

SUMMARY OF BILL DRAFT [15.0176.01000] - PROPOSED STATE RETIREMENT PLAN CHANGES

This memorandum provides information on the current state retirement plans as well as proposed modifications to the state retirement plans under bill draft [15.0176.01000].

CURRENT STATE RETIREMENT PLANS

The Public Employees Retirement System (PERS) is governed by North Dakota Century Code Chapter 54-52 and includes the PERS main system, judges' retirement system, National Guard retirement system, law enforcement with prior main service, law enforcement without prior main service, an optional defined contribution retirement plan, Highway Patrolmen's retirement system, Job Service North Dakota retirement plan, and retiree health benefits fund.

The Legislative Assembly authorized the use of the optional defined contribution retirement plan effective January 1, 2000. The defined contribution retirement plan is provided for under Chapter 54-52.6. Prior to October 1, 2013, the plan was available to state employees in positions not classified by Human Resource Management Services, excluding employees of the judicial branch and employees under the control of the State Board of Higher Education. Between October 1, 2013, and July 31, 2017, as a result of provisions of 2013 House Bill No. 1452, any new state employee who is eligible may elect to participate in the defined contribution plan. An eligible employee may make an election at any time during the first six months of employment to participate in the defined contribution plan rather than the defined benefit plan under Chapter 54-52. An election to participate in the defined contribution plan is irrevocable.

STATE RETIREMENT PLANS UNDER THE PROPOSED BILL DRAFT

Under the proposed bill draft an eligible employee hired for the first time after December 31, 2015, would be required to enroll in the defined contribution plan under Chapter 54-52.6, rather than the defined benefit plan. The bill draft would not affect Supreme Court or district court judges, employees eligible to participate in the National Guard retirement plan or the law enforcement plan, employees of a political subdivision, or employees of the State Board of Higher Education and state institutions under the jurisdiction of the board that are participating in the TIAA-CREF retirement plan. State employees currently in the defined benefit plan and those hired before January 1, 2016, who elect to participate in the defined benefit plan would continue to participate in the defined benefit plan. However, during the last six months of 2016, a state employee participating in the defined benefit plan may elect to transfer to the defined contribution plan. This election is irrevocable.

SUMMARY OF BILL DRAFT BY SECTION

Section 1 of the bill draft amends the definition of eligible employee under Section 54-52-01(4) of the **defined benefit plan** to include the following: employees hired before January 1, 2016, Supreme Court judges and district court judges, employees eligible to participate in the National Guard retirement plan or a law enforcement retirement plan, employees of a political subdivision, and employees of the State Board of Higher Education and state institutions under the jurisdiction of the board who are participating in the TIAA-CREF retirement plan.

Section 2 of the bill draft amends Section 54-52-02.5 of the **defined benefit plan** to include newly elected and appointed state officials who are elected and appointed for the first time under the defined contribution plan under Chapter 54-52.6, after December 31, 2015.

Section 3 of the bill draft amends Section 54-52-02.9 of the **defined benefit plan** to allow temporary employees to elect to participate under the defined benefit plan until December 31, 2015. New temporary employees hired after December 31, 2015, will not be able to elect to participate under the defined benefit plan. The bill draft also clarifies the contribution percentage of 14.12 percent, which is the sum of the original 8.12 percent plus 2 percent increases in each of 2012, 2013, and 2014.

Section 4 of the bill draft amends the definition of eligible employee under Section 54-52.6-01(3) of the **defined contribution plan** to include state employees hired after December 31, 2015, except: Supreme Court judges and district court judges, employees eligible to participate in the National Guard retirement plan or a law enforcement retirement plan, employees of a political subdivision, and employees of the State Board of Higher Education and state institutions under the jurisdiction of the board who are participating in the TIAA-CREF retirement plan. The bill draft also amends the definition of participating employees under Section 54-52.6-01(6), removing the election requirement for employees to participate under the defined contribution plan. The bill draft also amends Section 54-52.6-01 adding a definition of temporary employee, which includes temporary employees under the defined contribution plan. The new definitions would take effect on January 1, 2016.

Section 5 of the bill draft amends Section 54-52.6-02 of the **defined contribution plan** and provides that newly hired eligible employees have an option to elect to participate in the defined contribution plan until December 31, 2015.

This section also includes an election for all eligible employees who are members of PERS on June 30, 2016, to terminate membership under the defined benefit retirement plan and transfer to the defined contribution retirement plan. The election period would begin July 1, 2016, and would end December 31, 2016.

The section also makes clear that the contribution percentage under the section relating to temporary employee contributions is 14.12 percent, which is the sum of the original 8.12 percent plus 2 percent increases in 2012, 2013, and 2014.

Section 6 of the bill draft creates Section 54-52.6-02.1 under the **defined contribution plan** defining the membership under Chapter 54-52.6 of the defined contribution plan to include all eligible employees, as well as any temporary employees who elect to participate under the defined contribution plan. The effective date of the section would be January 1, 2016.

Section 7 of the bill draft amends Section 54-52.6-03 of the **defined contribution plan** to adjust the suspension date of the section from July 31, 2017, to December 31, 2015, and to provide a single formula to calculate the amount transferred when an employee makes an election to terminate membership under the defined benefit plan and transfer to the defined contribution plan.