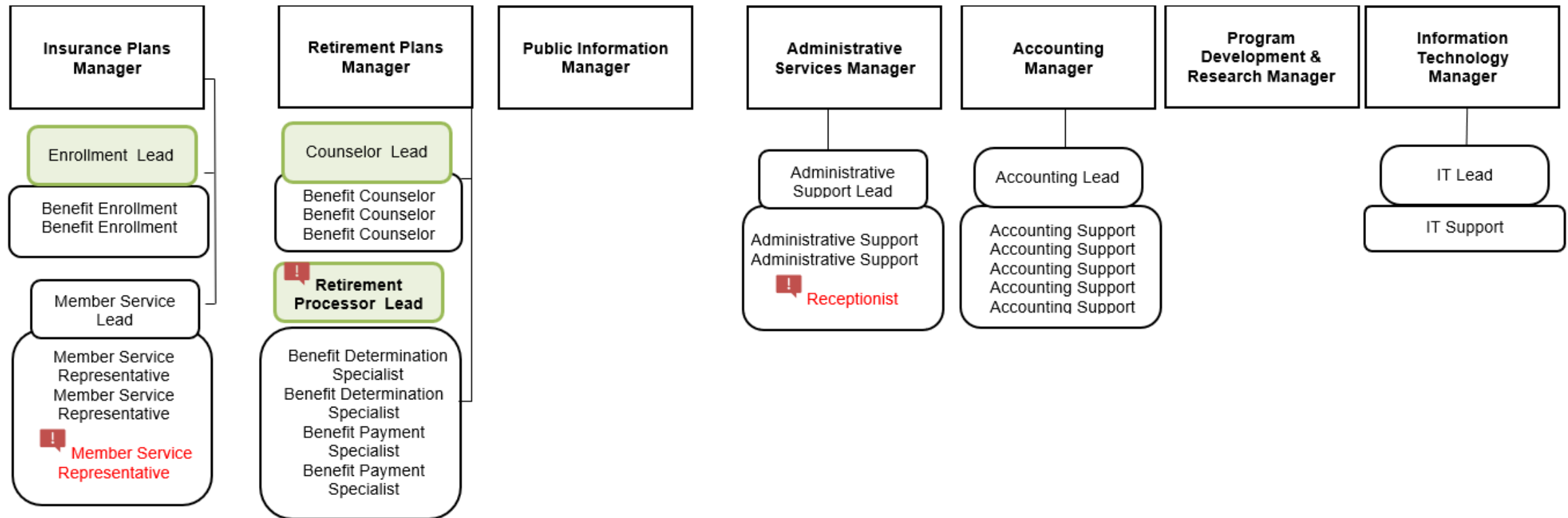


# BUDGET: OPERATING EXPENSES



# Current Departmental Organization

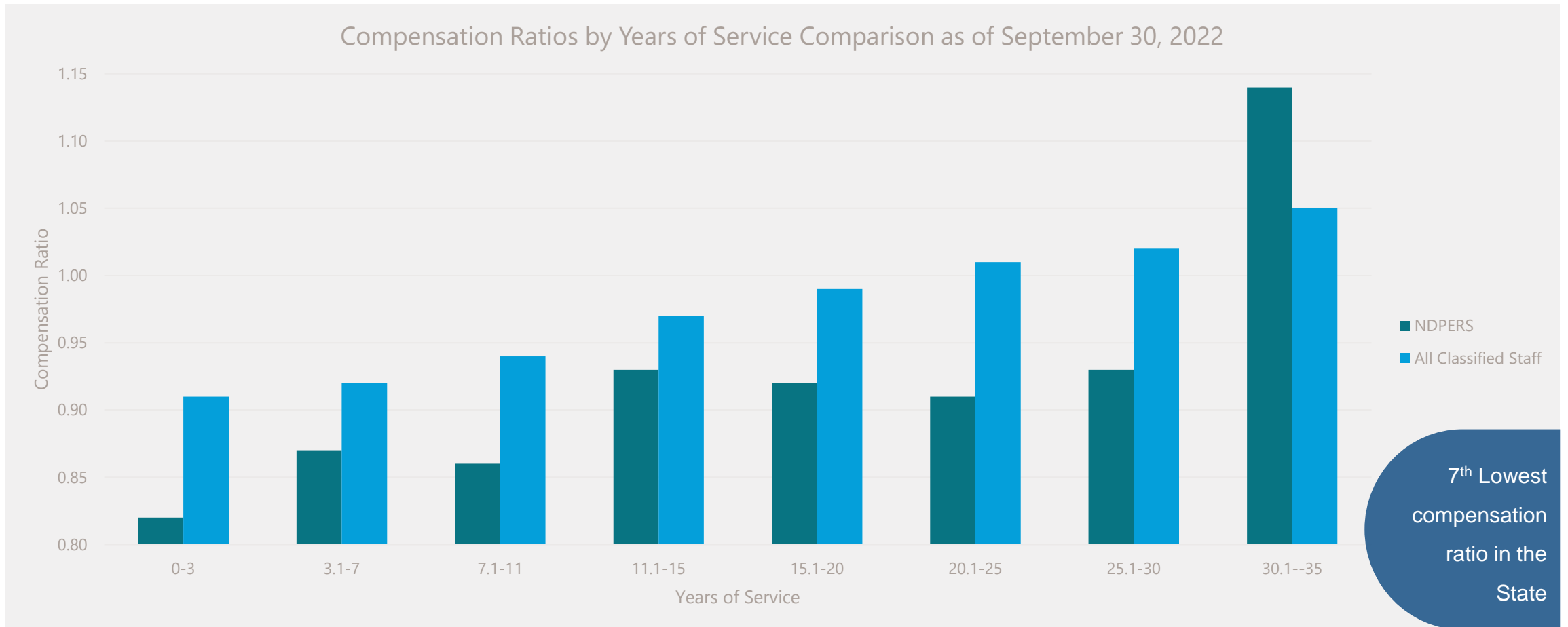
# Departmental Structure Goal



# Executive Recommendation

	<b>2021-23 Legislative Base</b>	<b>Executive Recommendation Adjustments</b>	<b>2023-2025 Executive Recommendation</b>	<b>% Increase/ (Decrease)</b>
Salaries & Wages	7,209,060	1,792,119	9,001,179	24.9%
Operating Expenses	2,396,236	275,101	2,671,337	11.5%
Contingencies	250,000	-	250,000	
Total Special Funds	9,855,296	2,067,220	11,922,516	21.0%
FTE	35.5	4.0	39.5	

# Changes to the Executive Recommendation Staff Equity Package: \$720,000





# FTE AUTHORITY

## ADDRESS CUSTOMER SERVICE NEEDS

Year	# of responses	Courtesy received from NDPERS Staff.	Promptness of NDPERS response.	Information was properly explained.	Information easy to understand.
	464	3.82	3.67	3.73	3.62
2016	478	3.83	3.73	3.75	3.62
	540	3.83	3.76	3.69	3.58
2018 Sent via email	1,084	3.76	3.59	3.63	3.56
	2,392	3.75	3.48	3.63	3.59
2020	2,066	3.76	3.51	3.66	3.62
	2,268	3.74	3.49	3.60	3.56
2022 As of November	1,855	3.72	3.47	3.58	3.52



**QUESTIONS?**

# TESTIMONY OF NDPERS

## Senate Bill 2023

Good morning Mr. Chairman, members of the committee, my name is Scott Miller. I am the Executive Director of the North Dakota Public Employees Retirement System or PERS, and am here today to provide you with an overview of our agency as well as our work efforts.

With me today is Derrick Hohbein, our Chief Operating/Financial Officer, and he will provide you an overview of our budget request.

### Agency Overview

First let me start by providing an overview of our agency. PERS is directed by a nine member Board composed of the following members:

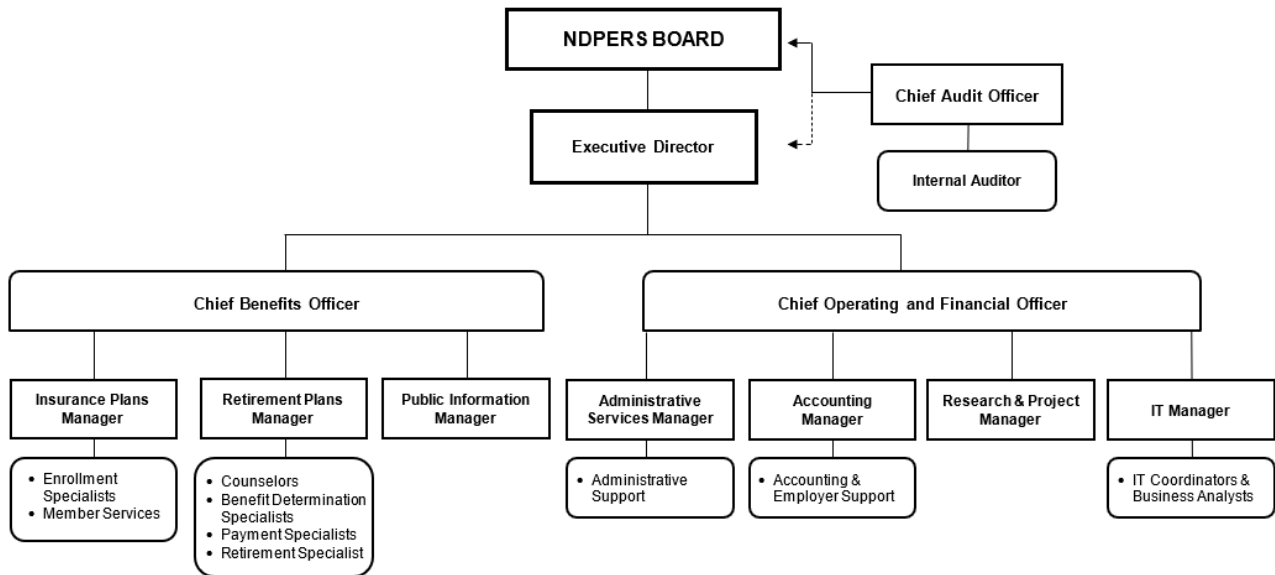


The image displays a graphic titled "NDPERS BOARD" with a teal header. Below the header, nine individual portraits of board members are arranged in two rows. Each portrait is accompanied by a nameplate identifying the member and their role.

Portrait	Name	Role
	Mona Rindy	Chair
	Casey Goodhouse	Member Elected
	Adam Miller	Member Elected
	Jason Grueneich	Member Elected
	Yvonne Smith	Member Elected
	Representative Gretchen Dobervich	
	Representative Greg Stemen	
	Claire Ness	AG Appointee
	Dirk Wilke	State Health Designee



The Board oversees a staff that has the following administrative structure:



The Board oversees the administration of the following North Dakota Century Code chapters: 39-03.1 (Highway Patrol Retirement), 52-11 (Job Service Retirement Plan), 54-52 (Main PERS Plan), 54-52.1 (Group Insurance Program), 54-52.2 (Deferred Compensation Plan), 54-52.3 (Pretax Benefits Program), and 54-52.6 (Defined Contribution Retirement Plan). As you can see, the PERS program responsibilities fall under two broad categories – retirement and group insurance.

Section 54-52-02 states that the overall mission for the retirement program is “to provide for the payment of benefits to state and political subdivision employees or to their beneficiaries thereby enabling the employees to care for themselves and their dependents and which by its provisions will improve state and political subdivision employment, reduce excessive personnel turnover, and offer career employment to high grade men and women.” Similarly, section 54-52.1-02 establishes the overall mission for the group insurance plan as follows: “In order to promote the economy and efficiency of employment in the state’s service, reduce personnel turnover, and offer an incentive to high grade individuals to enter and remain in the service of state employment, there is created a uniform group insurance program”.

Concerning the retirement programs, the following table gives you an overview of the programs and some statistical information:

January 2022	RETIREMENT PROGRAMS MANAGED AND ADMINISTERED BY NDPERS									
	<i>TOTAL RETIREMENT</i>	<i>Main System</i>	<i>Judges</i>	<i>Public Safety</i>	<i>Highway Patrol</i>	<i>Job Service</i>	<i>DEFINED CONTRIBUTION</i>	<i>DEFERRED COMP</i>	<i>HEALTH CREDIT (RHIC)</i>	
<b>PARTICIPATING EMPLOYERS</b>										
State	97	97	1	5	1	1	97	97	97	
Counties	52	52		20				34	52	
School Dist	129	129						28	129	
Cities	90	90		22				39	90	
Others	90	90		1				46	90	
<b>TOTAL</b>	<b>458</b>							<b>244</b>	<b>458</b>	
<b>EMPLOYEES</b>										
State	10,361	9,992	57	79	151	0	82	6,841	8,674	
Counties	4,242	3,695		546			1	821	3,557	
School Dist	7,351	7,350					1	105	5,113	
Cities	2,814	2,265		546			3	419	2,273	
Others	846	834		12				341	641	
Subtotal	25,614	24,136	57	1,183	151	0	87	8,527	20,258	
Retirees	14,000	13,361	63	151	135	181	109		13,697	
Subtotal	39,614	37,497	120	1,334	286	181	196	8,527	33,955	
Deferred Members	15,020	14,477	1	493	49	0			7,112	
<b>TOTAL</b>	<b>54,634</b>	<b>51,974</b>	<b>121</b>	<b>1,827</b>	<b>335</b>	<b>181</b>	<b>196</b>	<b>8,527</b>	<b>41,067</b>	

As you can see, PERS is responsible for the administration of 10 different retirement programs. The Job Service Retirement Plan was assigned to our agency by the 2001 legislative assembly. The Public Safety Plan for political subdivisions was added by the 2003 legislative assembly and is divided into two plans, those with past service and those without. This plan has since been expanded to cover certain State employees and, most recently, was expanded to include firefighters during the 2017 session.

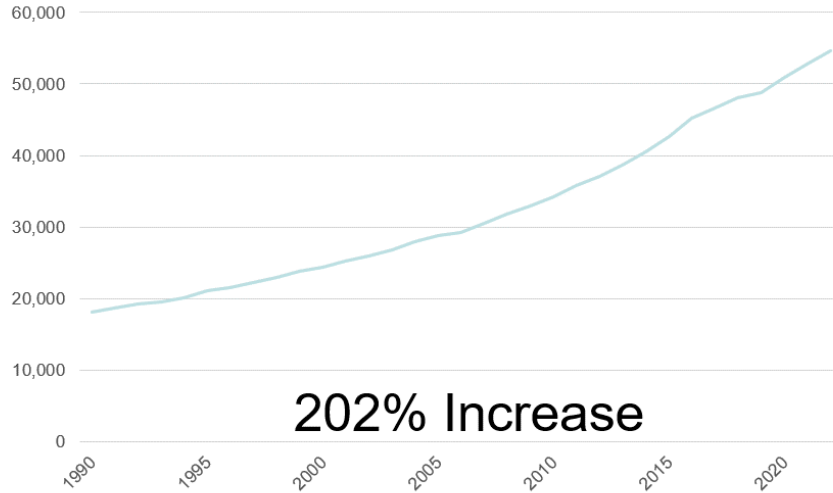
The optional defined contribution plan for non-classified state employees was assigned to our agency in 1999. About 1% of eligible employees choose the DC plan. Eligibility for this plan was expanded to provide new State employees with this option effective August 1, 2013 through July 31, 2017. Less than 3% of eligible employees chose the DC plan in that period. You will note the largest retirement plan we administer is the Main/Hybrid retirement system which provides services to not only the State, but also to political subdivisions. In this plan, about 41% of the active members are State employees and 59% are political subdivision employees. School districts are the second largest group followed by counties and cities. We continue to see growth as a result of political subdivisions joining the retirement plan. In the last two years we have added 12 new employer groups into our Defined Benefit plans, which shows that this continues to be an effective recruiting tool for our state.

Some historical statistics about the retirement plan include membership:

# NDPERS

## Retirement Plan Membership

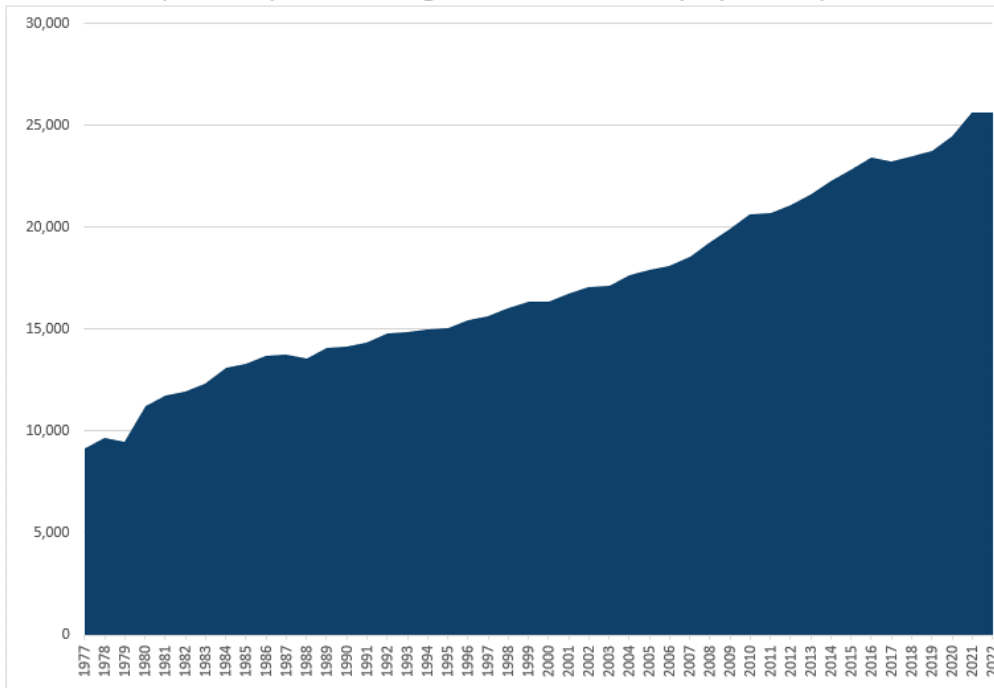
(Active, Inactive, Retirees & Beneficiaries)



Of this, the number of active members has grown:

# NDPERS Retirement Actives

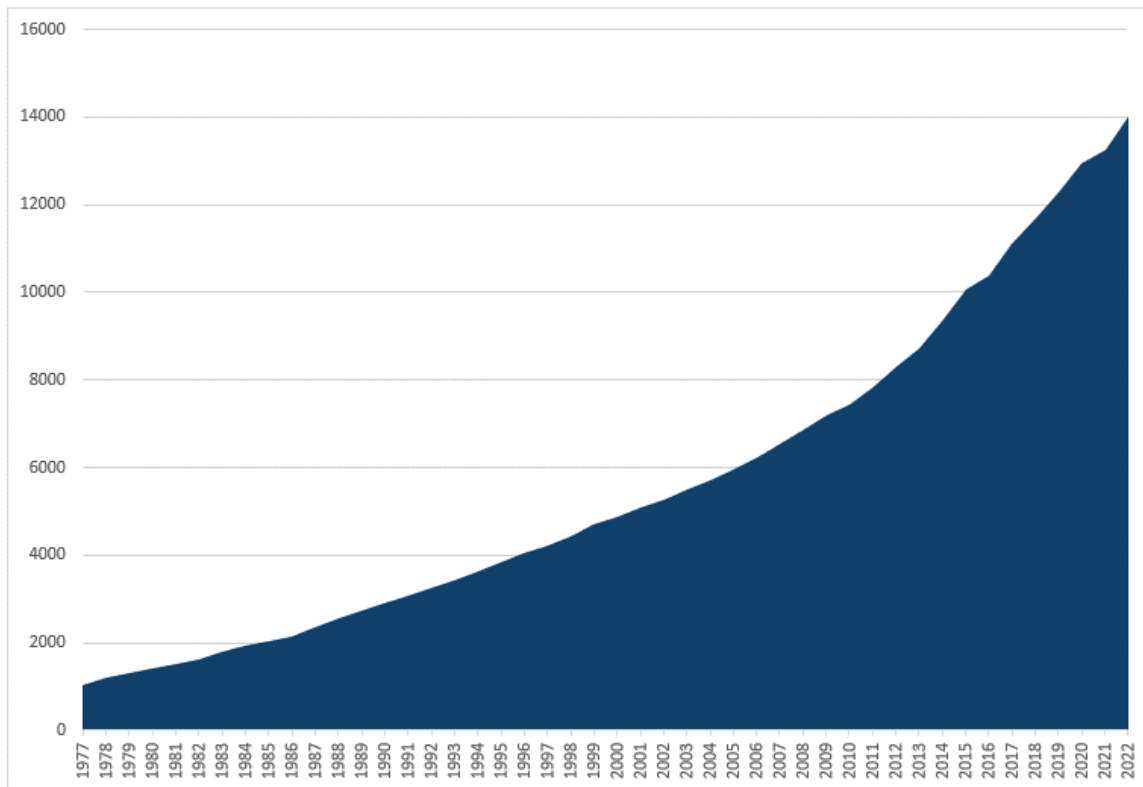
(Main System, Judges & Public Safety Systems)



The number of retired members has grown as well, and at an even greater rate than our active members:

# NDPERS Retirement Retirees

(Main System, Judges & Public Safety Systems)

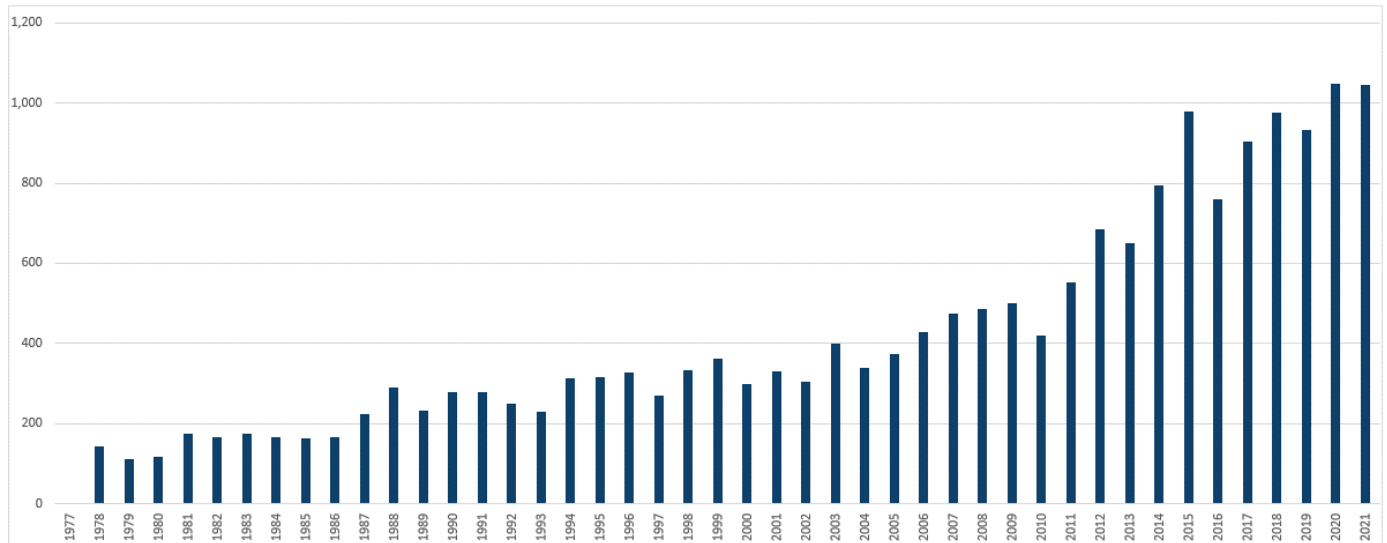


Another interesting statistic about the retirement plan is that since 1977 the PERS plan has received approximately \$2.67 billion in contributions and as of the September 2022 we had \$3.54 billion in assets. During that same period we paid out about \$2.90 billion in benefits.

The number of new retirees each year continues to grow. The table below shows that in the last three fiscal years (July – June) there were 933, 1,049, and 1045 new retirees.

## NDPERS New Pensions

(Main System, Judges & Law Enforcement Systems)

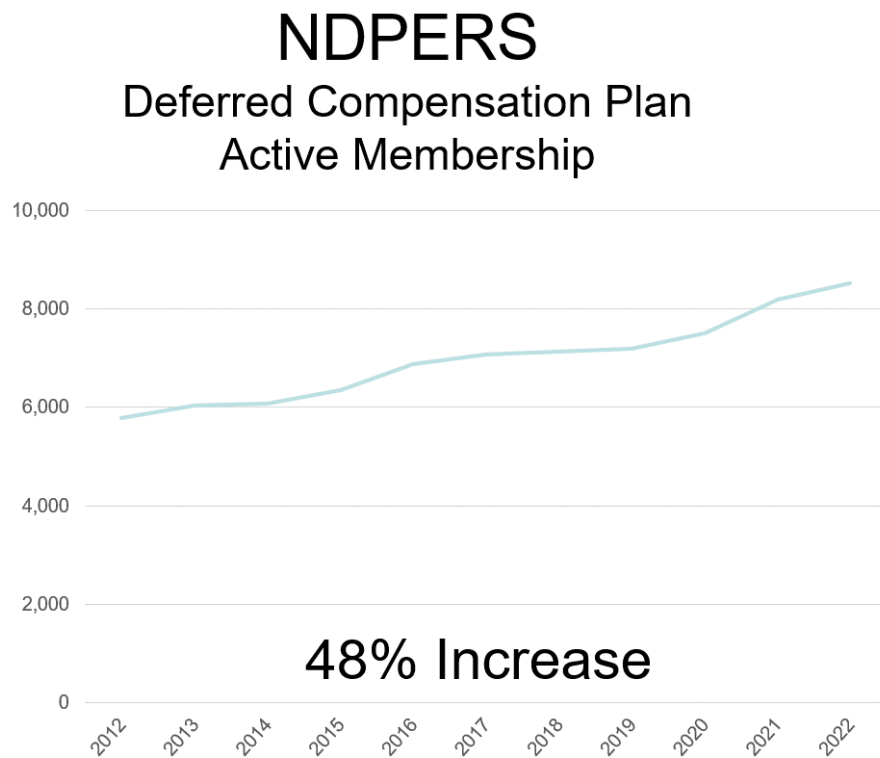


As we look to the future, we see the retired membership continuing to grow and the number of active members remaining about the same. The table below shows the number of members in the Main system who will be eligible to retire in the next 5 years:

	Age 65	Rule of 85	Total
Currently eligible as of June 2022	1,090	1,175	2,265
Newly eligible as of June 2023	284	305	589
Newly eligible as of June 2024	323	288	611
Newly eligible as of June 2025	378	276	654
Newly eligible as of June 2026	380	287	667
Newly eligible as of June 2027	341	305	646

Servicing the present and future needs of the retired membership is a growing challenge for PERS.

In addition to the administration of the traditional retirement plans, PERS administers the 457 Deferred Compensation Plan, which is the state's supplemental savings program. The membership in that program has also grown over the years as shown below:



We are pleased by this growth since it is important that our members have supplemental savings for retirement. During our annual benefit enrollment period conducted each Fall, we include targeted messaging to encourage members to take action to provide for a more secure financial future. In 1999, the Legislature enacted the Portability Enhancement Provision, or PEP, in our retirement plan, thereby turning the Main plan into a hybrid plan to encourage employees to do supplemental savings through the Deferred Compensation Plan.

The investment and recordkeeping services for the PERS Companion Plan are currently provided by TIAA. The Deferred Compensation Plan offers our members eight other providers to choose from in addition to the PERS Companion Plan:

Bravera Wealth	Jackson National (closed to new entrants)
AXA Equitable (closed to new entrants)	Nationwide Life
Bank of North Dakota	VALIC (closed to new entrants)
Mass Mutual (closed to new entrants)	Waddell & Reed (closed to new entrants)

Concerning the group insurance programs, the following gives you an overview of the programs and some statistical information:

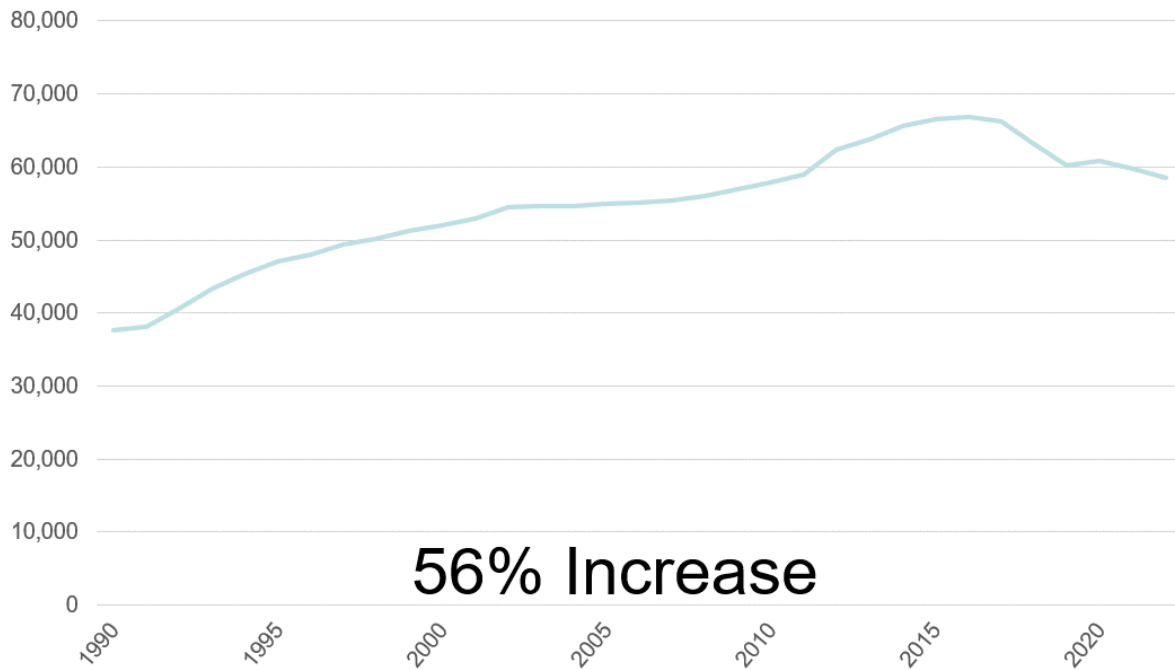
GROUP INSURANCE PROGRAMS MANAGED AND ADMINISTERED BY NDPERS						
	<i>HEALTH</i>	<i>LIFE</i>	<i>DENTAL</i>	<i>VISION</i>	<i>EAP</i>	<i>FLEXCOMP</i>
<b>PARTICIPATING EMPLOYERS</b>						
State	97	97	97	97	97	81
Counties	34	33				
School Dist	22	13				
Cities	30	29				
Others	50	32	20	20	20	5
<b>TOTAL</b>	<b>233</b>	<b>204</b>	<b>117</b>	<b>117</b>	<b>117</b>	<b>86</b>
<b>EMPLOYEES</b>						
State	14,362	15,027	8,879	9,314	15,074	2,363
Legislators	133	137				
Counties	1,618	2,807				
School Dist	797	100				
Cities	659	249				
Others	483	418			273	45
Retirees	6,835	3,216	3,981	3,779		
COBRA	138		41	44		
<b>TOTAL</b>	<b>25,025</b>	<b>21,954</b>	<b>12,901</b>	<b>13,137</b>	<b>15,347</b>	<b>2,408</b>
<b>Covered Lives</b>	<b>58,504</b>					

The group health and life insurance programs have been a part of the agency since the early 1970s. In the late 1990's the Employee Assistance Program, Dental Plan and Vision Plan were added to PERS. The FlexComp Program has been a part of the agency since 1989 and allows members to pretax eligible insurance premiums, dependent care expenses, and medical expenses.

As you will note, the largest responsibility in this area is the health plan. In this program about 57% of members are state employees and 43% are political subdivisions or other groups such as retirees. We continue to focus on compliance with the Affordable Care Act (ACA), which includes maintaining the grandfathered status of the plan, assisting our participating employers with compliance, and conducting a special enrollment each year for temporary employees.

The following table shows the history of the membership in the health plan:

# NDPERS Health Plan Membership

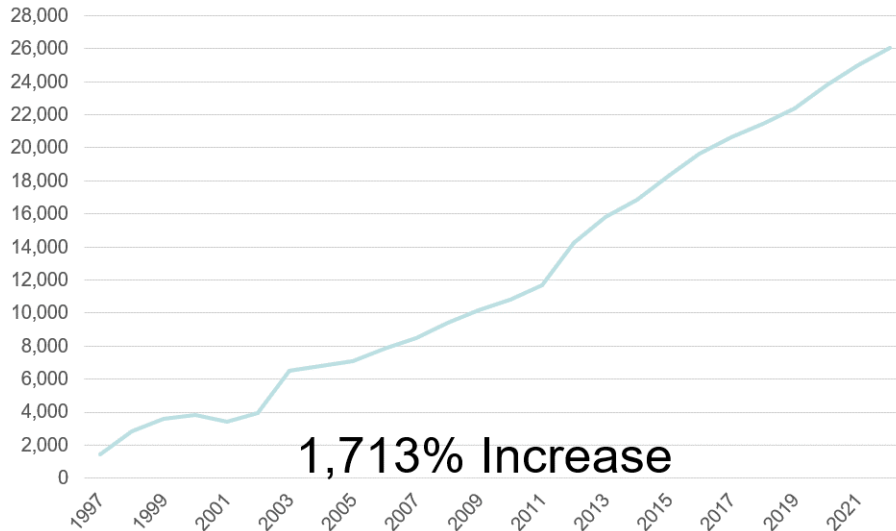


This plan was last bid in 2020, and the PERS Board awarded the contract to Sanford Health Plan under the same hybrid fully-insured/self-insured arrangement that we have had for many years.



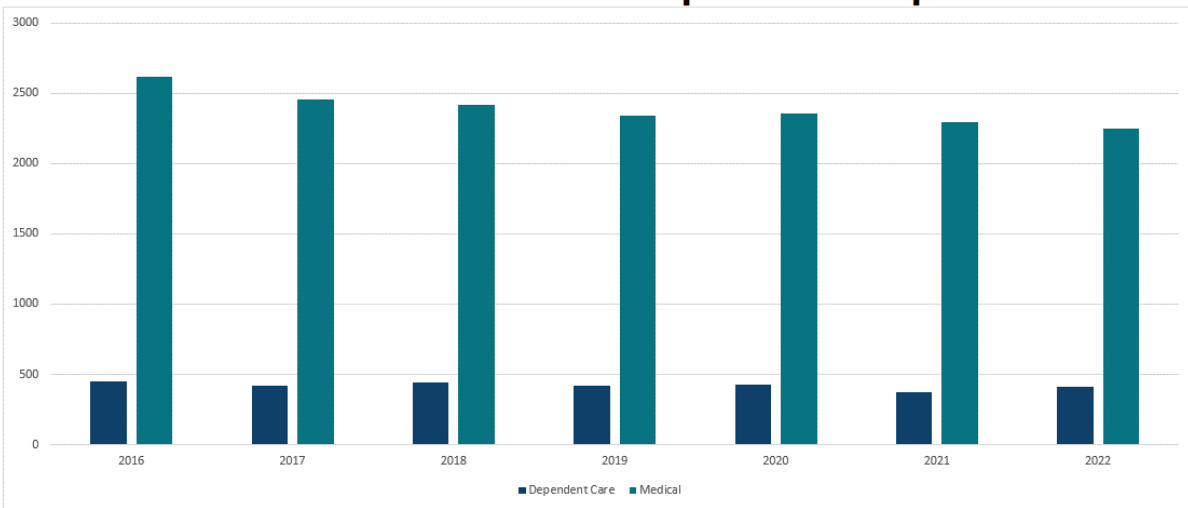
The following table shows the history of the voluntary programs. This program area continues to see significant growth.

## NDPERS Voluntary Insurance Plans Membership (Dental and Vision)



The following tables show the history of the number of members in the FlexComp program:

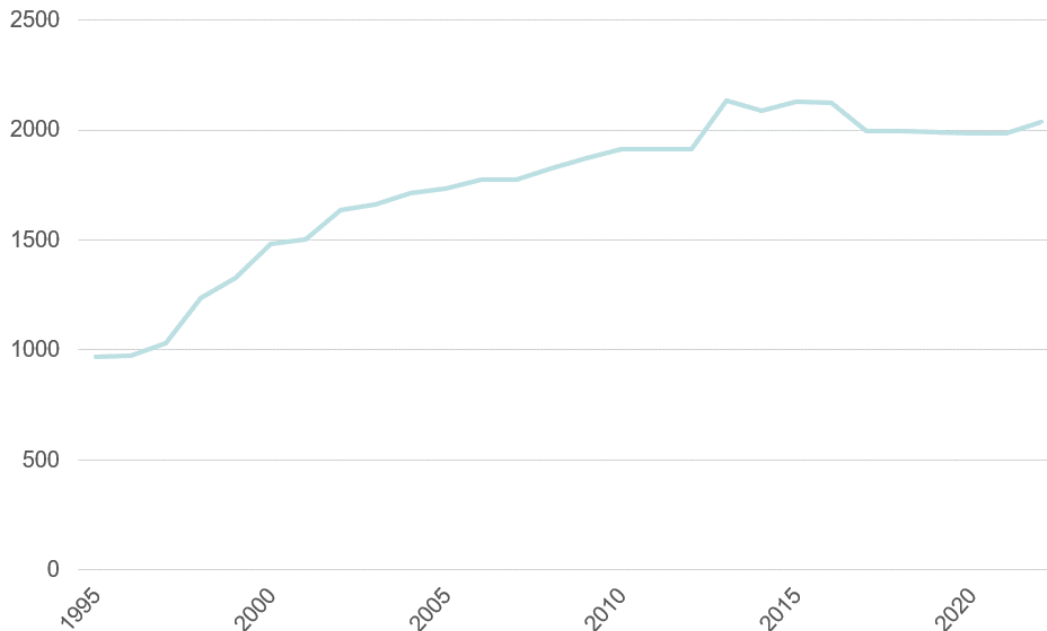
## NDPERS Flexcomp Participation



While we have been serving more members in more programs over time, we have also been serving more employers as they join PERS. The following table shows each employer relationship for each program (an employer in more than one program would count more than once):

# NDPERS

## Participating Employers (All Programs)



As shown above, PERS has faced two challenges over the years: the growth of program responsibilities, and the growing membership needs for assistance.

We are also concerned with maintaining the quality of what we do. To that extent, we have sought national review of our systems and other reviews as noted in the following:

- We have received the Public Pension Achievement Award and the Recognition Award for Administration.
- We have received the Certificate of Achievement for Excellence in Financial Reporting for the past 26 years (1996-2021).
- We have had unqualified audit opinions for over 30 years.
- We received favorable IRS determination letters for the PERS and Highway Patrol Retirement Plans.

In addition, we provide our members who request information from our office the opportunity to evaluate our customer service. Our average ratings for the past 8 years show overall satisfaction with our customer service. However, we have seen a slight decline in our ratings the past few years which we feel is reflective of reaching our capacity

to provide the exceptional level of customer service our members have come to expect. We will be presenting testimony on how we'd like to address these concerns when we discuss our optional change packages.

The ratings are shown below based on a scale of 1-4, with 4 being the most satisfied:

Year	# of responses	Courtesy received from NDPERS Staff.	Promptness of NDPERS response.	Information was properly explained.	Information easy to understand.
2015	464	3.82	3.67	3.73	3.62
2016	478	3.83	3.73	3.75	3.62
2017	540	3.83	3.76	3.69	3.58
2018 Sent via email	1,084	3.76	3.59	3.63	3.56
2019	2,392	3.75	3.48	3.63	3.59
2020	2,066	3.76	3.51	3.66	3.62
2021	2,268	3.74	3.49	3.60	3.56
2022 As of November	1,855	3.72	3.47	3.58	3.52

## **Work Efforts**

Following are some of the major work efforts since we last reported to you in the 2021 session:

- Group Insurance
  - Renewed with Sanford Health Plan to continue the hybrid fully insured/self-insured arrangement that exists today
  - Conducted a Request for Proposal (RFP) and selected a new Medicare Part D provider
  - Renewed our FlexComp, Dental, Vision, and Life insurance contracts with the incumbent providers
  - Continued to work with our participating employers on compliance with the provisions of the Affordable Care Act.
  - Collaborated with the State Auditor to perform an audit of our Pharmacy Benefit Manger, Optum Rx
  - Implemented processes and procedures to comply with the Federal mandates of the American Rescue Plan Act
- Retirement
  - Renewed the 457 Companion Plan and 401(a) Defined Contribution Plan contract with the incumbent provider
  - Continued to de-risk the Job Service Retirement Plan's investment portfolio by adopting and implementing a more conservative asset allocation
  - Conducted a RFP and selected our incumbent RHIC payment processing vendor
  - Reduced the long-term rate of return assumption on our Defined Benefit plans to adhere to the Actuarial Standards of Practice guidelines
- Administrative Accomplishments
  - Submitted administrative rule changes
  - Converted our website to be under the NDIT umbrella
  - Relocated our office to a state-owned building with a footprint that is roughly ½ the size of our previous office space
  - Performed disaster recovery testing, and brought live data into production from our backup servers

- Implemented a YouTube channel to better serve our employers and membership
- Converted our Board Election process into an electronic format
- Implemented Base Business Process Management in our business system
- Conducted a biennial strategic planning session with our Board
- Implemented a redesign of retiree federal tax withholdings to comply with IRS requirements
- Implemented a process to allow state employers to conduct ACA eligibility for temporary employees electronically
- Currently in the process of converting microfiche records into an electronic format that staff access on a routine basis
- Currently in the process of redesigning the ND Login process to better serve our membership
- Currently in the process of programming comprehensive new hire, annual enrollment, and retirement application wizards

At this time, I will turn the presentation over to Derrick Hohbein to review the PERS budget request.

## **PERS Budget**

**2021-23 Budget.** The PERS budget is all special funds. This biennium we do have one-time funding expenses for which we would like to provide updates.

Last session, PERS received \$104,500 to add an additional developer to help us address the backlog of system enhancements our agency has, to develop comprehensive new hire and annual enrollment wizards, and to help us redesign the workflows within our agency. We requested two additional developers, and the Legislature compromised by adding one developer and asked us to reassess whether the additional developer is still necessary for the 2023 – 2025 biennium.

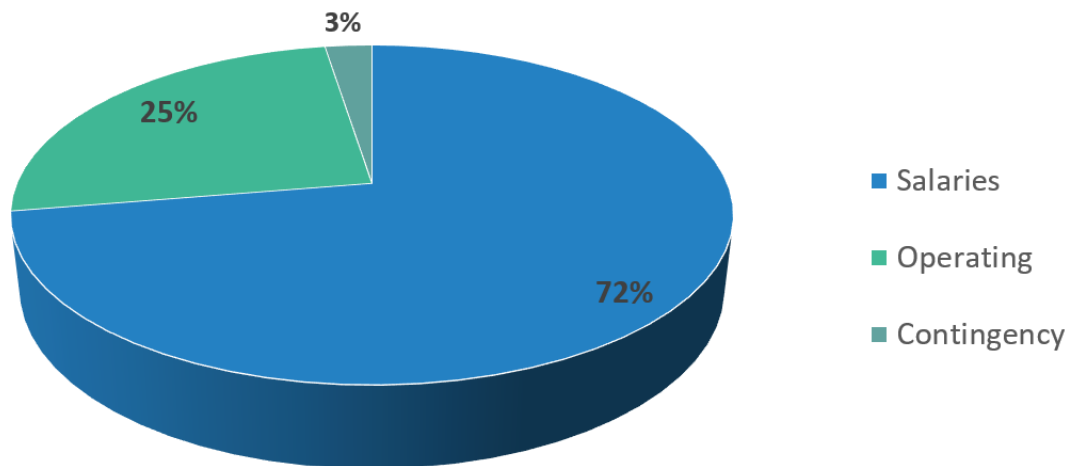
PERS also received \$257,600 to redesign the electronic workflows in our business system to base Business Process Management (BPM). This went live in May 2022 at the appropriated cost of \$257,600. We are now in the process of redesigning the 151 different workflows our agency is responsible for. We envision this being a 3-4 year work effort to fully implement.

**2023-25 Budget.** The Governor’s recommendation to state agencies was one that is trying to create a strategy that will focus on automation, help fix workload concerns, cut red tape on redundant efforts, and encourages agencies to go into “tech debt.” The rent savings our agency experienced in our new office location ultimately offset the technological costs that our agency is expected to experience in the upcoming biennium.

The proposed legislative base budget before you today is all special funds.

	<b>2021-23 Appropriation</b>	<b>One-Time Expenditures</b>	<b>2023-2025 Legislative Base Budget</b>	<b>% Increase/ (Decrease)</b>
Salaries & Wages	7,209,060	-	7,209,060	0.0%
Operating Expenses	2,500,736	(104,500)	2,396,236	(4.2%)
Capital Expenditures	257,600	(257,600)	-	(100.0%)
Contingencies	250,000	-	250,000	0.0%
Total Special Funds	10,217,396	(362,100)	9,855,296	(3.5%)
FTE	35.5		35.5	

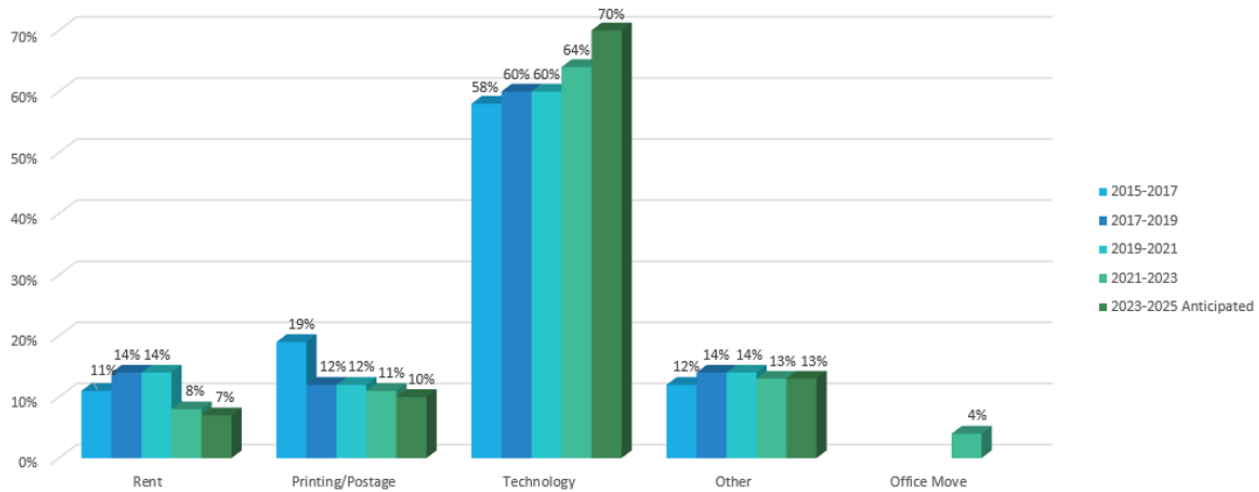
## NDPERS Budget Allocation



## Salaries and Wages

Salaries and wages account for 72% of the base budget and maintains funding for 35.5 FTE, two full time temporary employee, and a part time intern position. This biennium we are fitting three full time temporary employees into our organization. These temporary positions are serving as a retirement application processor, a receptionist, and a member services representative.

## Operating Expenses



Operating expenses account for 25% of the base budget. Looking into our operating line item:

- 70% is IT and shared services related (software, Sagitec, State Wide Cost Allocation)
- 7% is office rent
- 10% is printing and postage
- 13% are all other operating categories

IT is an area that our agency relies on heavily, and the business system is the heart of all the activity that takes place within our office. The costs of IT have continuously gone up, but we've been fortunate to be able to offset a good portion of these increases by working on the licensing arrangement we have with Sagitec – our business system vendor. These costs continue to be the most challenging budgetary constraint our agency experiences.



In July 2021 our agency moved into the WSI building. This allowed us to reduce our office footprint, and reduce our rent by nearly \$80,000 for the upcoming biennium. This rent savings was used to offset our technological increases for the upcoming biennium.

Since the legislative mandate in 2017 to become more efficient in our operations regarding our printing and postage costs, we are pleased to say we have reduced our printing and postage expenses by over \$240,000 (a 32% reduction) over the last 6 years. While we continue to explore ways to become more efficient in our operations, there are numerous physical communications we are mandated by law to send. We also know we have a significant retiree population that still prefers to be communicated with through printed materials.

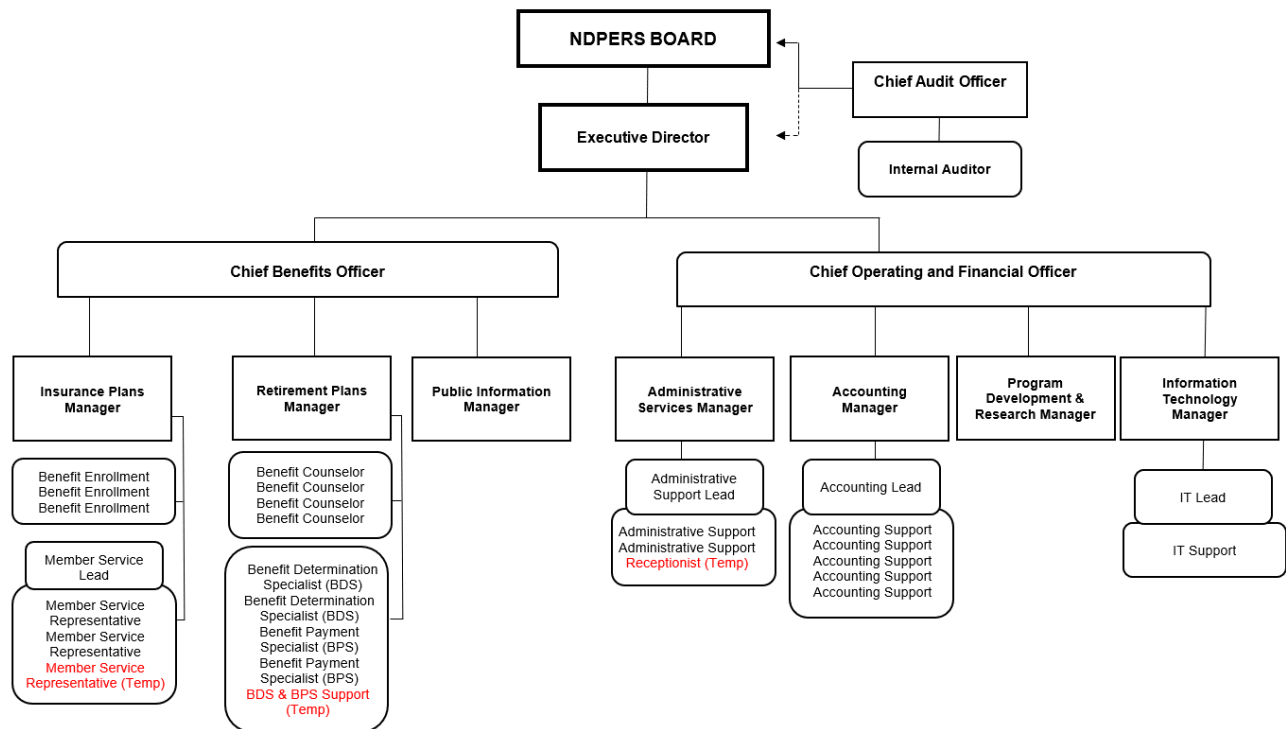
# Attachment 1 – Executive Recommendation

	2021-23 Legislative Base	Executive Recommendation Adjustments	2023-2025 Executive Recommendation	% Increase/ (Decrease)
Salaries & Wages	7,209,060	1,792,119	9,001,179	24.9%
Operating Expenses	2,396,236	275,101	2,671,337	11.5%
Contingencies	250,000	-	250,000	
Total Special Funds	9,855,296	2,067,220	11,922,516	21.0%
FTE	35.5	4.0	39.5	

## Analysis of the Executive Recommendation Adjustments:

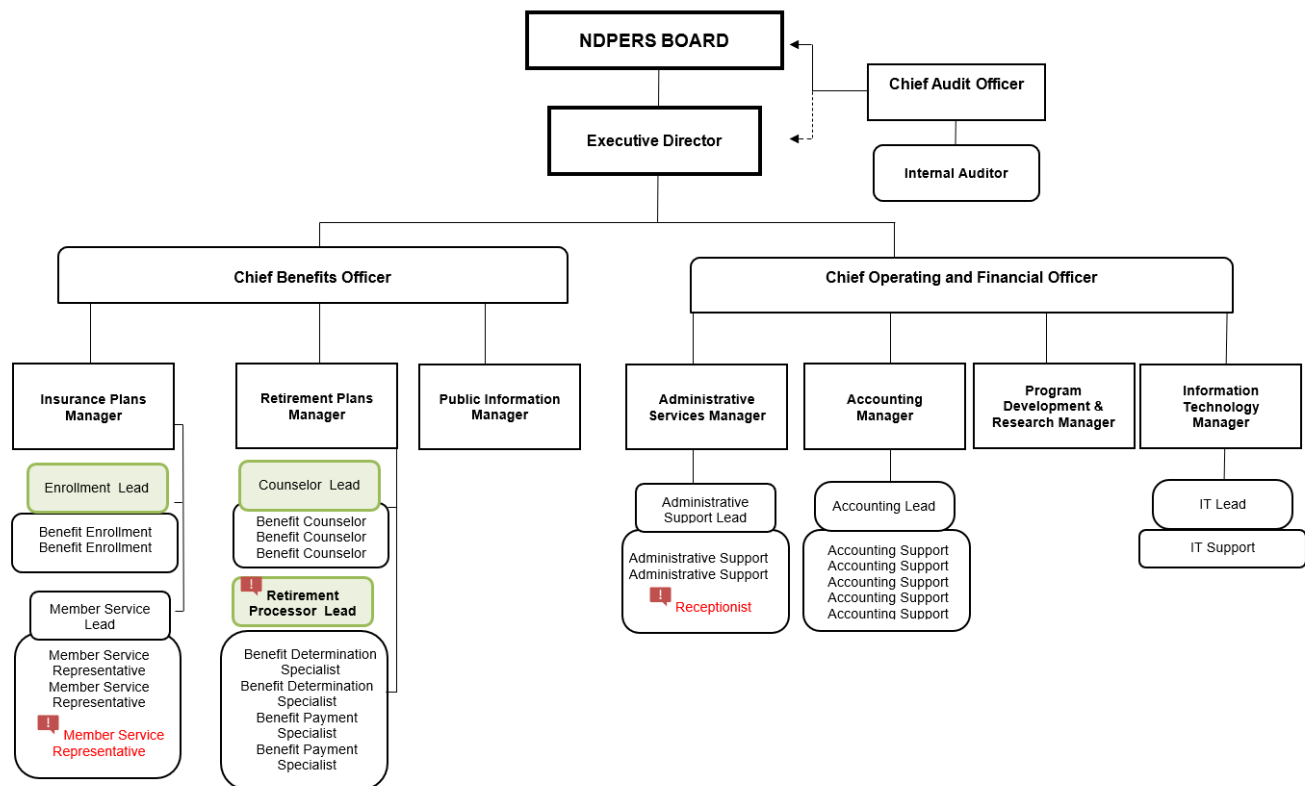
### FTE Authority for the Retirement Processing Lead

Our current organizational structure is as follows:



Our Board has adopted an initiative to realign our organizational structure to transition to an environment that promotes internal growth, gives employees visible career planning paths in our agency, and allows our agency to properly succession plan in the event of staff turnover. Adding a Retirement Processing Lead in our agency is the one Lead position that we cannot achieve through attrition; we need the additional FTE authority and funding to make this structure possible.

Here is the organizational structure our Board is trying to achieve:



This structure creates an environment where every division with two or more employees has a lead role. The expectations of the lead positions are that the employee has a well-rounded understanding of every process within their division, and serves as the primary backup in the event a staff member is out. Right now our employees have a hard time taking work off (or enjoying their time off) because we don't have ample backup support in our office. We believe that transitioning to this environment not only relieves the backup support concern, it also serves as a "junior management" program and allows employees to see a progression path that would allow them to be a part of the NDPERS team for their careers.

## **Make New Receptionist a 1.0 FTE**

Our office space within the WSI building has an area that is dedicated to incoming customers, and has an area for us to counsel our members and meet with our vendors that is not in the back office. The receptionist position screens incoming customers before allowing access to our office, greets and directs the customers where to go, and helps alleviate workload concerns across the entire agency by absorbing duties across all of our divisions.

We have had to recruit for this position as a temporary position twice, and have found that the candidate pool for entry level temporary positions is thin. Because we expect our receptionist to perform administrative and data entry functions in addition to greeting visitors, the skillset needed to be successful as a receptionist in our agency is unique. We believe having the ability to recruit this position as a permanent position will increase our candidate pool, and given our new office location it is a position that our agency now has to have.

## **DB Closure Bill**

At the time we were required to submit our agency budget, we did not know what the DB closure bill would look like. We had requested funding for 4 FTE, temporary staff funding for the conversion period, as well as an additional developer to program our business system. The Governor included funding for 2 FTE, the funding for temporary staffing during the conversion period, and an additional business system developer to get our business system where it needs to be to administer the new plan.

If the DB closure bill remains in the version it currently is, we'd ask that the Legislature consider adding the FTE authority we are requesting for our member services position that was not included in the Governor's recommendation. If the DB closure initiative morphs into a different bill, or the initiative that is passed looks different than what is proposed, we'd ask the Legislature be receptive to the needs of our agency so we can ensure a smooth transition and have the proper staffing levels to administer the new plan.

## **Additional Development Resources for PERSLink**

Funding was requested for an additional developer in our PERSLink business system. We will use this additional developer to continue transitioning our business system to a process referred to as Business Process Management (BPM). BPM automates data entry based on the business rules of our agency, and helps eliminate staff data entry as well as ensuring the accuracy of the records in our system. We anticipate the full conversion to BPM will take 3-4 years, even with the funding for additional developers. To continue moving forward in this development, we view this funding as a necessity for our agency.

### **Summary of the Executive Recommendation**

#### **Wages of \$1,792,119:**

- Retirement Processing Lead - \$214,632 plus 1.0 FTE authority
- Receptionist - \$124,986 plus 1.0 FTE authority
- Cost to continue current biennium salary increases - \$53,963
- Staff to administer the DB closure initiative - \$478,760 plus 2.0 FTE
- Temporary staff to administer the DB closure initiative - \$200,000
- Salary increases funded at 6% the first year, and 4% the second year - \$508,874
- Health insurance premium increase - \$210,904

#### **Operating Expenses of \$275,101**

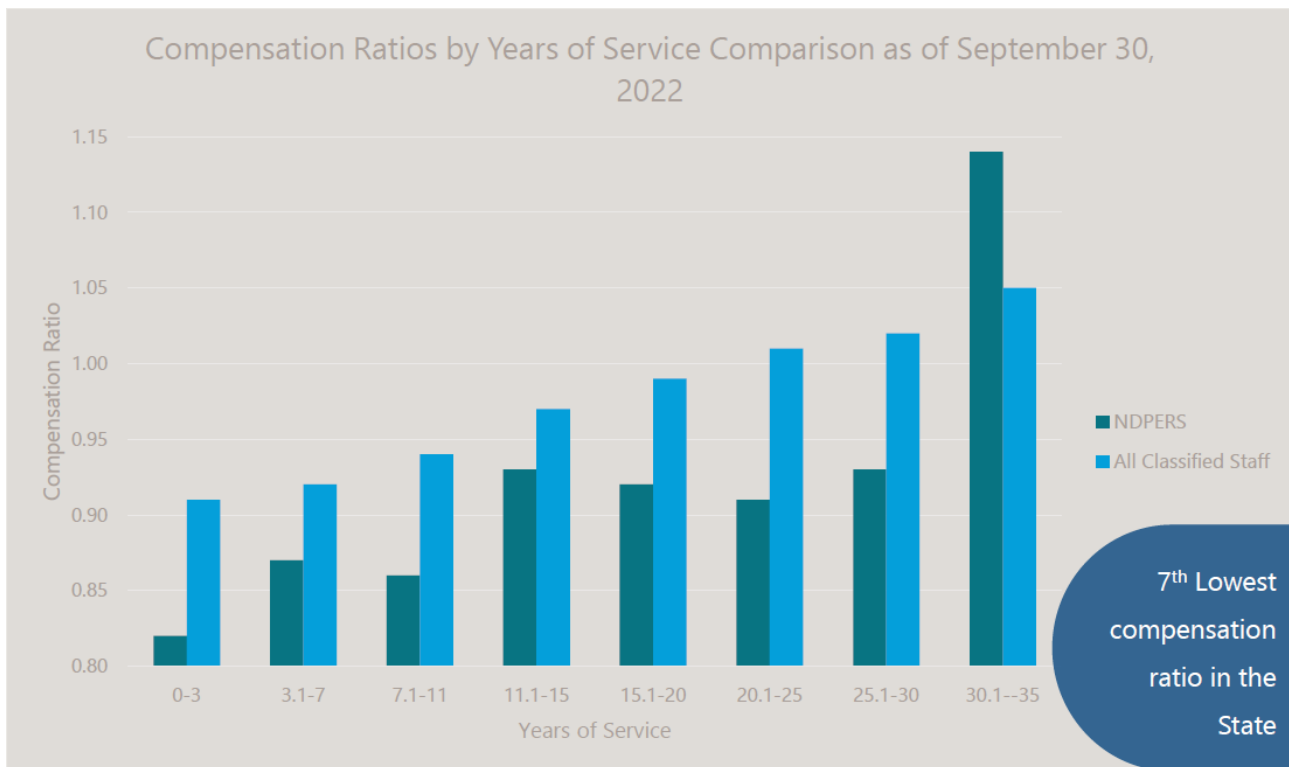
- Increases to NDIT - \$16,301
- Retirement Processing Lead addition - \$1,725 (\$1,000 is one-time funding)
- Receptionist Position - \$1,725 (\$1,000 is one-time funding)
- DB Closure Initiative - \$130,350 (\$3,000 is one-time funding)
- Additional Sagitec developer - \$125,000

# Attachment 2 – Changes to the Executive Recommendation

## Staff Equity Package - \$720,000

Overall it is well known that state employee wages are falling behind the private sector, and recruiting and retaining state employees is becoming a serious concern. At NDPERS, we struggle to compete with state agencies given the salary appropriation authority our agency has.

Our Board is seeking a 10% equity package for staff that would be targeted to distribute to employees that have C-Ratio concerns. Receiving a 10% equity package would help us align to the blue bars in the graph. Our goal is not to compete with the private sector; our goal is to be competitive across state agencies.



## FTE Authority & Funding for Member Services Representative

Currently we have a full-time temporary employee on staff serving as our Member Services Representative. This is a position we've had to recruit for multiple times, and is a position that is extremely difficult to fill as a temporary position. This position is a necessity for our agency to serve our membership and the variety of plans that we administer. As we alluded to earlier in our customer service survey, the ability for our office to get back to membership is becoming increasingly hard, and our customer service scores reflect this difficulty. Making this a permanent position will increase the candidate pool to help ensure we can fill this position when a vacancy exists.

Salaries & Benefits	\$ 161,592
Operating Expenses	\$ 1,725

Year	# of responses	Courtesy received from NDPERS Staff.	Promptness of NDPERS response.	Information was properly explained.	Information easy to understand.
2015	464	3.82	3.67	3.73	3.62
2016	478	3.83	3.73	3.75	3.62
2017	540	3.83	3.76	3.69	3.58
2018 Sent via email	1,084	3.76	3.59	3.63	3.56
2019	2,392	3.75	3.48	3.63	3.59
2020	2,066	3.76	3.51	3.66	3.62
2021	2,268	3.74	3.49	3.60	3.56
2022 As of November	1,855	3.72	3.47	3.58	3.52

# Summary of Proposed Changes to the Executive Recommendation

## 1) Equity package for staff:

- Allows NDPERS to become an “average” state agency from a C-Ratio perspective
- 7<sup>th</sup> lowest compensation ratio amongst State Agencies
- Our Board is seeking a 10% equity package
- Director’s compensation needs to be addressed & is outside the scope of HRMS’ analysis as a non-classified employee

## 2) FTE and appropriation authority for a Member Services Representative

- 1.0 FTE authority
- \$161,592 in salaries appropriation authority
- \$1,725 of operating expenditure authority

## 3) Flexibility on the needs as a result of the DB closure bill

- If passed, having the correct resources to ensure a smooth transition is imperative
- NDPERS services over 50,000 citizens in the Main plan, many of which will have questions on the impact of this Legislation



**Public Employees Retirement System - Budget No. 192**  
**Senate Bill No. 2023**  
**Base Level Funding Changes**

Prepared for: 2/8/2023

	Executive Budget Recommendation				Senate Version				Senate Changes to Executive Budget			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	Increase (Decrease) - Executive Budget			
									FTE Positions	General Fund	Other Funds	Total
<b>2023-25 Biennium Base Level</b>	35.50	\$0	\$9,855,296	\$9,855,296	35.50	\$0	\$9,855,296	\$9,855,296	0.00	\$0	\$0	\$0
<b>2023-25 Ongoing Funding Changes</b>												
Adds funding for the cost to continue salary increases			\$53,963	\$53,963			\$53,963	\$53,963				\$0
Salary increase			508,874	508,874			379,719	379,719			(\$129,155)	(\$129,155)
Health insurance increase			210,904	210,904			215,756	215,756			4,852	4,852
Adds funding for salary equity increases				0			720,000	720,000			720,000	720,000
Adds funding for an FTE retirement processing position	1.00		215,357	215,357	1.00		215,357	215,357				0
Adds funding for an FTE receptionist position	1.00		125,711	125,711	1.00		125,711	125,711				0
Adds funding for an FTE member services representative position				0			162,317	162,317	1.00		162,317	162,317
Adds funding for FTE positions to close the defined benefit plan	2.00		481,110	481,110	3.00		643,427	643,427	1.00		162,317	162,317
Reduces funding for temporary salaries				0			(110,368)	(110,368)			(110,368)	(110,368)
Adds funding for IT rate increases			16,301	16,301			16,301	16,301				0
Total ongoing funding changes	4.00	\$0	\$1,612,220	\$1,612,220	6.00	\$0	\$2,422,183	\$2,422,183	2.00	\$0	\$809,963	\$809,963
<b>One-Time Funding Items</b>												
Adds funding for temporary staff to close the defined benefit plan			\$200,000	\$200,000			\$200,000	\$200,000				\$0
Adds funding for a developer for the closure of the defined benefit plan			125,000	125,000			125,000	125,000				0
Adds funding for a developer to upgrade the PERSLink business system			125,000	125,000			125,000	125,000				0
Adds funding for new FTE position chairs			5,000	5,000			7,000	7,000			\$2,000	2,000
Total one-time funding changes	0.00	\$0	\$455,000	\$455,000	0.00	\$0	\$457,000	\$457,000	0.00	\$0	\$2,000	\$2,000
<b>Total Changes to Base Level Funding</b>	4.00	\$0	\$2,067,220	\$2,067,220	6.00	\$0	\$2,879,183	\$2,879,183	2.00	\$0	\$811,963	\$811,963
<b>2023-25 Total Funding</b>	39.50	\$0	\$11,922,516	\$11,922,516	41.50	\$0	\$12,734,479	\$12,734,479	2.00	\$0	\$811,963	\$811,963
<i>Federal funds included in other funds</i>			\$0	\$0			\$0	\$0			\$0	\$0
<i>Total ongoing changes as a percentage of base level</i>	11.3%		16.4%	16.4%	16.9%		24.6%	24.6%				
<i>Total changes as a percentage of base level</i>	11.3%		21.0%	21.0%	16.9%		29.2%	29.2%				

**Other Sections in Public Employees Retirement System - Budget No. 192**

	Executive Budget Recommendation	Senate Version
Appropriation line item transfers	Section 3 would allow PERS to transfer funding from the contingency line item in Section 1 to other line items and would require PERS to notify the Office of Management and Budget of each transfer made pursuant to this section.	
Contingent appropriation	Section 7 would identify \$809,110 in Section 1 as a contingent appropriation for 2 FTE positions, temporary salaries, and operating expenses that is effective only if the 2023 Legislative Assembly approves legislation to close the main system defined benefit retirement plan to new hires.	Section 3 identifies \$971,427 in Section 1 as a contingent appropriation for 3 FTE positions, temporary salaries, and operating expenses that is effective only if the 2023 Legislative Assembly approves legislation to close the main system defined benefit retirement plan to new hires.

**Public Employees Retirement System - Budget No. 192**  
**Senate Bill No. 2023**  
**Base Level Funding Changes**

	Executive Budget Recommendation				Senate Version				Senate Changes to Executive Budget Increase (Decrease) - Executive Budget			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
<b>2023-25 Biennium Base Level</b>	35.50	\$0	\$9,855,296	\$9,855,296	35.50	\$0	\$9,855,296	\$9,855,296	0.00	\$0	\$0	\$0
<b>2023-25 Ongoing Funding Changes</b>												
Adds funding for the cost to continue salary increases			\$53,963	\$53,963				\$0			(\$53,963)	(\$53,963)
Salary increase			508,874	508,874				0			(508,874)	(508,874)
Health insurance increase			210,904	210,904				0			(210,904)	(210,904)
Adds funding for an FTE retirement processing position	1.00		215,357	215,357				0	(1.00)		(215,357)	(215,357)
Adds funding for an FTE receptionist position	1.00		125,711	125,711				0	(1.00)		(125,711)	(125,711)
Adds funding for FTE positions to close the defined benefit plan	2.00		481,110	481,110				0	(2.00)		(481,110)	(481,110)
Adds funding for IT rate increases			16,301	16,301				0			(16,301)	(16,301)
Total ongoing funding changes	4.00	\$0	\$1,612,220	\$1,612,220	0.00	\$0	\$0	\$0	(4.00)	\$0	(\$1,612,220)	(\$1,612,220)
<b>One-Time Funding Items</b>												
Adds funding for temporary staff to close the defined benefit plan			\$200,000	\$200,000				\$0			(\$200,000)	(\$200,000)
Adds funding for a developer for the closure of the defined benefit plan			125,000	125,000				0			(125,000)	(125,000)
Adds funding for a developer to upgrade the PERSLink business system			125,000	125,000				0			(125,000)	(125,000)
Adds funding for new FTE position chairs			5,000	5,000				0			(5,000)	(5,000)
Total one-time funding changes	0.00	\$0	\$455,000	\$455,000	0.00	\$0	\$0	\$0	0.00	\$0	(\$455,000)	(\$455,000)
<b>Total Changes to Base Level Funding</b>	4.00	\$0	\$2,067,220	\$2,067,220	0.00	\$0	\$0	\$0	(4.00)	\$0	(\$2,067,220)	(\$2,067,220)
<b>2023-25 Total Funding</b>	39.50	\$0	\$11,922,516	\$11,922,516	35.50	\$0	\$9,855,296	\$9,855,296	(4.00)	\$0	(\$2,067,220)	(\$2,067,220)
<i>Federal funds included in other funds</i>			\$0				\$0				\$0	
<i>Total ongoing changes as a percentage of base level</i>	11.3%		16.4%	16.4%	0.0%		0.0%	0.0%				
<i>Total changes as a percentage of base level</i>	11.3%		21.0%	21.0%	0.0%		0.0%	0.0%				

**Other Sections in Public Employees Retirement System - Budget No. 192**

	Executive Budget Recommendation	Senate Version
Appropriation line item transfers	Section 3 would allow PERS to transfer funding from the contingency line item in Section 1 to other line items and would require PERS to notify the Office of Management and Budget of each transfer made pursuant to this section.	
Contingent appropriation	Section 7 would identify \$809,110 in Section 1 as a contingent appropriation for 2 FTE positions that is effective only if the 2023 Legislative Assembly approves legislation to close the main system defined benefit retirement plan to new hires.	

Prepared for the Senate Appropriations Committee

**Department 192 - Public Employees Retirement System  
Senate Bill No. 2023**

**Executive Budget Comparison to Base Level**

	<b>General Fund</b>	<b>Other Funds</b>	<b>Total</b>
2023-25 Executive Budget	\$0	\$11,922,516	\$11,922,516
2023-25 Base Level	0	9,855,296	9,855,296
Increase (Decrease)	\$0	\$2,067,220	\$2,067,220

**Selected Budget Changes Recommended in the Executive Budget**

	<b>General Fund</b>	<b>Other Funds</b>	<b>Total</b>
1. Adds funding for 1 FTE retirement processing position, of which \$214,632 is for salaries and wages and \$725 is for operating expenses.	\$0	\$215,357	\$215,357
2. Adds funding for 1 FTE receptionist position, of which \$124,986 is for salaries and wages and \$725 is for operating expenses.	\$0	\$125,711	\$125,711
3. Adds funding for 2 FTE positions to close the main system defined benefit retirement plan to new hires, of which \$478,760 is for salaries and wages and \$2,350 is for operating expenses.	\$0	\$481,110	\$481,110
4. Adds <b>one-time funding</b> for temporary staff to close the main system defined benefit retirement plan to new hires to provide total funding for temporary salaries of \$570,664.	\$0	\$200,000	\$200,000
5. Adds <b>one-time funding</b> to contract with a developer for the closure of the main system defined benefit retirement plan to new hires.	\$0	\$125,000	\$125,000
6. Adds <b>one-time funding</b> to contract with a developer to upgrade the PERSLink business system.	\$0	\$125,000	\$125,000
7. Adds <b>one-time funding</b> for new FTE position chairs.	\$0	\$5,000	\$5,000

A summary of the executive budget changes to the agency's base level appropriations is attached as an appendix.

A copy of the draft appropriations bill containing the executive budget recommendations is attached as an appendix.

**Selected Bill Sections Recommended in the Executive Budget**

**Appropriation line item transfers** - Section 3 would allow the Public Employees Retirement System (PERS) to transfer funding from the contingency line item in Section 1 to other line items and would require PERS to notify the Office of Management and Budget of each transfer made pursuant to this section.

**Contingent appropriation** - Section 7 would identify \$809,110 in Section 1 as a contingent appropriation for 2 FTE positions that is effective only if the 2023 Legislative Assembly approves legislation to close the main system defined benefit retirement plan to new hires.

**Continuing Appropriations**

**Public Employees Retirement System** - Various sections - For benefit payments, investments, and actuarial and technical consulting for each program area.

**Deficiency Appropriations**

**Transfer to the PERS fund** - The executive budget includes a recommendation to transfer \$250,000 from the general fund to the PERS fund as a 2021-23 biennium supplemental appropriation to reduce the unfunded liability of the main system defined benefit retirement plan.

**Significant Audit Findings**

The audit for PERS conducted by CliftonLarsonAllen LLP, Certified Public Accountants, for the period ending June 30, 2021, did not identify any significant audit findings.

The *Schedules of Employer Allocations and Pension Amounts by Employer* prepared for PERS and audited by CliftonLarsonAllen LLP, for the period ending June 30, 2021, did not identify any significant audit findings.

The other postemployment benefits schedule prepared for PERS and audited by CliftonLarsonAllen LLP, for the period ending June 30, 2021, did not identify any significant audit findings.

## Major Related Legislation

**House Bill No. 1039** - This bill closes the main system defined benefit plan to new hires beginning January 1, 2024, provides a one-time transfer of \$250 million from the general fund to the PERS fund to reduce the unfunded liability of the main system defined benefit plan; provides for a transfer of \$70 million rather than approximately \$48 million from legacy fund earnings to PERS each biennium; creates a defined contribution plan with 4 percent employee and 4.12 percent employer contribution rates; provides for an optional additional 3 percent employee and 3 percent employer matching contributions provided through the PERS 457 deferred compensation plan; and requires employer contribution rates for the defined benefit plan to be based on the actuarially determined employer contribution rates, of which the state would be responsible for the state and political subdivision employer shares.

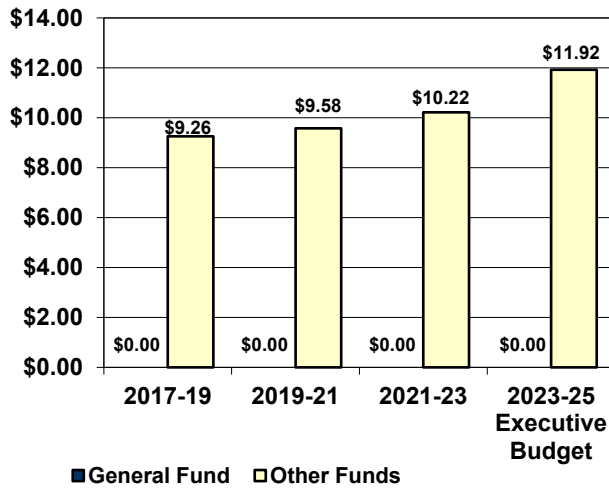
**House Bill No. 1040** - This bill is identical to House Bill No. 1039 except House Bill No. 1040 would become effective beginning January 1, 2025, instead of January 1, 2024.

**House Bill No. 1146** - This bill requires PERS to provide coverage for the expenses of the diagnosis of infertility, fertility treatment, and standard fertility preservation services if recommended and medically necessary. The bill is effective through July 31, 2025, and would require PERS to submit a bill for introduction during the 2025 legislative session to repeal the expiration date of this bill to extend coverage of fertility benefits to all group and individual health insurance policies.

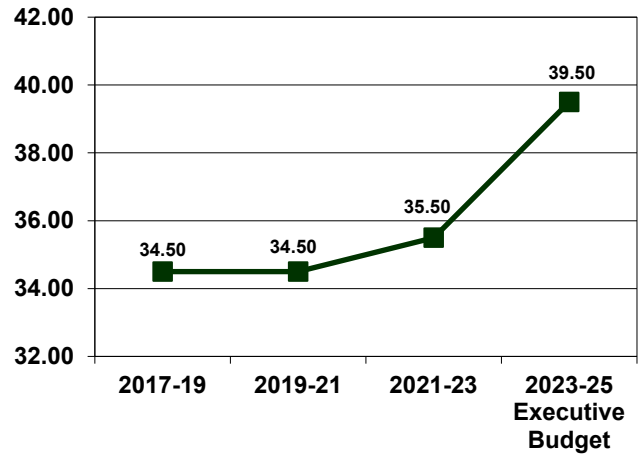
# Historical Appropriations Information

## Agency Appropriations and FTE Positions

Agency Funding (Millions)



FTE Positions



### Ongoing Other Funds Appropriations

	2015-17	2017-19	2019-21	2021-23	2023-25 Executive Budget
Ongoing other fund appropriations	\$9,496,373	\$9,258,390	\$9,346,196	\$9,855,296	\$11,467,516
Increase (decrease) from previous biennium	N/A	(\$237,983)	\$87,806	\$509,100	\$1,612,220
Percentage increase (decrease) from previous biennium	N/A	(2.5%)	0.9%	5.4%	16.4%
Cumulative percentage increase (decrease) from 2015-17 biennium	N/A	(2.5%)	(1.6%)	3.8%	20.8%

### Major Increases (Decreases) in Ongoing Other Fund Appropriations

#### 2017-19 Biennium

- Underfunded salaries and wages (\$150,000)
- Reduced funding for printing and postage costs for newsletters (\$29,752) and annual benefit statements (\$33,220) (\$62,972)
- Reduced funding for hosting costs for a mobile application (\$43,000)

#### 2019-21 Biennium

- Adjusted funding for IT operating expenses (\$230,519)

#### 2021-23 Biennium

- Added funding for an FTE accountant position, of which \$180,926 is for salaries and wages and \$14,365 is for related operating expenses \$195,291
- Added funding for a temporary receptionist position, of which \$139,337 is for salaries and wages and \$15,033 is for related operating expenses \$154,370
- Reduced funding for rent to provide a total of \$272,925. The reduction was due to less space being needed because a number of employees are teleworking. (\$80,865)

#### 2023-25 Biennium (Executive Budget Recommendation)

- Adds funding for 1 FTE retirement processing position, of which \$214,632 is for salaries and wages and \$725 is for operating expenses. \$215,357
- Adds funding for 1 FTE receptionist position, of which \$124,986 is for salaries and wages and \$725 is for operating expenses. \$125,711
- Adds funding for 2 FTE positions to close the main system defined benefit retirement plan to new hires, of which \$478,760 is for salaries and wages and \$2,350 is for operating expenses. \$481,110

**One-Time Other Funds Appropriations**

	<b>2015-17</b>	<b>2017-19</b>	<b>2019-21</b>	<b>2021-23</b>	<b>2023-25 Executive Budget</b>
One-time other funds appropriations	\$177,370	\$0	\$230,000	\$362,100	\$455,000

**Major One-Time Other Funds Appropriations**

**2017-19 Biennium**

1. None

**2019-21 Biennium**

- |                                     |           |
|-------------------------------------|-----------|
| 1. IT risk assessment               | \$40,000  |
| 2. Upgrade business system software | \$190,000 |

**2021-23 Biennium**

- |  |           |
|--|-----------|
| 1. Upgrade benefit enrollment software | \$104,500 |
| 2. Upgrade PERSLink business system    | \$257,600 |

**2023-25 Biennium (Executive Budget Recommendation)**

- |   |           |
|---|-----------|
| 1. Temporary staff to close the main system defined benefit retirement plan to new hires                          | \$200,000 |
| 2. Contract costs for a developer for the closure of the main system defined benefit retirement plan to new hires | \$125,000 |
| 3. Contract costs for a developer to upgrade the PERSLink business system   | \$125,000 |

**Public Employees Retirement System - Budget No. 192**  
**Senate Bill No. 2023**  
**Base Level Funding Changes**

	<b>Executive Budget Recommendation</b>			
	<b>FTE Positions</b>	<b>General Fund</b>	<b>Other Funds</b>	<b>Total</b>
<b>2023-25 Biennium Base Level</b>	35.50	\$0	\$9,855,296	\$9,855,296
<b>2023-25 Ongoing Funding Changes</b>				
Adds funding for the cost to continue salary increases			\$53,963	\$53,963
Salary increase			508,874	508,874
Health insurance increase			210,904	210,904
Adds funding for an FTE retirement processing position	1.00		215,357	215,357
Adds funding for an FTE receptionist position	1.00		125,711	125,711
Adds funding for FTE positions to close the defined benefit plan	2.00		481,110	481,110
Adds funding for IT rate increases			16,301	16,301
Total ongoing funding changes	4.00	\$0	\$1,612,220	\$1,612,220
<b>One-time funding items</b>				
Adds funding for temporary staff to close the defined benefit plan			\$200,000	\$200,000
Adds funding for a developer for the closure of the defined benefit plan			125,000	125,000
Adds funding for a developer to upgrade the PERSLink business system			125,000	125,000
Adds funding for new FTE position chairs			5,000	5,000
Total one-time funding changes	0.00	\$0	\$455,000	\$455,000
<b>Total Changes to Base Level Funding</b>	4.00	\$0	\$2,067,220	\$2,067,220
<b>2023-25 Total Funding</b>	39.50	\$0	\$11,922,516	\$11,922,516
<i>Federal funds included in other funds</i>			\$0	
<i>Total ongoing changes as a percentage of base level</i>	11.3%		16.4%	16.4%
<i>Total changes as a percentage of base level</i>	11.3%		21.0%	21.0%

**Other Sections in Public Employees Retirement System - Budget No. 192**

	<b>Executive Budget Recommendation</b>
Appropriation line item transfers	Section 3 would allow PERS to transfer funding from the contingency line item in Section 1 to other line items and would require PERS to notify the Office of Management and Budget of each transfer made pursuant to this section.
Contingent appropriation	Section 7 would identify \$809,110 in Section 1 as a contingent appropriation for 2 FTE positions that is effective only if the 2023 Legislative Assembly approves legislation to close the main system defined benefit retirement plan to new hires.

**SENATE BILL NO. 2023  
(Governor's Recommendation)**

Introduced by

Appropriations Committee

(At the request of the Governor)

A bill for an Act to provide an appropriation for defraying the expenses of the public employees retirement system; to provide a contingent appropriation; and to provide for a transfer.

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

**SECTION 1. APPROPRIATION.** The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys from special funds derived from income for the purpose of defraying their expenses, for the biennium beginning July 1, 2023, and ending June 30, 2025, as follows:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and Wages	\$7,209,060	\$1,792,119	\$9,001,179
Operating Expenses	2,396,236	275,101	2,671,337
Contingencies	<u>250,000</u>	<u>0</u>	<u>250,000</u>
Total All Funds	\$9,855,296	\$2,067,220	\$11,922,516
Less Estimated Income	<u>9,855,296</u>	<u>2,067,220</u>	<u>11,922,516</u>
Total General Fund	\$ 0	\$ 0	\$ 0
Full-time Equivalent Positions	35.50	4.00	39.50

**SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO SIXTY-NINTH LEGISLATIVE ASSEMBLY.** The following amounts reflect the one-time funding items approved by the sixty-seventh legislative assembly for the 2021-23 biennium and the 2023-25 one-time funding items included in the appropriation in section 1 of this Act:

<u>One-Time Funding Description</u>	<u>2021-23</u>	<u>2023-25</u>
Upgrade for Benefit Enrollment System	\$104,500	\$0
Upgrade Perslink to BPM	257,600	0
Closure of Defined Benefit Plan	0	203,000
Additional Development Resources	<u>0</u>	<u>125,000</u>
Total Special Funds	\$362,100	\$328,000

The 2023-25 one-time funding amounts are not a part of the entity's base budget for the 2025-27 biennium. The public employees retirement system shall report to the appropriations committees of the sixty-ninth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2023 and ending June 30, 2025.

**SECTION 3. APPROPRIATION LINE ITEM TRANSFERS.** Upon approval of the board, the public employees retirement system may transfer from their contingency line item in section 1 of this Act to all other line items. The agency shall notify the office of management and budget of each transfer made pursuant to this section.

**SECTION 7. CONTINGENT APPROPRIATION.** Section 1 of this Act includes a contingent appropriation of \$809,110, and contingent authority for two FTE positions effective only if the sixty-eight legislative assembly approves legislation to close the defined benefit plan.



# TESTIMONY OF NDPERS

## Senate Bill 2023

Good morning, my name is Scott Miller. I am the Executive Director of the North Dakota Public Employees Retirement System or PERS, and am here today to provide you with an overview of our agency as well as our work efforts.

With me today is Derrick Hohbein, our Chief Operating/Financial Officer, and he will provide you an overview of our budget request.

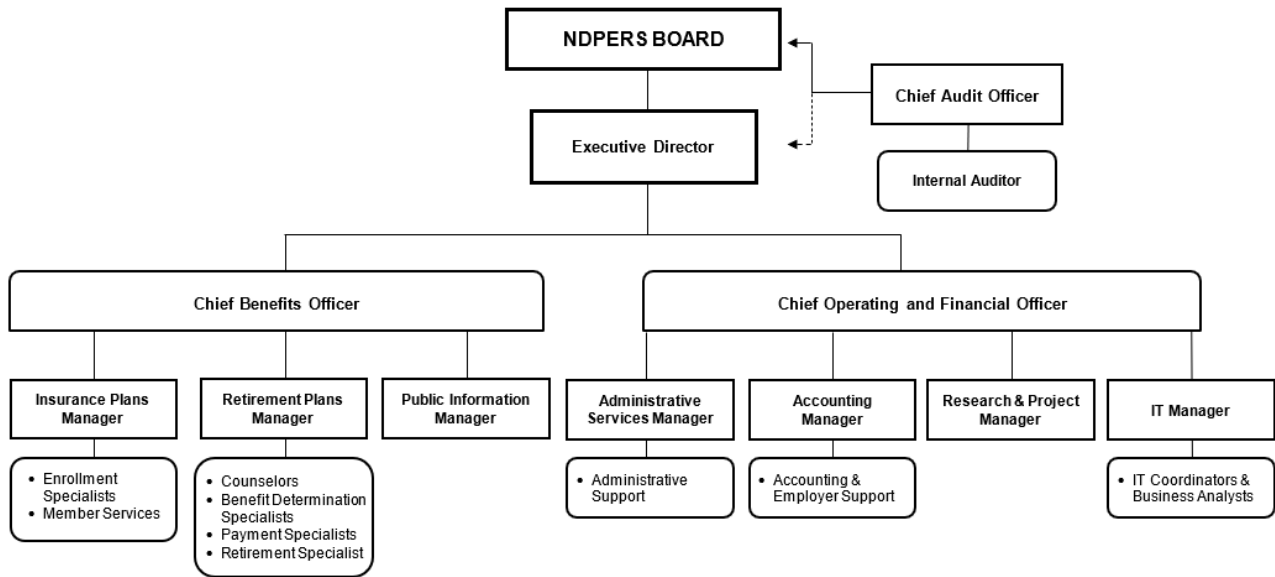
### Agency Overview

First let me start by providing an overview of our agency. PERS is directed by a nine member Board composed of the following members:

The image displays a graphic titled "NDPERS BOARD" with a teal header. Below the header, nine individual portraits of board members are arranged in two rows. Each portrait is accompanied by a nameplate identifying the member and their role.

NDPERS BOARD				
 Mona Rindy Chair	 Casey Goodhouse Member Elected	 Adam Miller Member Elected	 Jason Grueneich Member Elected	 Yvonne Smith Member Elected
 Representative Gretchen Doberovich	 Representative Greg Stemen	 Claire Ness AG Appointee	 Dirk Wilke – State Health Designee	

The Board oversees a staff that has the following administrative structure:



The Board oversees the administration of the following North Dakota Century Code chapters: 39-03.1 (Highway Patrol Retirement), 52-11 (Job Service Retirement Plan), 54-52 (Main PERS Plan), 54-52.1 (Group Insurance Program), 54-52.2 (Deferred Compensation Plan), 54-52.3 (Pretax Benefits Program), and 54-52.6 (Defined Contribution Retirement Plan). As you can see, the PERS program responsibilities fall under two broad categories – retirement and group insurance.

Section 54-52-02 states that the overall mission for the retirement program is “to provide for the payment of benefits to state and political subdivision employees or to their beneficiaries thereby enabling the employees to care for themselves and their dependents and which by its provisions will improve state and political subdivision employment, reduce excessive personnel turnover, and offer career employment to high grade men and women.” Similarly, section 54-52.1-02 establishes the overall mission for the group insurance plan as follows: “In order to promote the economy and efficiency of employment in the state’s service, reduce personnel turnover, and offer an incentive to high grade individuals to enter and remain in the service of state employment, there is created a uniform group insurance program”.

Concerning the retirement programs, the following table gives you an overview of the programs and some statistical information:

RETIREMENT PROGRAMS									
MANAGED AND ADMINISTERED BY NDPERS									
	<i>TOTAL</i>	<i>Main</i>		<i>Public</i>	<i>Highway</i>	<i>Job</i>	<i>DEFINED</i>	<i>DEFERRED</i>	<i>HEALTH</i>
	<i>RETIREMENT</i>	<i>System</i>	<i>Judges</i>	<i>Safety</i>	<i>Patrol</i>	<i>Service</i>	<i>CONTRIBUTION</i>	<i>COMP</i>	<i>CREDIT</i>
									<i>(RHIC)</i>
<b>PARTICIPATING EMPLOYERS</b>									
State	97	97	1	5	1	1	97	97	97
Counties	52	52		20				34	52
School Dist	129	129						28	129
Cities	90	90		22				39	90
Others	90	90		1				46	90
<b>TOTAL</b>	<b>458</b>							<b>244</b>	<b>458</b>
<b>EMPLOYEES</b>									
State	10,361	9,992	57	79	151	0	82	6,841	8,674
Counties	4,242	3,695		546			1	821	3,557
School Dist	7,351	7,350					1	105	5,113
Cities	2,814	2,265		546			3	419	2,273
Others	846	834		12				341	641
Subtotal	25,614	24,136	57	1,183	151	0	87	8,527	20,258
Retirees	14,000	13,361	63	151	135	181	109		13,697
Subtotal	39,614	37,497	120	1,334	286	181	196	8,527	33,955
Deferred Members	15,020	14,477	1	493	49	0			7,112
<b>TOTAL</b>	<b>54,634</b>	<b>51,974</b>	<b>121</b>	<b>1,827</b>	<b>335</b>	<b>181</b>	<b>196</b>	<b>8,527</b>	<b>41,067</b>

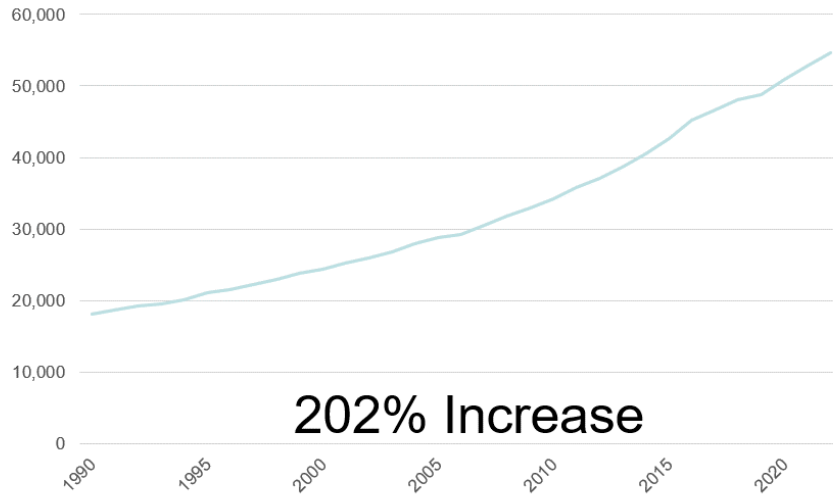
As you can see, PERS is responsible for the administration of 10 different retirement programs. The Job Service Retirement Plan was assigned to our agency by the 2001 legislative assembly. The Public Safety Plan for political subdivisions was added by the 2003 legislative assembly and is divided into two plans, those with past service and those without. This plan has since been expanded to cover certain State employees and, most recently, was expanded to include firefighters during the 2017 session.

The optional defined contribution plan for non-classified state employees was assigned to our agency in 1999. About 1% of eligible employees choose the DC plan. Eligibility for this plan was expanded to provide all new State employees with this option effective August 1, 2013 through July 31, 2017. Less than 3% of eligible employees chose the DC plan in that period. You will note the largest retirement plan we administer is the Main/Hybrid retirement system which provides services to not only the State, but also to political subdivisions. In this plan, about 41% of the active members are State employees and 59% are political subdivision employees. School districts are the second largest group followed by counties and cities. We continue to see growth as a result of political subdivisions joining the retirement plan. In the last two years we have added 12 new employer groups into our Defined Benefit plans, which shows that this continues to be an effective recruiting tool for our state.

Some historical statistics about the retirement plan include membership:

# NDPERS

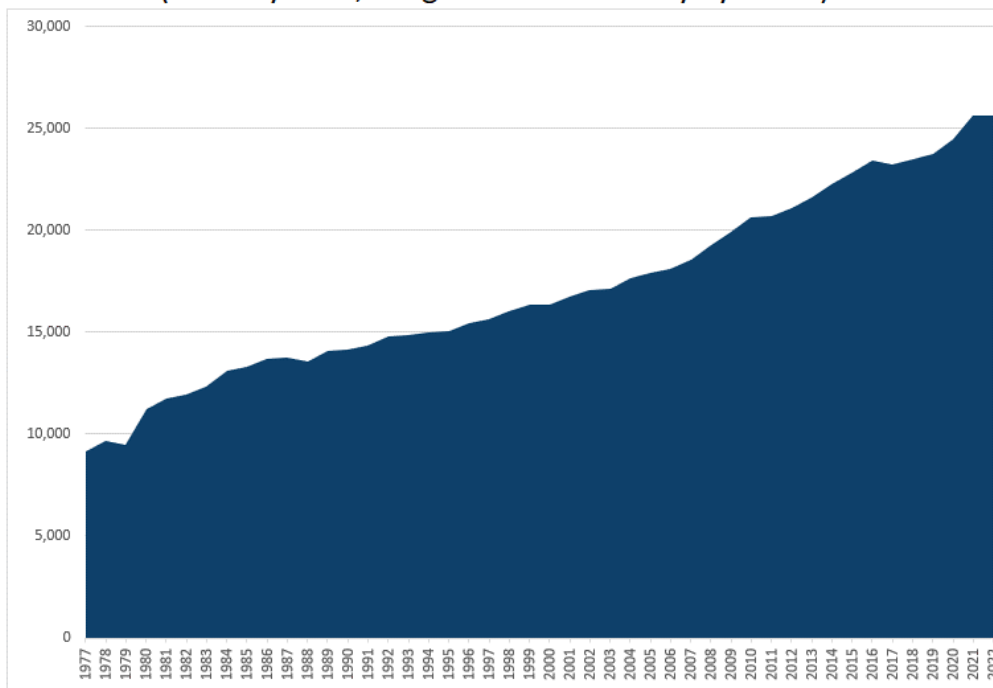
## Retirement Plan Membership (Active, Inactive, Retirees & Beneficiaries)



Of this, the number of active members has grown:

# NDPERS Retirement Actives

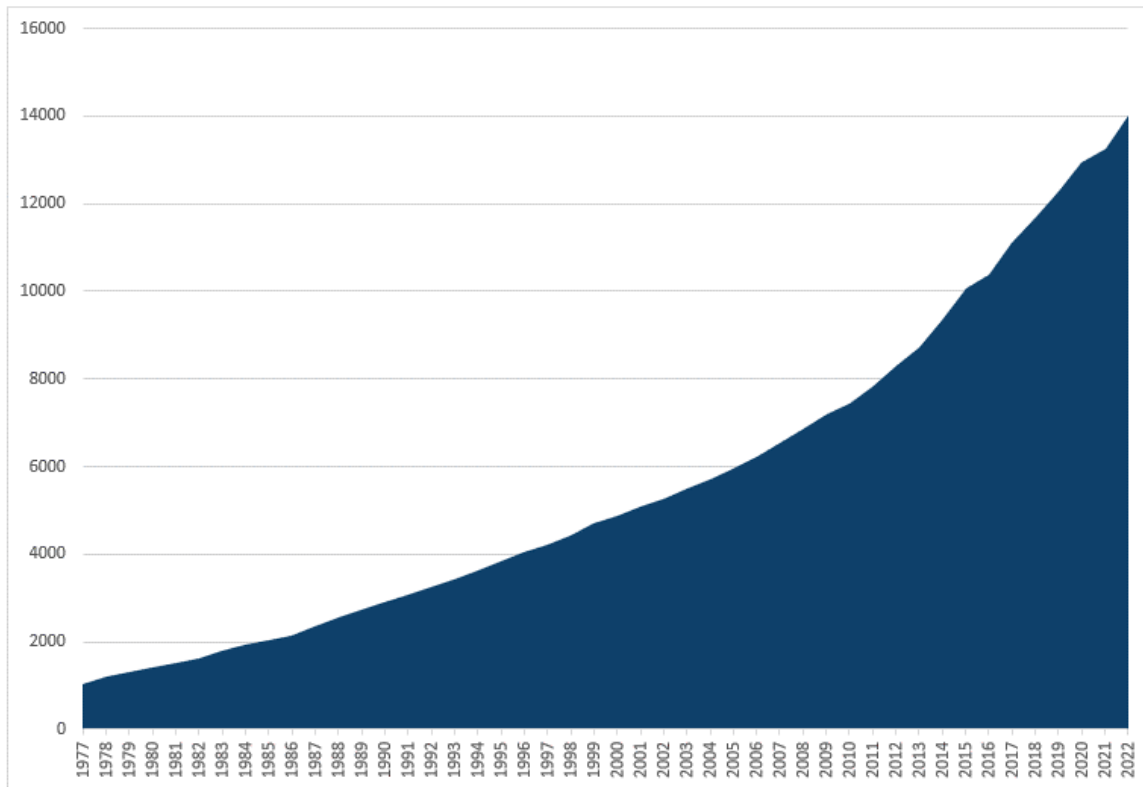
## (Main System, Judges & Public Safety Systems)



The number of retired members has grown as well, and at an even greater rate than our active members:

# NDPERS Retirement Retirees

(Main System, Judges & Public Safety Systems)

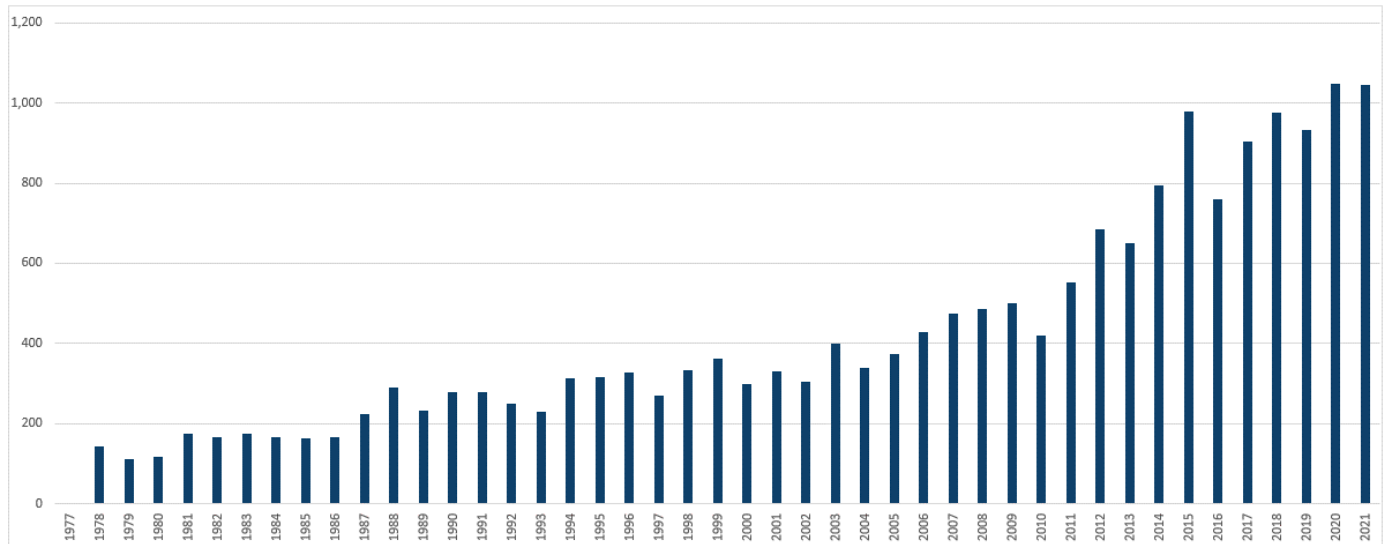


Another interesting statistic about the retirement plan is that since 1977 the PERS plan has received approximately \$2.67 billion in contributions, and as of the September 2022 we had \$3.54 billion in assets. During that same period we paid out about \$2.90 billion in benefits.

The number of new retirees each year continues to grow. The table below shows that in the last three fiscal years (July – June) there were 933, 1,049, and 1045 new retirees.

## NDPERS New Pensions

(Main System, Judges & Law Enforcement Systems)

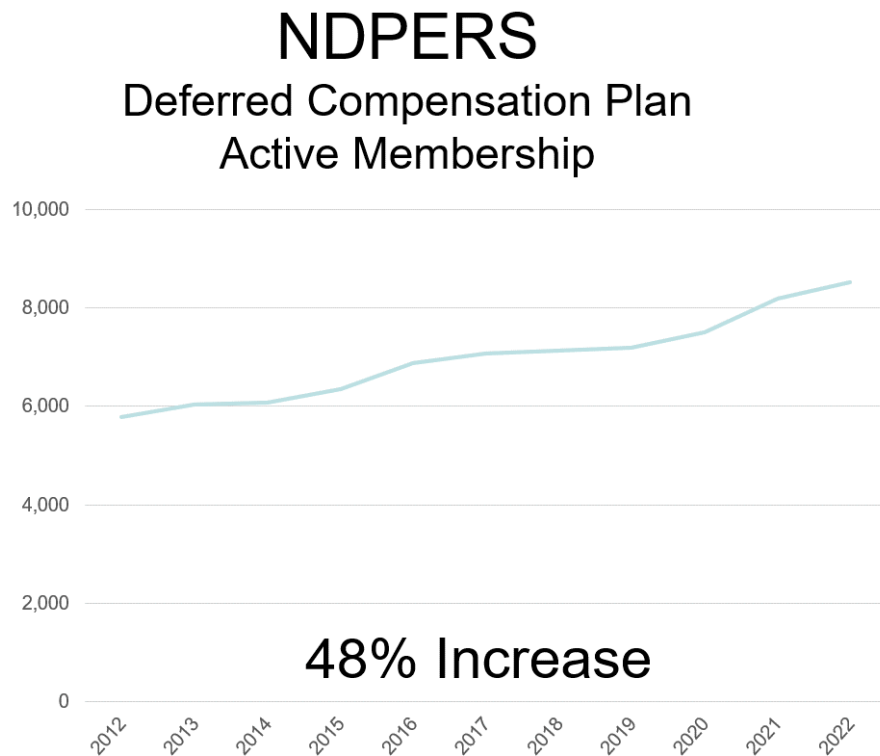


As we look to the future, we see the retired membership continuing to grow and the number of active members remaining about the same. The table below shows the number of members in the Main system who will be eligible to retire in the next 5 years:

	Age 65	Rule of 85	Total
Currently eligible as of June 2022	1,090	1,175	2,265
Newly eligible as of June 2023	284	305	589
Newly eligible as of June 2024	323	288	611
Newly eligible as of June 2025	378	276	654
Newly eligible as of June 2026	380	287	667
Newly eligible as of June 2027	341	305	646

Servicing the present and future needs of the retired membership is a growing challenge for PERS.

In addition to the administration of the traditional retirement plans, PERS administers the 457 Deferred Compensation Plan, which is the state's supplemental savings program. The membership in that program has also grown over the years as shown below:



We are pleased by this growth since it is important that our members have supplemental savings for retirement. During our annual benefit enrollment period conducted each Fall, we include targeted messaging to encourage members to take action to provide for a more secure financial future. In 1999, the Legislature enacted the Portability Enhancement Provision, or PEP, in our retirement plan, thereby turning the Main plan into a hybrid plan to encourage employees to do supplemental savings through the Deferred Compensation Plan.

The investment and recordkeeping services for the PERS Companion Plan are currently provided by TIAA. The Deferred Compensation Plan offers our members eight other providers to choose from in addition to the PERS Companion Plan:

Bravera Wealth	Jackson National (closed to new entrants)
AXA Equitable (closed to new entrants)	Nationwide Life
Bank of North Dakota	VALIC (closed to new entrants)
Mass Mutual (closed to new entrants)	Waddell & Reed (closed to new entrants)

Concerning the group insurance programs, the following gives you an overview of the programs and some statistical information:

GROUP INSURANCE PROGRAMS MANAGED AND ADMINISTERED BY NDPERS						
January 2022	HEALTH	LIFE	DENTAL	VISION	EAP	FLEXCOMP
<b>PARTICIPATING EMPLOYERS</b>						
State	97	97	97	97	97	81
Counties	34	33				
School Dist	22	13				
Cities	30	29				
Others	50	32	20	20	20	5
<b>TOTAL</b>	<b>233</b>	<b>204</b>	<b>117</b>	<b>117</b>	<b>117</b>	<b>86</b>
<b>EMPLOYEES</b>						
State	14,362	15,027	8,879	9,314	15,074	2,363
Legislators	133	137				
Counties	1,618	2,807				
School Dist	797	100				
Cities	659	249				
Others	483	418			273	45
Retirees	6,835	3,216	3,981	3,779		
COBRA	138		41	44		
<b>TOTAL</b>	<b>25,025</b>	<b>21,954</b>	<b>12,901</b>	<b>13,137</b>	<b>15,347</b>	<b>2,408</b>
<b>Covered Lives</b>	<b>58,504</b>					

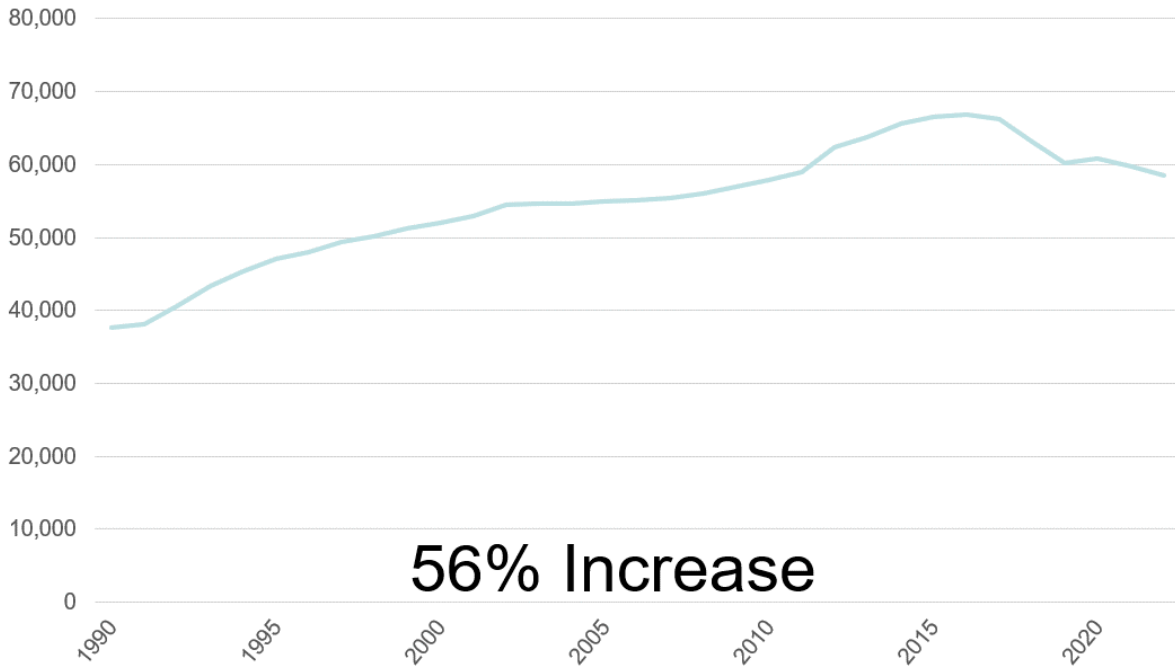
The group health and life insurance programs have been a part of the agency since the early 1970s. In the late 1990's the Employee Assistance Program, Dental Plan and Vision Plan were added to PERS. The FlexComp Program has been a part of the agency since 1989 and allows members to pretax eligible insurance premiums, dependent care expenses, and medical expenses.

As you will note, the largest responsibility in this area is the health plan. In this program about 57% of members are state employees and 43% are political subdivisions or other groups such as retirees. We continue to focus on compliance with the Affordable Care Act (ACA), which includes maintaining the grandfathered status of the plan, assisting our participating employers with compliance, and conducting a special enrollment each year for temporary employees.



The following table shows the history of the membership in the health plan:

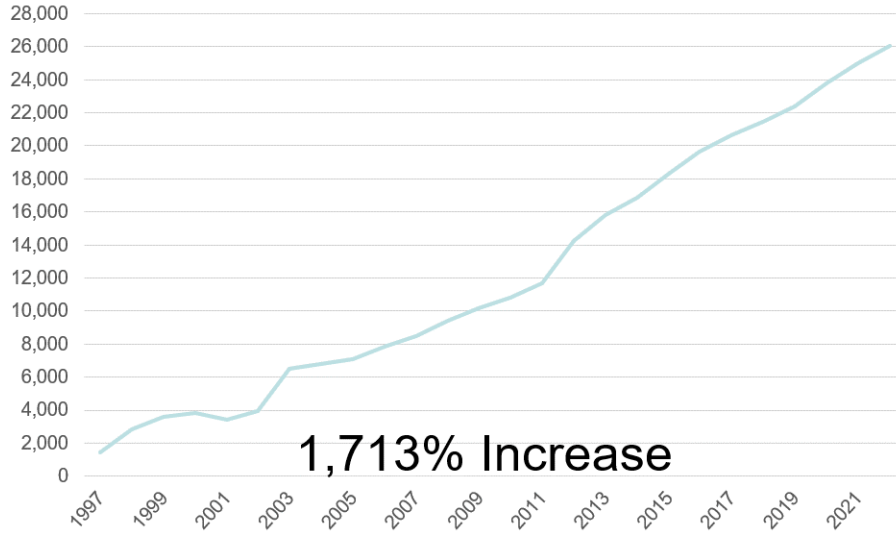
# NDPERS Health Plan Membership



This plan was last bid in 2020, and the PERS Board awarded the contract to Sanford Health Plan under the same hybrid fully-insured/self-insured arrangement that we have had for many years.

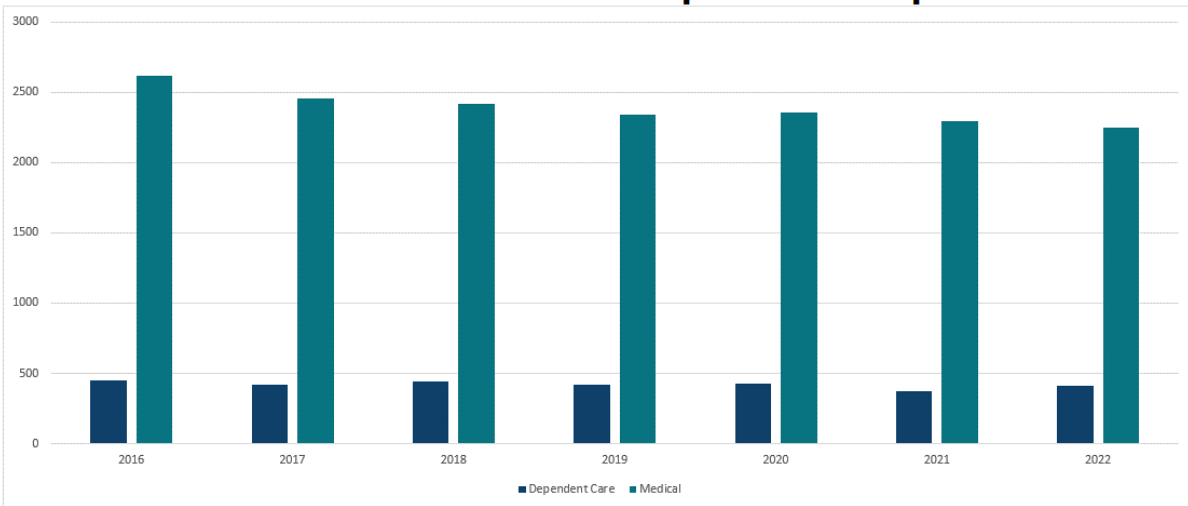
The following table shows the history of the voluntary programs. This program area continues to see significant growth.

## NDPERS Voluntary Insurance Plans Membership (Dental and Vision)



The following tables show the history of the number of members in the FlexComp program:

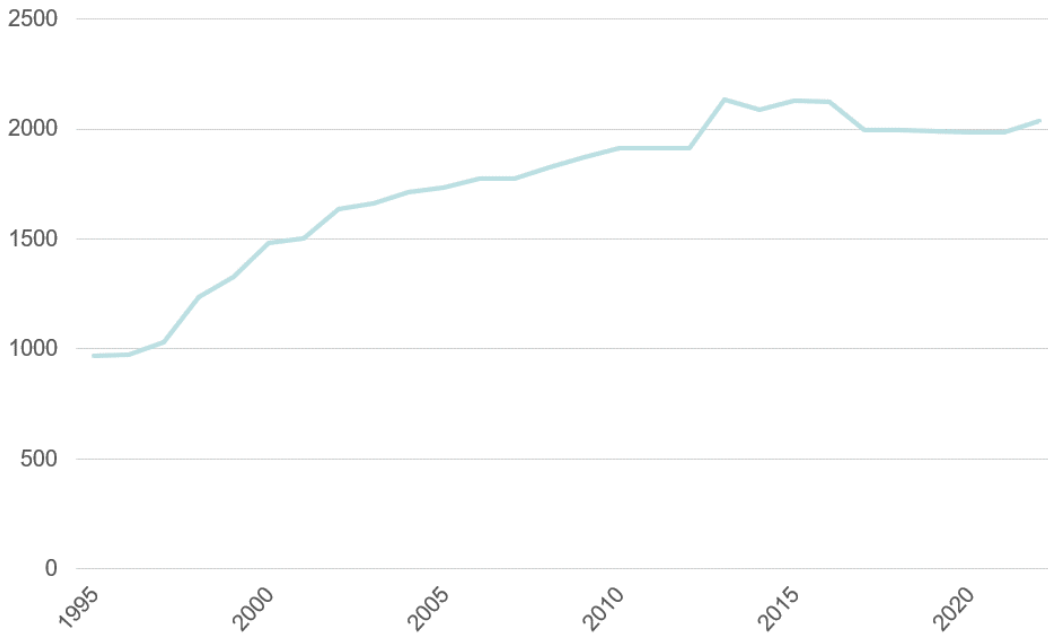
## NDPERS Flexcomp Participation



While we have been serving more members in more programs over time, we have also been serving more employers as they join PERS. The following table shows each employer relationship for each program (an employer in more than one program would count more than once):

# NDPERS

## Participating Employers (All Programs)



As shown above, PERS has faced two challenges over the years: the growth of program responsibilities, and the growing membership needs for assistance.

We are also concerned with maintaining the quality of what we do. To that extent, we have sought national review of our systems and other reviews as noted in the following:

- We have received the Public Pension Achievement Award and the Recognition Award for Administration.
- We have received the Certificate of Achievement for Excellence in Financial Reporting for the past 26 years (1996-2021).
- We have had unqualified audit opinions for over 30 years.
- We received favorable IRS determination letters for the PERS and Highway Patrol Retirement Plans.

In addition, we provide our members who request information from our office the opportunity to evaluate our customer service. Our average ratings for the past 8 years show overall satisfaction with our customer service. However, we have seen a slight decline in our ratings the past few years which we feel is reflective of reaching our capacity

to provide the exceptional level of customer service our members have come to expect. We will be presenting testimony on how we'd like to address these concerns when we discuss our optional change packages.

The ratings are shown below based on a scale of 1-4, with 4 being the most satisfied:

Year	# of responses	Courtesy received from NDPERS Staff.	Promptness of NDPERS response.	Information was properly explained.	Information easy to understand.
2015	464	3.82	3.67	3.73	3.62
2016	478	3.83	3.73	3.75	3.62
2017	540	3.83	3.76	3.69	3.58
2018 Sent via email	1,084	3.76	3.59	3.63	3.56
2019	2,392	3.75	3.48	3.63	3.59
2020	2,066	3.76	3.51	3.66	3.62
2021	2,268	3.74	3.49	3.60	3.56
2022 As of November	1,855	3.72	3.47	3.58	3.52

## **Work Efforts**

Following are some of the major work efforts since we last reported to you in the 2021 session:

- Group Insurance
  - Renewed with Sanford Health Plan to continue the hybrid fully insured/self-insured arrangement that exists today
  - Conducted a Request for Proposal (RFP) and selected a new Medicare Part D provider
  - Renewed our FlexComp, Dental, Vision, and Life insurance contracts with the incumbent providers
  - Continued to work with our participating employers on compliance with the provisions of the Affordable Care Act.
  - Collaborated with the State Auditor to perform an audit of our Pharmacy Benefit Manger, Optum Rx
  - Implemented processes and procedures to comply with the Federal mandates of the American Rescue Plan Act
- Retirement
  - Renewed the 457 Companion Plan and 401(a) Defined Contribution Plan contract with the incumbent provider
  - Continued to de-risk the Job Service Retirement Plan's investment portfolio by adopting and implementing a more conservative asset allocation
  - Conducted a RFP and selected our incumbent RHIC payment processing vendor
  - Reduced the long-term rate of return assumption on our Defined Benefit plans to adhere to the Actuarial Standards of Practice guidelines
- Administrative Accomplishments
  - Submitted administrative rule changes
  - Converted our website to be under the NDIT umbrella
  - Relocated our office to a state-owned building with a footprint that is roughly ½ the size of our previous office space
  - Performed disaster recovery testing, and brought live data into production from our backup servers

- Implemented a YouTube channel to better serve our employers and membership
- Converted our Board Election process into an electronic format
- Implemented Base Business Process Management in our business system
- Conducted a biennial strategic planning session with our Board
- Implemented a redesign of retiree federal tax withholdings to comply with IRS requirements
- Implemented a process to allow state employers to conduct ACA eligibility for temporary employees electronically
- Currently in the process of converting microfiche records into an electronic format that staff access on a routine basis
- Currently in the process of redesigning the ND Login process to better serve our membership
- Currently in the process of programming comprehensive new hire, annual enrollment, and retirement application wizards

At this time, I will turn the presentation over to Derrick Hohbein to review the PERS budget request.

## **PERS Budget**

**2021-23 Budget.** The PERS budget is all special funds. This biennium we do have one-time funding expenses for which we would like to provide updates.

Last session, PERS received \$104,500 to add an additional developer to help us address the backlog of system enhancements our agency has, to develop comprehensive new hire and annual enrollment wizards, and to help us redesign the workflows within our agency. We requested two additional developers, and the Legislature compromised by adding one developer and asked us to reassess whether the additional developer is still necessary for the 2023 – 2025 biennium.

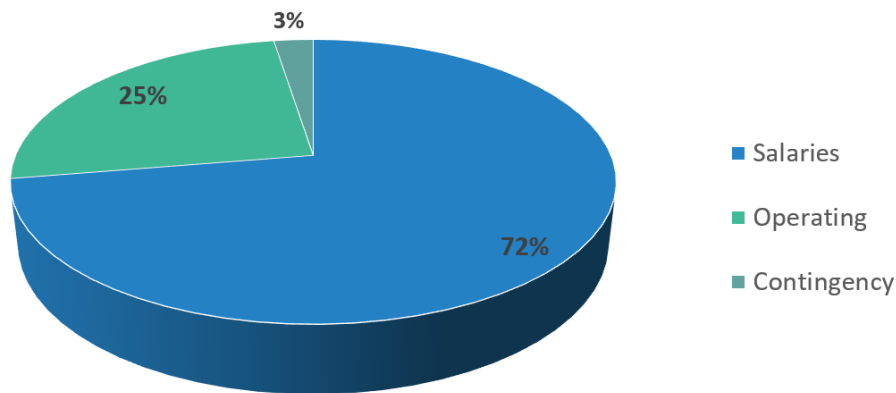
PERS also received \$257,600 to redesign the electronic workflows in our business system to base Business Process Management (BPM). This went live in May 2022 at the appropriated cost of \$257,600. We are now in the process of redesigning the 151 different workflows our agency is responsible for. We envision this being a 3-4 year work effort to fully implement.

## 2023-25 Budget.

The proposed legislative base budget before you today is all special funds.

	2021-23 Appropriation	One-Time Expenditures	2023-2025 Legislative Base Budget	% Increase/ (Decrease)
Salaries & Wages	7,209,060	-	7,209,060	0.0%
Operating Expenses	2,500,736	(104,500)	2,396,236	(4.2%)
Capital Expenditures	257,600	(257,600)	-	(100.0%)
Contingencies	250,000	-	250,000	0.0%
Total Special Funds	10,217,396	(362,100)	9,855,296	(3.5%)
FTE	35.5		35.5	

## NDPERS Budget Allocation

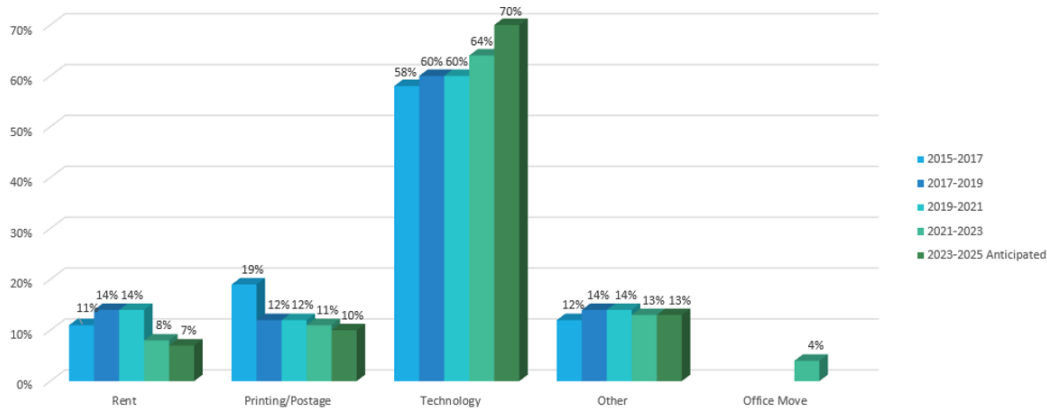


### Salaries and Wages

Salaries and wages account for 72% of the base budget and maintains funding for 35.5 FTE, two full time temporary employee, and a part time intern position. This biennium we are fitting three full time temporary employees into our organization. These temporary positions are serving as a retirement application processor, a receptionist, and a member services representative.



## Operating Expenses



Operating expenses account for 25% of the base budget. Looking into our operating line item:

- 70% is IT and shared services related (software, Sagitec, Statewide Cost Allocation)
- 7% is office rent
- 10% is printing and postage
- 13% are all other operating categories

IT is an area that our agency relies on heavily, and the business system is the heart of all the activity that takes place within our office. The costs of IT have continuously gone up, but we've been fortunate to be able to offset a good portion of these increases by working on the licensing arrangement we have with Sagitec – our business system vendor. These costs continue to be the most challenging budgetary constraint our agency experiences.

In July 2021 our agency moved into the WSI building. This allowed us to reduce our office footprint, and reduce our rent by nearly \$80,000 for the upcoming biennium. This rent savings was used to offset our technological increases for the upcoming biennium.

Since the legislative mandate in 2017 to become more efficient in our operations regarding our printing and postage costs, we are pleased to say we have reduced our printing and postage expenses by over \$240,000 (a 32% reduction) over the last 6 years. While we continue to explore ways to become more efficient in our operations, there are numerous physical communications we are mandated by law to send. We also know we have a significant retiree population that still prefers to be communicated with through printed materials.

## Attachment 1 – Senate Amendments

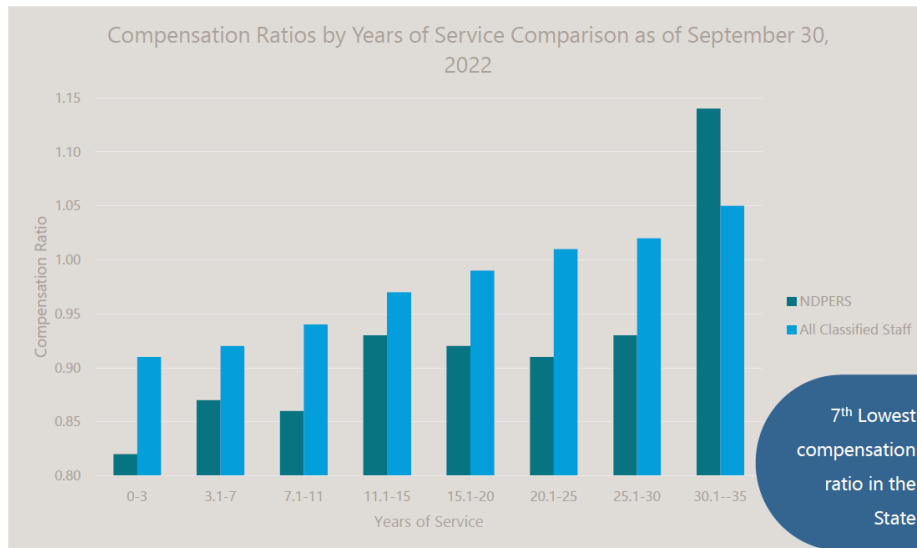
	2021-23 Legislative Base	Senate Amendments	2023-2025 Senate Version	% Increase/ (Decrease)
Salaries & Wages	7,209,060	1,262,868	8,471,928	17.5%
Operating Expenses	2,396,236	147,476	2,543,712	6.2%
Contingencies	250,000	-	250,000	
DB Closure Contingencies	-	1,006,839	1,006,839	
Total Special Funds	9,855,296	2,417,183	12,272,479	24.5%
FTE	35.5	6.0	41.5	

### **Analysis of the Senate Amendments:**

#### **Staff Equity Package - \$720,000**

Overall it is well known that state employee wages are falling behind the private sector, and recruiting and retaining state employees is becoming a serious concern. At NDPERS, we struggle to compete with state agencies given the salary appropriation authority our agency has.

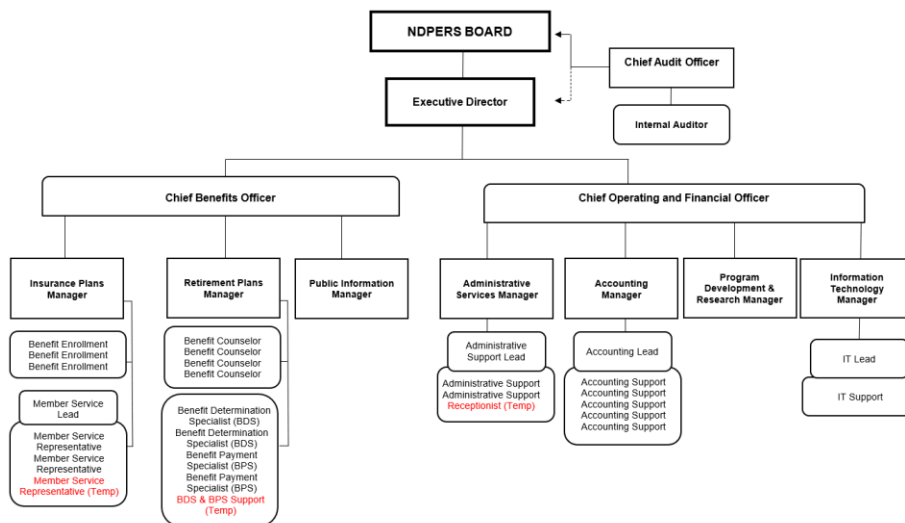
Our Board is seeking a 10% equity package for staff that would be targeted to distribute to employees that have C-Ratio concerns. Receiving a 10% equity package would help us align to the blue bars in the graph. Our goal is not to compete with the private sector; our goal is to be competitive across state agencies.



## FTE Authority for a Retirement Processing Lead

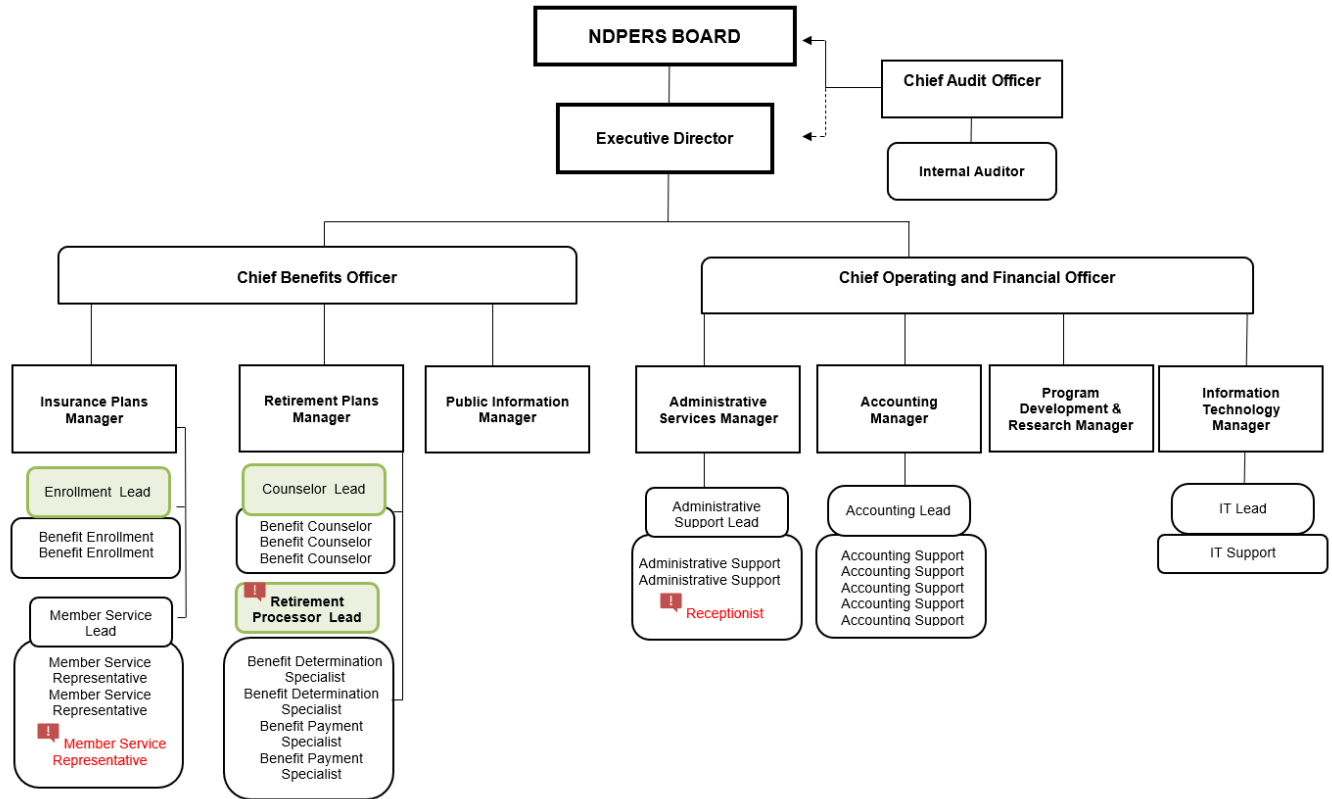
Salary Appropriation - \$214,632  
 Operating Appropriation - \$ 1,725

Our current organizational structure is as follows:



Our Board has adopted an initiative to realign our organizational structure to transition to an environment that promotes internal growth, gives employees visible career planning paths in our agency, and allows our agency to properly succession plan in the event of staff turnover. Adding a Retirement Processing Lead in our agency is the one Lead position that we cannot achieve through attrition; we need the additional FTE authority and funding to make this structure possible.

Here is the organizational structure our Board is trying to achieve:



This structure creates an environment where every division with two or more employees has a lead role. The expectations of the lead positions are that the employee has a well-rounded understanding of every process within their division, and serves as the primary backup in the event a staff member is out. Right now our employees have a hard time taking work off (or enjoying their time off) because we don't have ample backup support in our office. We believe that transitioning to this environment not only relieves the backup support concern, it also serves as a "junior management" program and allows employees to see a progression path that would allow them to be a part of the NDPERS team for their careers.

## FTE Authority for a Receptionist

<b>Salary Appropriation -</b>	<b>\$124,986</b>
<b>Operating Appropriation -</b>	<b>\$ 1,725</b>

Our office space within the WSI building has an area that is dedicated to incoming customers, and has an area for us to counsel our members and meet with our vendors that is not in the back office. The receptionist position screens incoming customers before allowing access to our office, greets and directs the customers where to go, and helps alleviate workload concerns across the entire agency by absorbing duties across all of our divisions.



We have had to recruit for this position as a temporary position twice, and have found that the candidate pool for entry level temporary positions is thin. Because we expect our receptionist to perform administrative and data entry functions in addition to greeting visitors, the skillset needed to be successful as a receptionist in our agency is unique. We believe having the ability to recruit this position as a permanent position will increase our candidate pool, and given our new office location it is a position that our agency now has to have.

## FTE Authority for Member Services Representative

**Salary Appropriation - \$161,592**  
**Operating Appropriation - \$ 1,725**

Currently we have a full-time temporary employee on staff serving as our Member Services Representative. This is a position we've had to recruit for multiple times, and is a position that is extremely difficult to fill as a temporary position. This position is a necessity for our agency to serve our membership and the variety of plans that we administer. As we alluded to earlier in our customer service survey, the ability for our office to get back to membership is becoming increasingly hard, and our customer service scores reflect this difficulty. Making this a permanent position will increase the candidate pool to help ensure we can fill this position when a vacancy exists.

Year	# of responses	Courtesy received from NDPERS Staff.	Promptness of NDPERS response.	Information was properly explained.	Information easy to understand.
2015	464	3.82	3.67	3.73	3.62
2016	478	3.83	3.73	3.75	3.62
2017	540	3.83	3.76	3.69	3.58
2018 Sent via email	1,084	3.76	3.59	3.63	3.56
2019	2,392	3.75	3.48	3.63	3.59
2020	2,066	3.76	3.51	3.66	3.62
2021	2,268	3.74	3.49	3.60	3.56
2022 As of November	1,855	3.72	3.47	3.58	3.52

## Removal of \$110,368 of temporary salaries

NDPERS has funding for two full-time temporary employees and one part time intern to help with unexpected work efforts or unforeseen mandates that we have to comply with. NDPERS currently has three full time temporary employees on staff to keep up with our day-to-day work efforts. The Senate compromised by granting us FTE authority for those positions, and removing some of our temporary salaries since we'd no longer be employing three full-time temporary employees.

## **Additional Development Resources for PERSLink - \$125,000 Operating**

Funding was requested for an additional developer in our PERSLink business system. We will use this additional developer to continue transitioning our business system to a process referred to as Business Process Management (BPM). BPM automates data entry based on the business rules of our agency, and helps eliminate staff data entry as well as ensuring the accuracy of the records in our system. We anticipate the full conversion to BPM will take 3-4 years, even with the funding for additional developers. To continue moving forward in this development, we view this funding as a necessity for our agency.

## **DB Closure Bill**

Assuming the DB closure bill remains in the version it currently is, it is imperative both for our agency as well as the Legislature to make this as smooth of a transition as possible. Our agency views the following as necessities to ensure a seamless transition:

- FTE Authority
  - Benefits Manager – currently we have a Retirement Manager that is dedicated to our Defined Benefit Plans. Because the administration and requirements of a Defined Contribution Plan are drastically different than those of a Defined Benefit Plan, having a Defined Contribution Manager to properly oversee the new plan is a necessity.
    - Salary Appropriation - \$293,426
    - Operating Appropriation - \$ 1,725
  
  - Member Services Representative – we serve nearly 55,000 members in our retirement plans. Every single one of them will question what impact this Legislation will have on them. Earlier we spoke to the concerns in our call center staff and having the ability to timely get back to our membership. Adding another member services representative to help with this transition will be imperative to a successful conversion.
    - Salary Appropriation - \$161,592
    - Operating Appropriation - \$ 1,725

- Counselor – the educational efforts between a Defined Benefit plan and a Defined Contribution plan are drastically different. To help ensure our membership has the proper education and counseling to make appropriate decisions we feel that adding a counselor that can be dedicated to these efforts is essential.
  - Salary Appropriation - \$185,334
  - Operating Appropriation - \$ 1,725
  
- Temporary Staffing – to help through the transition we are seeking one-time funding totaling \$200,000 to secure temporary staff that can help us transition to the new Defined Contribution Plan
  
- Additional Sagitec Developer – a new resource will be needed to properly program not only our business system, but also every single payroll system that submits retirement reports to NDPERS. Every employer will have programming requirements on their end to accommodate this change as well. This would require an increase to our operating expenditures of \$125,000.



## **Summary of the Senate Version:**

### **Wages of \$1,262,868:**

- Cost to continue July 1, 2022 increases - \$53,963
- Compensation package of 4% & 4% increases as well as the increase for health insurance premiums - \$560,063
- Staff equity package to address C-Ratio concerns - \$258,000
- Retirement Processing Lead FTE - \$214,632
- Receptionist FTE - \$124,986
- Member Services FTE - \$161,592
- Removal of temporary salaries - \$(110,368)

### **Operating Expenses of \$147,476**

- Increases to NDIT - \$16,301
- Retirement Processing Lead addition - \$2,725 (\$2,000 is one-time funding)
- Receptionist Position - \$1,725 (\$1,000 is one-time funding)
- Member Services Position - \$1,725 (\$1,000 is one-time funding)
- Additional Sagitec developer - \$125,000

### **Expenditures Contingent on the DB Closure Initiative: \$1,006,839**

- Wages of \$875,764:
  - Temporary Salaries - \$200,000 (all one-time funding)
  - Benefits Manager - \$293,426
  - Counselor - \$185,334
  - Member Services Representative - \$161,592
  - Cost to continue the FTE - \$35,412
- Operating Expenditures of \$131,075:
  - Benefits Manager - \$2,025 (\$1,000 is one-time funding)
  - Counselor - \$2,025 (\$1,000 is one-time funding)
  - Member Services Position - \$2,025 (\$1,000 is one-time funding)
  - Additional Sagitec developer - \$125,000

**Public Employees Retirement System - Budget No. 192**  
**Senate Bill No. 2023**  
**Base Level Funding Changes**

Prepared for: 3/23/2023

	Executive Budget Recommendation				Senate Version				Senate Changes to Executive Budget Increase (Decrease) - Executive Budget			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
<b>2023-25 Biennium Base Level</b>	35.50	\$0	\$9,855,296	\$9,855,296	35.50	\$0	\$9,855,296	\$9,855,296	0.00	\$0	\$0	\$0
<b>2023-25 Ongoing Funding Changes</b>												
Adds funding for the cost to continue salary increases			\$53,963	\$53,963			\$53,963	\$53,963				\$0
Salary increase			508,874	508,874			379,719	379,719			(\$129,155)	(129,155)
Health insurance increase			210,904	210,904			215,756	215,756			4,852	4,852
Adds funding for salary equity increases				0			258,000	258,000			258,000	258,000
Adds funding for an FTE retirement processing position	1.00		215,357	215,357	1.00		215,357	215,357				0
Adds funding for an FTE receptionist position	1.00		125,711	125,711	1.00		125,711	125,711				0
Adds funding for an FTE member services representative position				0	1.00		162,317	162,317	1.00		162,317	162,317
Adds funding for FTE positions to close the defined benefit plan	2.00		481,110	481,110	3.00		643,427	643,427	1.00		162,317	162,317
Reduces funding for temporary salaries				0			(110,368)	(110,368)			(110,368)	(110,368)
Adds funding for IT rate increases			16,301	16,301			16,301	16,301				0
Total ongoing funding changes	4.00	\$0	\$1,612,220	\$1,612,220	6.00	\$0	\$1,960,183	\$1,960,183	2.00	\$0	\$347,963	\$347,963
<b>One-Time Funding Items</b>												
Adds funding for temporary staff to close the defined benefit plan			\$200,000	\$200,000			\$200,000	\$200,000				\$0
Adds funding for a developer for the closure of the defined benefit plan			125,000	125,000			125,000	125,000				0
Adds funding for a developer to upgrade the PERSLink business system			125,000	125,000			125,000	125,000				0
Adds funding for new FTE position chairs			5,000	5,000			7,000	7,000			\$2,000	2,000
Total one-time funding changes	0.00	\$0	\$455,000	\$455,000	0.00	\$0	\$457,000	\$457,000	0.00	\$0	\$2,000	\$2,000
<b>Total Changes to Base Level Funding</b>	4.00	\$0	\$2,067,220	\$2,067,220	6.00	\$0	\$2,417,183	\$2,417,183	2.00	\$0	\$349,963	\$349,963
<b>2023-25 Total Funding</b>	39.50	\$0	\$11,922,516	\$11,922,516	41.50	\$0	\$12,272,479	\$12,272,479	2.00	\$0	\$349,963	\$349,963
<i>Federal funds included in other funds</i>			\$0				\$0				\$0	
<i>Total ongoing changes as a percentage of base level</i>	11.3%		16.4%	16.4%	16.9%		19.9%	19.9%				
<i>Total changes as a percentage of base level</i>	11.3%		21.0%	21.0%	16.9%		24.5%	24.5%				

**Other Sections in Public Employees Retirement System - Budget No. 192**

	Executive Budget Recommendation	Senate Version
Estimated income - Defined benefit plan closure - Contingent appropriation	Section 7 would identify \$809,110 in Section 1 as a contingent appropriation for 2 FTE positions, temporary salaries, and operating expenses that is effective only if the 2023 Legislative Assembly approves legislation to close the main system defined benefit retirement plan to new hires.	Section 3 identifies \$1,006,839 in the defined benefit plan closure line item in Section 1 is a contingent appropriation for 3 FTE positions, temporary salaries, and operating expenses that is effective only if the 2023 Legislative Assembly approves legislation to close the main system defined benefit retirement plan to new hires.
Appropriation line item transfers	Section 3 would allow PERS to transfer funding from the contingency line item in Section 1 to other line items and would require PERS to notify the Office of Management and Budget of each transfer made pursuant to this section.	

23.0277.02001  
Title.

Prepared by the Legislative Council staff for  
the House Appropriations - Government  
Operations Division Committee  
March 27, 2023

Fiscal No. 1

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2023

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

Page 1, line 2, remove "; and to provide for a report"

Page 1, replace lines 11 through 16 with:

"Salaries and wages	\$7,209,060	\$509,787	\$7,718,847
Operating expenses	2,396,236	144,751	2,540,987
Contingencies	250,000	0	250,000
Defined benefit plan closure	<u>0</u>	<u>372,027</u>	<u>372,027</u>
Total special funds	\$9,855,296	\$1,026,565	\$10,881,861
Full-time equivalent positions	35.50	6.00	39.50"

Page 2, replace lines 2 and 3 with:

"Staff operating expenses	<u>0</u>	<u>4,000</u>
Total special funds	\$362,100	\$454,000

The 2023-25 biennium one-time funding amounts are not part of the entity's base budget for the 2025-27 biennium. The public employees retirement system shall report to the appropriations committees of the sixty-ninth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2023, and ending June 30, 2025."

Page 2, line 5, remove "- ONE-TIME FUNDING"

Page 2, line 6, replace "\$1,006,839" with "\$372,027"

Page 2, line 6, replace "\$681,839" with "\$47,027"

Page 2, line 7, after the first "for" insert "a portion of"

Page 2, line 7, replace "three" with "two"

Page 2, line 11, replace "\$328,000" with "\$327,000"

Page 2, line 11, replace "considered" with "identified as"

Page 2, line 11, after the second "item" insert "in section 2 of this Act"

Page 2, line 11, after the second period insert "In addition, the public employees retirement system may request the office of management and budget to transfer up to \$479,660 of additional funding from the new and vacant FTE funding pool for this line item for salaries and wages of the full-time equivalent positions identified in this section."

Re-number accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**Senate Bill No. 2023 - Public Employees Retirement System - House Action**

	Base Budget	Senate Version	House Changes	House Version
Salaries and wages	\$7,209,060	\$8,471,928	(\$753,081)	\$7,718,847
Operating expenses	2,396,236	2,543,712	(2,725)	2,540,987
Contingencies	250,000	250,000		250,000
Defined benefit plan closure		1,006,839	(634,812)	372,027
<b>Total all funds</b>	<b>\$9,855,296</b>	<b>\$12,272,479</b>	<b>(\$1,390,618)</b>	<b>\$10,881,861</b>
Less estimated income	9,855,296	12,272,479	(1,390,618)	10,881,861
General fund	\$0	\$0	\$0	\$0
<b>FTE</b>	<b>35.50</b>	<b>41.50</b>	<b>(2.00)</b>	<b>39.50</b>

**Department 192 - Public Employees Retirement System - Detail of House Changes**

	Adjusts Funding for Salary and Benefit Increases <sup>1</sup>	Removes Funding for Salary Equity Increases <sup>2</sup>	Removes FTE Position <sup>3</sup>	Removes Contingent FTE Position <sup>4</sup>	Restores Funding for Temporary Salaries <sup>5</sup>	Removes One-Time Funding for New Position Operating Expenses <sup>6</sup>
Salaries and wages	\$116,138	(\$258,000)	(\$161,592)		\$110,368	
Operating expenses			(725)			(\$2,000)
Contingencies						
Defined benefit plan closure	8,165			(\$162,317)		(1,000)
<b>Total all funds</b>	<b>\$124,303</b>	<b>(\$258,000)</b>	<b>(\$162,317)</b>	<b>(\$162,317)</b>	<b>\$110,368</b>	<b>(\$3,000)</b>
Less estimated income	124,303	(258,000)	(162,317)	(162,317)	110,368	(3,000)
General fund	\$0	\$0	\$0	\$0	\$0	\$0
<b>FTE</b>	<b>0.00</b>	<b>0.00</b>	<b>(1.00)</b>	<b>(1.00)</b>	<b>0.00</b>	<b>0.00</b>

	Removes Salary Funding for Funding Pool <sup>7</sup>	Total House Changes
Salaries and wages	(\$559,995)	(\$753,081)
Operating expenses		(2,725)
Contingencies		
Defined benefit plan closure	(479,660)	(634,812)
<b>Total all funds</b>	<b>(\$1,039,655)</b>	<b>(\$1,390,618)</b>
Less estimated income	(1,039,655)	(1,390,618)
General fund	\$0	\$0
<b>FTE</b>	<b>0.00</b>	<b>(2.00)</b>

<sup>1</sup> Salaries and wages funding is adjusted to provide for 2023-25 biennium salary increases of 6 percent on July 1, 2023, and 4 percent on July 1, 2024, and for adjustments to health insurance premium rates as follows:

	Special Funds
Salary increase	\$129,155
Health insurance increase	(4,852)
<b>Total</b>	<b>\$124,303</b>

The Senate provided salary adjustments of 4 percent on July 1, 2023, and July 1, 2024.

<sup>2</sup> Funding is removed for salary equity increases. The Senate added \$258,000 from special funds.

<sup>3</sup> One FTE member services representative position and funding of \$162,317 from special funds, of which \$161,592 is for salaries and wages and \$725 is for operating expenses, is removed. The Senate added 3 FTE positions, including the FTE member services representative position, an FTE retirement processing lead position, and an FTE receptionist position.

<sup>4</sup> One contingent FTE member services representative position and funding of \$162,317 from special funds, of which \$161,592 is for salaries and wages and \$725 is for operating expenses, is removed. The Senate added 3 contingent FTE positions, including the FTE member services representative position, an FTE benefit manager position, and an FTE counselor position. The contingent FTE positions are available to the Public Employees Retirement System only if the 2023 Legislative Assembly closes the main system defined benefit retirement plan to new hires.

<sup>5</sup> Funding of \$110,368 from special funds for temporary salaries is restored by the House to provide a total of \$260,368 for temporary salaries. The Senate reduced \$110,368 of temporary salaries to provide a total of \$150,000 from special funds.

<sup>6</sup> One-time funding of \$3,000 from special funds for chairs for new FTE positions is removed to provide a total of \$4,000. The Senate added \$7,000 from special funds for this purpose.

<sup>7</sup> Funding for new FTE positions and estimated savings from vacant FTE positions is removed as shown below. These amounts are available to the agency if needed by submitting a request to the Office of Management and Budget for a transfer from the new and vacant FTE funding pool.

	<b>Special Funds</b>
New FTE positions	(\$819,278)
Vacant FTE positions	<u>(220,377)</u>
Total	(\$1,039,655)

---

This amendment also changes a section identifying the amount of funding that is appropriated in Section 1 that is available to the Public Employees Retirement System only if the 2023 Legislative Assembly closes the main system defined benefit retirement plan to new hires.

23.0277.02001  
Title.

Prepared by the Legislative Council staff for  
the House Appropriations - Government  
Operations Division Committee  
March 27, 2023

Fiscal No. 1

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2023

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

Page 1, line 2, remove "; and to provide for a report"

Page 1, replace lines 11 through 16 with:

"Salaries and wages	\$7,209,060	\$509,787	\$7,718,847
Operating expenses	2,396,236	144,751	2,540,987
Contingencies	250,000	0	250,000
Defined benefit plan closure	<u>0</u>	<u>372,027</u>	<u>372,027</u>
Total special funds	\$9,855,296	\$1,026,565	\$10,881,861
Full-time equivalent positions	35.50	6.00	39.50"

Page 2, replace lines 2 and 3 with:

"Staff operating expenses	<u>0</u>	<u>4,000</u>
Total special funds	\$362,100	\$454,000

The 2023-25 biennium one-time funding amounts are not part of the entity's base budget for the 2025-27 biennium. The public employees retirement system shall report to the appropriations committees of the sixty-ninth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2023, and ending June 30, 2025."

Page 2, line 5, remove "- ONE-TIME FUNDING"

Page 2, line 6, replace "\$1,006,839" with "\$372,027"

Page 2, line 6, replace "\$681,839" with "\$47,027"

Page 2, line 7, after the first "for" insert "a portion of"

Page 2, line 7, replace "three" with "two"

Page 2, line 11, replace "\$328,000" with "\$327,000"

Page 2, line 11, replace "considered" with "identified as"

Page 2, line 11, after the second "item" insert "in section 2 of this Act"

Page 2, line 11, after the second period insert "In addition, the public employees retirement system may request the office of management and budget to transfer up to \$479,660 of additional funding from the new and vacant FTE funding pool for this line item for salaries and wages of the full-time equivalent positions identified in this section."

Re-number accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**Senate Bill No. 2023 - Public Employees Retirement System - House Action**

	Base Budget	Senate Version	House Changes	House Version
Salaries and wages	\$7,209,060	\$8,471,928	(\$753,081)	\$7,718,847
Operating expenses	2,396,236	2,543,712	(2,725)	2,540,987
Contingencies	250,000	250,000		250,000
Defined benefit plan closure		1,006,839	(634,812)	372,027
<b>Total all funds</b>	<b>\$9,855,296</b>	<b>\$12,272,479</b>	<b>(\$1,390,618)</b>	<b>\$10,881,861</b>
Less estimated income	9,855,296	12,272,479	(1,390,618)	10,881,861
General fund	\$0	\$0	\$0	\$0
<b>FTE</b>	<b>35.50</b>	<b>41.50</b>	<b>(2.00)</b>	<b>39.50</b>

**Department 192 - Public Employees Retirement System - Detail of House Changes**

	Adjusts Funding for Salary and Benefit Increases <sup>1</sup>	Removes Funding for Salary Equity Increases <sup>2</sup>	Removes FTE Position <sup>3</sup>	Removes Contingent FTE Position <sup>4</sup>	Restores Funding for Temporary Salaries <sup>5</sup>	Removes One-Time Funding for New Position Operating Expenses <sup>6</sup>
Salaries and wages	\$116,138	(\$258,000)	(\$161,592)		\$110,368	
Operating expenses			(725)			(\$2,000)
Contingencies						
Defined benefit plan closure	8,165			(\$162,317)		(1,000)
<b>Total all funds</b>	<b>\$124,303</b>	<b>(\$258,000)</b>	<b>(\$162,317)</b>	<b>(\$162,317)</b>	<b>\$110,368</b>	<b>(\$3,000)</b>
Less estimated income	124,303	(258,000)	(162,317)	(162,317)	110,368	(3,000)
General fund	\$0	\$0	\$0	\$0	\$0	\$0
<b>FTE</b>	<b>0.00</b>	<b>0.00</b>	<b>(1.00)</b>	<b>(1.00)</b>	<b>0.00</b>	<b>0.00</b>

	Removes Salary Funding for Funding Pool <sup>2</sup>	Total House Changes
Salaries and wages	(\$559,995)	(\$753,081)
Operating expenses		(2,725)
Contingencies		
Defined benefit plan closure	(479,860)	(634,812)
<b>Total all funds</b>	<b>(\$1,039,855)</b>	<b>(\$1,390,618)</b>
Less estimated income	(1,039,855)	(1,390,618)
General fund	\$0	\$0
<b>FTE</b>	<b>0.00</b>	<b>(2.00)</b>

<sup>1</sup> Salaries and wages funding is adjusted to provide for 2023-25 biennium salary increases of 6 percent on July 1, 2023, and 4 percent on July 1, 2024, and for adjustments to health insurance premium rates as follows:

	Special Funds
Salary increase	\$129,155
Health insurance increase	(4,852)
<b>Total</b>	<b>\$124,303</b>

The Senate provided salary adjustments of 4 percent on July 1, 2023, and July 1, 2024.

<sup>2</sup> Funding is removed for salary equity increases. The Senate added \$258,000 from special funds.

<sup>3</sup> One FTE member services representative position and funding of \$162,317 from special funds, of which \$161,592 is for salaries and wages and \$725 is for operating expenses, is removed. The Senate added 3 FTE positions, including the FTE member services representative position, an FTE retirement processing lead position, and an FTE receptionist position.



<sup>4</sup> One contingent FTE member services representative position and funding of \$162,317 from special funds, of which \$161,592 is for salaries and wages and \$725 is for operating expenses, is removed. The Senate added 3 contingent FTE positions, including the FTE member services representative position, an FTE benefit manager position, and an FTE counselor position. The contingent FTE positions are available to the Public Employees Retirement System only if the 2023 Legislative Assembly closes the main system defined benefit retirement plan to new hires.

<sup>5</sup> Funding of \$110,368 from special funds for temporary salaries is restored by the House to provide a total of \$260,368 for temporary salaries. The Senate reduced \$110,368 of temporary salaries to provide a total of \$150,000 from special funds.

<sup>6</sup> One-time funding of \$3,000 from special funds for chairs for new FTE positions is removed to provide a total of \$4,000. The Senate added \$7,000 from special funds for this purpose.

<sup>7</sup> Funding for new FTE positions and estimated savings from vacant FTE positions is removed as shown below. These amounts are available to the agency if needed by submitting a request to the Office of Management and Budget for a transfer from the new and vacant FTE funding pool.

	<b>Special Funds</b>
New FTE positions	(\$819,278)
Vacant FTE positions	<u>(220,377)</u>
Total	(\$1,039,655)

---

This amendment also changes a section identifying the amount of funding that is appropriated in Section 1 that is available to the Public Employees Retirement System only if the 2023 Legislative Assembly closes the main system defined benefit retirement plan to new hires.



**Public Employees Retirement System - Budget No. 192**  
**Senate Bill No. 2023**  
**Base Level Funding Changes**

Prepared for: 4/14/2023

	Senate Version				House Version				House Changes to Senate Version Increase (Decrease) - Senate Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
<b>2023-25 Biennium Base Level</b>	35.50	\$0	\$9,855,296	\$9,855,296	35.50	\$0	\$9,855,296	\$9,855,296	0.00	\$0	\$0	\$0
<b>2023-25 Ongoing Funding Changes</b>												
Adds funding for the cost to continue salary increases			\$53,963	\$53,963			\$53,963	\$53,963				\$0
Salary increase			379,719	379,719			508,874	508,874			\$129,155	129,155
Health insurance increase			215,756	215,756			210,904	210,904			(4,852)	(4,852)
Adds funding for salary equity increases			258,000	258,000			0	0			(258,000)	(258,000)
Adds funding for an FTE retirement processing lead position	1.00		215,357	215,357	1.00		215,357	215,357				0
Adds funding for an FTE receptionist position	1.00		125,711	125,711	1.00		125,711	125,711				0
Adds funding for an FTE member services representative position	1.00		162,317	162,317	0.00		0	0	(1.00)		(162,317)	(162,317)
Adds funding for FTE positions to close the defined benefit plan	3.00		643,427	643,427	2.00		481,110	481,110	(1.00)		(162,317)	(162,317)
Removes salary funding for funding pool				0			(1,039,655)	(1,039,655)			(1,039,655)	(1,039,655)
Reduces funding for temporary salaries			(110,368)	(110,368)			0	0			110,368	110,368
Adds funding for IT rate increases			16,301	16,301			16,301	16,301				0
Total ongoing funding changes	6.00	\$0	\$1,960,183	\$1,960,183	4.00	\$0	\$572,565	\$572,565	(2.00)	\$0	(\$1,387,618)	(\$1,387,618)
<b>One-Time Funding Items</b>												
Adds funding for temporary staff to close the defined benefit plan			\$200,000	\$200,000			\$200,000	\$200,000				\$0
Adds funding for a developer for the closure of the defined benefit plan			125,000	125,000			125,000	125,000				0
Adds funding for a developer to upgrade the PERSLink business system			125,000	125,000			125,000	125,000				0
Adds funding for new FTE position chairs			7,000	7,000			4,000	4,000			(\$3,000)	(3,000)
Total one-time funding changes	0.00	\$0	\$457,000	\$457,000	0.00	\$0	\$454,000	\$454,000	0.00	\$0	(\$3,000)	(\$3,000)
<b>Total Changes to Base Level Funding</b>	6.00	\$0	\$2,417,183	\$2,417,183	4.00	\$0	\$1,026,565	\$1,026,565	(2.00)	\$0	(\$1,390,618)	(\$1,390,618)
<b>2023-25 Total Funding</b>	41.50	\$0	\$12,272,479	\$12,272,479	39.50	\$0	\$10,881,861	\$10,881,861	(2.00)	\$0	(\$1,390,618)	(\$1,390,618)
<i>Federal funds included in other funds</i>			\$0	\$0			\$0	\$0			\$0	\$0
<i>Total ongoing changes as a percentage of base level</i>	16.9%		19.9%	19.9%	11.3%		5.8%	5.8%				
<i>Total changes as a percentage of base level</i>	16.9%		24.5%	24.5%	11.3%		10.4%	10.4%				

**Other Sections in Public Employees Retirement System - Budget No. 192**

	Senate Version	House Version
Estimated income - Defined benefit plan closure - Contingent appropriation	Section 3 identifies \$1,006,839 in the defined benefit plan closure line item in Section 1 is a contingent appropriation for 3 FTE positions, temporary salaries, and operating expenses that is effective only if the 2023 Legislative Assembly approves legislation to close the main system defined benefit retirement plan to new hires.	Section 3 identifies \$372,027 in the defined benefit plan closure line item in Section 1 is a contingent appropriation for 2 FTE positions, temporary salaries, and operating expenses that is effective only if the 2023 Legislative Assembly approves legislation to close the main system defined benefit retirement plan to new hires.

**Public Employees Retirement System - Budget No. 192**  
**Senate Bill No. 2023**  
**Base Level Funding Changes**

Prepared for: 4/20/2023

	Conference Committee Version				Conference Committee Changes Compared to Senate Version				Conference Committee Changes Compared to House Version			
	FTE Positions	General Fund	Other Funds	Total	Increase (Decrease) - Senate Version				Increase (Decrease) - House Version			
					FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
<b>2023-25 Biennium Base Level</b>	35.50	\$0	\$9,855,296	\$9,855,296	0.00	\$0	\$0	\$0	0.00	\$0	\$0	\$0
<b>2023-25 Ongoing Funding Changes</b>												
Adds funding for the cost to continue salary increases			\$53,963	\$53,963				\$0				\$0
Salary increase			508,874	508,874			\$129,155	129,155				0
Health insurance increase			210,904	210,904			(4,852)	(4,852)				0
Adds funding for salary equity increases			180,000	180,000			(78,000)	(78,000)			\$180,000	180,000
Adds funding for an FTE retirement processing lead position	1.00		215,357	215,357				0				0
Adds funding for an FTE receptionist position	1.00		125,711	125,711				0				0
Adds funding for an FTE member services representative position	0.00		0	0	(1.00)		(162,317)	(162,317)				0
Adds funding for FTE positions to close the defined benefit plan	3.00		643,427	643,427				0	1.00		162,317	162,317
Removes salary funding for funding pool			(1,201,247)	(1,201,247)			(1,201,247)	(1,201,247)			(161,592)	(161,592)
Reduces funding for temporary salaries			(110,368)	(110,368)				0			(110,368)	(110,368)
Adds funding for IT rate increases			16,301	16,301				0				0
Total ongoing funding changes	5.00	\$0	\$642,922	\$642,922	(1.00)	\$0	(\$1,317,261)	(\$1,317,261)	1.00	\$0	\$70,357	\$70,357
<b>One-Time Funding Items</b>												
Adds funding for temporary staff to close the defined benefit plan			\$200,000	\$200,000				\$0				\$0
Adds funding for a developer for the closure of the defined benefit plan			125,000	125,000				0				0
Adds funding for a developer to upgrade the PERSLink business system			125,000	125,000				0				0
Adds funding for new FTE position chairs			5,000	5,000			(\$2,000)	(2,000)			\$1,000	1,000
Total one-time funding changes	0.00	\$0	\$455,000	\$455,000	0.00	\$0	(\$2,000)	(\$2,000)	0.00	\$0	\$1,000	\$1,000
<b>Total Changes to Base Level Funding</b>	5.00	\$0	\$1,097,922	\$1,097,922	(1.00)	\$0	(\$1,319,261)	(\$1,319,261)	1.00	\$0	\$71,357	\$71,357
<b>2023-25 Total Funding</b>	40.50	\$0	\$10,953,218	\$10,953,218	(1.00)	\$0	(\$1,319,261)	(\$1,319,261)	1.00	\$0	\$71,357	\$71,357
<i>Federal funds included in other funds</i>			\$0	\$0			\$0	\$0			\$0	\$0
<i>Total ongoing changes as a percentage of base level</i>	14.1%		6.5%	6.5%								
<i>Total changes as a percentage of base level</i>	14.1%		11.1%	11.1%								

**Other Sections in Public Employees Retirement System - Budget No. 192**

Estimated income - Defined benefit plan closure -  
 Contingent appropriation

**Conference Committee Version**  
 Section 3 identifies \$373,752 in the defined benefit plan closure line item in Section 1 is a contingent appropriation for 3 FTE positions, temporary salaries, and operating expenses that is effective only if the 2023 Legislative Assembly approves legislation to close the main system defined benefit retirement plan to new hires.