

**Public Employees Retirement System  
Budget No. 192  
Senate Bill No. 2023**

	<b>FTE Positions</b>	<b>General Fund</b>	<b>Other Funds</b>	<b>Total</b>
2019-21 legislative appropriation	34.50	\$0	\$9,576,196	\$9,576,196
2017-19 legislative appropriation	<u>34.50</u>	<u>0</u>	<u>9,258,390</u>	<u>9,258,390</u>
2019-21 appropriation increase (decrease) to 2017-19 appropriation	0.00	\$0	\$317,806	\$317,806

**Item Description**

**One-time funding** - In Section 2 of Senate Bill No. 2023, the Legislative Assembly identified one-time funding of \$230,000 from other funds, of which \$40,000 was for an IT risk assessment and \$190,000 was to upgrade business system software.

**Appropriation line item transfers** - Section 3 of Senate Bill No. 2023 authorizes PERS to transfer funds from its \$250,000 contingencies line item to other line items and provides the agency notify OMB of each transfer made.

**Hospital and medical benefits coverage** - Section 4 of Senate Bill No. 2023 requires the PERS Board to solicit and receive bids during the 2019-21 biennium for 2021-23 biennium hospital benefits coverage and medical benefits coverage for state employees under Section 54-52.1-04. The request for proposal must include an option for coverage through a self-insurance plan. During the 2019-21 biennium, the board shall report to the majority and minority leaders of the House and Senate and the chairmen of the appropriations committees, or their designees, when bids are received. The report must provide comparative information and the board's evaluation of the bids received, including information on the self-insurance option.

**Status/Result**

The IT risk assessment was completed in February 2020 at a cost of \$39,800. The business system software upgrade was completed in March 2020 at a cost of \$190,000. The Public Employees Retirement System (PERS) business system software includes a member portal, employer portal, and staff portal. The business system software project included upgrades to the member and employer portals. See the **Appropriation line item transfers** section below for additional information.

The vendor that upgraded the member and employer portals of the business system software, Sagitec Solutions, offered PERS a 20 percent discount if PERS elected to upgrade the staff portal of the software, also called the line of business component of the business system software.

In March 2020, the PERS Board approved a transfer of \$148,000 from the contingencies line item to the capital assets line item to upgrade the staff portal of the business system software. Sagitec Solutions began development of the project in April 2020. The anticipated completion date for the project is August 2020.

The agency is considering a discounted offer from Sagitec Solutions to upgrade the correspondence and communication components of the business system software, which would require the PERS Board to approve a transfer of the remaining \$102,000 in the contingencies line item to the capital assets line item.

The agency has established the following timeline for the hospital and medical benefit coverage requirement:

- Finalize request for proposal June 2020
- Bid proposals due July 2020
- Finalists to provide presentations, if requested September 2020
- Notification to selected vendor of intent to negotiate November 2020
- Vendor and PERS begin implementation January 2021
- Vendor begins providing services July 2021

The request for proposal allows applicants to provide information regarding the following services. Each applicant may choose which option they will include in their proposal.

- Fully-insured medical proposal
- Self-insured medical proposal
- Fully-insured pharmacy proposal
- Self-insured pharmacy proposal
- Fully-insured medical and pharmacy proposal
- Self-insured medical and pharmacy proposal
- Stop loss insurance for all self-insured options

**Public Employees Retirement System fund status** - The 2019 Legislative Assembly approved the following changes to retirement benefits of public employees:

- **Senate Bill No. 2046** - For employees hired after December 31, 2019, the 1.14 percent employer contribution provided for a retiree health insurance credit is reallocated for the main system defined benefit plan;
- **Senate Bill No. 2047** - For employees hired after December 31, 2019, the service benefit multiplier for the main system defined benefit plan is reduced from 2 percent to 1.75 percent; and
- **Senate Bill No. 2049** - For employees who terminate employment after December 31, 2019, the final average salary is calculated as the average of the employee's highest three 12 consecutive months of the last 180 months of employment.

Prior to January 1, 2020, the main system defined benefit plan was not expected to reach 100 percent funded status. The Public Employees Retirement System has indicated the retirement benefit changes made by the Legislative Assembly have resulted in the main system plan expected to reach 100 percent in 2100.

Provided below is a summary of the actuarial value of the PERS main system plan:

Actuarial Value (Amounts Shown in Billions)				
Value as of June 30	Actuarial Value of Assets	Actuarial Accrued Liability	Surplus (Unfunded Liability)	Actuarial Funded Ratio
2013	\$1.63	\$2.65	(\$1.02)	61.5%
2014	\$1.84	\$2.87	(\$1.03)	64.1%
2015	\$2.03	\$2.98	(\$0.95)	68.1%
2016	\$2.18	\$3.30	(\$1.12)	66.1%
2017	\$2.53	\$3.62	(\$1.09)	69.9%
2018	\$2.75	\$3.84	(\$1.09)	71.6%
2019	\$2.95	\$4.14	(\$1.19)	71.3%

Provided below is a summary of the market value of the PERS main system plan:

Market Value of Assets (Amounts Shown in Billions)		
Value as of June 30	Market Value of Assets	Annual Percentage Change in Market Value
2013	\$1.90	13.1%
2014	\$2.21	16.3%
2015	\$2.30	4.1%
2016	\$2.32	0.9%
2017	\$2.62	12.9%
2018	\$2.85	8.8%
2019	\$2.96	3.9%

**Public Employees Retirement System plan membership** - Provided below is a summary of membership of the PERS main system plan:

<b>Public Employees Retirement System Main System Membership</b>					
<b>Membership as of January 1</b>	<b>Active Members - State</b>	<b>Active Members Political Subdivisions</b>	<b>Retirees and Beneficiaries</b>	<b>Deferred Members<sup>1</sup></b>	<b>Total</b>
2013	10,014	10,264	7,214	7,634	35,126
2014	10,437	11,511	7,907	8,304	38,159
2015	10,536	12,097	8,628	9,503	40,764
2016	10,783	12,750	9,291	10,733	43,557
2017	10,605	12,965	9,790	11,654	45,014
2018	10,237	13,119	10,957	12,186	46,499
2019	10,073	13,343	11,759	13,267	48,442
2020	9,998	13,693	12,117	14,000	49,808

<sup>1</sup>Deferred member numbers are estimates provided from actuarial valuation analysis performed as of June 30 of each year.

Membership of the PERS main system plan has increased 41.8 percent from January 2013 to January 2020, including a decrease of 0.2 percent for active state members and increases of 33.4 percent for active political subdivision members, 68 percent for retirees and beneficiaries, and 83.4 percent for deferred members.