

Introduced by

Legislative Management

(Retirement Committee)

1 A BILL for an Act to create and enact sections 54-52-02.15, 54-52.2-09, 54-52.6-02.1,  
2 54-52.6-05.1, 54-52.6-09.5, 54-52.6-09.6, and 54-52.6-22 of the North Dakota Century Code,  
3 relating to the closure of the public employees retirement system main plan, the deferred  
4 compensation program, and expansion of the defined contribution retirement plan; to amend  
5 and reenact section 6-09.4-10.1, paragraph 1 of subdivision a of subsection 1 of section  
6 15-39.1-10.3, sections 21-10-13, 54-52-01, 54-52-02.5, 54-52-02.9, 54-52-02.11, and  
7 54-52-02.12, subsection 2 of section 54-52-05, sections 54-52-06 and 54-52-14.3, subdivision b  
8 of subsection 1 of section 54-52-17.2, and sections 54-52.6-01, 54-52.6-02, 54-52.6-03,  
9 54-52.6-05, 54-52.6-08, 54-52.6-09, 54-52.6-10, 54-52.6-13, 54-52.6-15, and 54-52.6-19 of the  
10 North Dakota Century Code, relating to a transfer from the legacy earnings fund to the public  
11 employees retirement system main plan and the public employees retirement system defined  
12 benefit and defined contribution retirement plans; to repeal section 54-52-06.5 of the North  
13 Dakota Century Code, relating to public employees retirement system retirement plan  
14 contribution rates upon reaching full funding; to provide ~~an appropriation~~ for a study; to provide  
15 for a transfer; to provide for application; and to provide an effective date.

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

17 **SECTION 1. AMENDMENT.** Section 6-09.4-10.1 of the North Dakota Century Code is  
18 amended and reenacted as follows:

19 **6-09.4-10.1. Legacy sinking and interest fund - Debt service requirements - Public**  
20 **finance authority.**

21 There is created in the state treasury the legacy sinking and interest fund. The fund consists  
22 of all moneys deposited in the fund under section 21-10-13. Moneys in the fund may be spent  
23 by the public finance authority pursuant to legislative appropriations to meet the debt service  
24 requirements for evidences of indebtedness issued by the authority for transfer to the Bank of

1 North Dakota for allocations to infrastructure projects and programs. Any moneys in the fund in-  
2 excess of the amounts appropriated from the fund to meet the debt service requirements for a  
3 biennium must be transferred by the state treasurer to the public employees retirement system  
4 main system plan under chapter 54-52, but only if the public employees retirement system main  
5 system plan's actuarial funded ratio as reported for the most recently completed even-  
6 numbered fiscal year is less than ninety percent. If the public employees retirement system  
7 main system plan's actuarial funded ratio is ninety percent or more and then subsequently  
8 decreases below ninety percent, the state treasurer may not resume the transfers under this  
9 subdivision unless the main system plan's actuarial funded ratio is less than seventy percent.

10 **SECTION 2. AMENDMENT.** Paragraph 1 of subdivision a of subsection 1 of section  
11 15-39.1-10.3 of the North Dakota Century Code is amended and reenacted as follows:

- 12 (1) The public employees retirement system, except an "eligible employee" as  
13 that term is defined under section 54-52-02.15.

14 **SECTION 3. AMENDMENT.** Section 21-10-13 of the North Dakota Century Code is  
15 amended and reenacted as follows:

16 **21-10-13. Legacy earnings fund - State treasurer - Transfers.**

- 17 1. There is created in the state treasury the legacy earnings fund. The fund consists of all  
18 moneys transferred to the fund under subsection 2 and all interest and earnings upon  
19 moneys in the fund.
- 20 2. Any legacy fund earnings transferred to the general fund at the end of each biennium  
21 in accordance with section 26 of article X of the Constitution of North Dakota must be  
22 immediately transferred by the state treasurer to the legacy earnings fund.
- 23 3. For each biennium subsequent to the biennium in which the legacy fund earnings are  
24 transferred under subsection 2, the amount available for appropriation from the legacy  
25 earnings fund is seven percent of the five-year average value of the legacy fund  
26 assets as reported by the state investment board. The average value of the legacy  
27 fund assets must be calculated using the value of the assets at the end of each fiscal  
28 year for the five-year period ending with the most recently completed even-numbered  
29 fiscal year.

- 1           4.    On July first of each odd-numbered year, from the amount available for appropriation  
2                    or transfer from the legacy earnings fund for the biennium, the state treasurer shall  
3                    transfer funding in the following order:
- 4            a.    The lesser of the first one hundred fifty million dollars or an amount equal to any  
5                    legislative appropriations to meet the debt service requirements for a biennium  
6                    for evidences of indebtedness issued by the public finance authority for transfer  
7                    to the Bank of North Dakota for allocations to infrastructure projects and  
8                    programs to the legacy sinking and interest fund under section 6-09.4-10.1.
- 9            b.    The next seventy million dollars to the public employees retirement system for  
10                   administrative expenses for chapters 54-52 and 54-52.6 and for the unfunded  
11                   liability of the main system plan under chapter 54-52, but only if the public  
12                   employees retirement system main system plan's actuarial funded ratio as  
13                   reported for the most recently completed even-numbered fiscal year is less than  
14                   ninety percent. If the public employees retirement system main system plan's  
15                   actuarial funded ratio is ninety percent or more and subsequently decreases  
16                   below ninety percent, the state treasurer may not resume the transfers under this  
17                   subdivision unless the main system plan's actuarial funded ratio is less than  
18                   seventy percent as reported for the most recently completed even-numbered  
19                   fiscal year.
- 20            c.    The next sixty million dollars to the highway tax distribution fund for allocations  
21                    under section 54-27-19.
- 22            e.d.  Any remaining funds for other purposes as designated by the legislative  
23                    assembly, including:
- 24                    (1)  Up to fifty million dollars for tax relief pursuant to appropriations or transfers  
25                            authorized by the legislative assembly;
- 26                    (2)  Up to thirty million dollars to the clean sustainable energy fund pursuant to  
27                            appropriations or transfers authorized by the legislative assembly; and
- 28                    (3)  Up to thirty million dollars for university research programs, the innovation  
29                            loan fund to support technology advancement, and workforce enrichment  
30                            initiatives pursuant to appropriations or transfers authorized by the  
31                            legislative assembly.

- 1           5. If the amounts transferred under subsection 2 exceed the amount available for  
2           appropriation under subsection 3, an amount equal to any appropriations from the  
3           legacy sinking and interest fund for bond payments under section 6-09.4-10.1 must be  
4           retained in the legacy earnings fund through June 30, 2025, after which an amount  
5           equal to twice any appropriations from the legacy sinking and interest fund under  
6           section 6-09.4-10.1 for bond payments, but not more than one hundred fifty million  
7           dollars, must be retained in the legacy earnings fund. After deducting any amounts to  
8           be retained in the legacy earnings fund, the state treasurer shall transfer, within thirty  
9           days, any remaining amounts under this subsection in the following order:
- 10           a. The first one hundred million dollars to the legacy fund to become part of the  
11           principal.
- 12           b. Any remaining amount to the strategic investment and improvements fund to be  
13           used in accordance with the provisions of section 15-08.1-08.

14           **SECTION 4. AMENDMENT.** Section 54-52-01 of the North Dakota Century Code is  
15 amended and reenacted as follows:

16           **54-52-01. Definition of terms.**

17           As used in this chapter, unless the context otherwise requires:

- 18           1. "Account balance" means the total contributions made by the employee, vested  
19           employer contributions under section 54-52-11.1, the vested portion of the vesting  
20           fund as of June 30, 1977, and interest credited thereon at the rate established by the  
21           board.
- 22           2. "Beneficiary" means any person in receipt of a benefit provided by this plan or any  
23           person designated by a participating member to receive benefits.
- 24           3. "Correctional officer" means a participating member who is employed as a correctional  
25           officer by a political subdivision.
- 26           4. "Deferred member" means a participating member who is not actively participating in  
27           the main plan under this chapter and who has an account intact in the main plan under  
28           this chapter.
- 29           5. "Eligible employee", except as otherwise provided under section 54-52-02.15, means  
30           ~~a~~ a permanent employees~~employee~~ who meet~~meets~~ all of the eligibility requirements  
31           set by this chapter and who ~~are~~ is eighteen years or more of age, ~~and. The term~~

1 includes appointive and elective officials under sections 54-52-02.5, 54-52-02.11, and  
2 54-52-02.12, and nonteaching employees of the superintendent of public instruction,  
3 including the superintendent of public instruction, who elect to transfer from the  
4 teachers' fund for retirement to the public employees retirement system under section  
5 54-52-02.13, and employees of the state board for career and technical education who  
6 elect to transfer from the teachers' fund for retirement to the public employees  
7 retirement system under section 54-52-02.14. ~~Eligible employee~~The term does not  
8 include nonclassified state employees who ~~elect~~elect under section 54-52.6-02 to  
9 become members of the retirement plan established under chapter 54-52.6 ~~but~~. The  
10 term does include employees of the judicial branch and employees of the board of  
11 higher education and state institutions under the jurisdiction of the board of higher  
12 education.

13 ~~5-6.~~ "Employee" means any individual employed by a governmental unit, whose  
14 compensation is paid out of the governmental unit's funds, or funds controlled or  
15 administered by a governmental unit, or paid by the federal government through any of  
16 its executive or administrative officials; licensed employees of a school district means  
17 those employees eligible to participate in the teachers' fund for retirement who, except  
18 under subsection 2 of section 54-52-17.2, are not eligible employees under this  
19 chapter.

20 ~~6-7.~~ "Employer" means a governmental unit.

21 ~~7-8.~~ "Firefighter" means a participating member who is employed as a firefighter by a  
22 political subdivision and, notwithstanding subsection 13, for an individual employed  
23 after July 31, 2017, is employed at least thirty-two hours per week and at least twenty  
24 weeks each year of employment. A firefighter who is a participating member of the law  
25 enforcement retirement plan created by this chapter who begins employment after  
26 July 31, 2017, is ineligible to participate concurrently in any other retirement plan  
27 administered by the public employees retirement system. The term does not include a  
28 firefighter employee of the North Dakota national guard.

29 ~~8-9.~~ "Funding agent" or "agents" means an investment firm, trust bank, or other financial  
30 institution which the retirement board may select to hold and invest the employers' and  
31 members' contributions.

Sixty-eighth  
Legislative Assembly

- 1    ~~9-10.~~    "Governmental unit" means the state of North Dakota, except the highway patrol for  
2                   members of the retirement plan created under chapter 39-03.1, or a participating  
3                   political subdivision ~~thereof~~ of the state.
- 4    ~~10-11.~~ "National guard security officer or firefighter" means a participating member who is:  
5                   a.    A security police employee of the North Dakota national guard; or  
6                   b.    A firefighter employee of the North Dakota national guard.
- 7    ~~11-12.~~ "Participating member" means an eligible employee who through payment into the  
8                   plan has established a claim against the plan.
- 9    ~~12-13.~~ "Peace officer" means a participating member who is a peace officer as defined in  
10                   section 12-63-01 and is employed as a peace officer by the bureau of criminal  
11                   investigation or by a political subdivision and, notwithstanding subsection 13, for  
12                   persons employed after August 1, 2005, is employed thirty-two hours or more per  
13                   week and at least twenty weeks each year of employment. A peace officer who is a  
14                   participating member of the law enforcement retirement plan created by this chapter  
15                   who begins employment after August 1, 2005, is ineligible to participate concurrently in  
16                   any other retirement plan administered by the public employees retirement system.
- 17   ~~13-14.~~ "Permanent employee" means ~~a governmental unit~~ an employee whose services are  
18                   not limited in duration and who is filling an approved and regularly funded position in  
19                   an eligible governmental unit, and is employed twenty hours or more per week and at  
20                   least twenty weeks each year of employment.
- 21   ~~14-15.~~ "Prior service" means service or employment before July 1, 1966.
- 22   ~~15-16.~~ "Prior service credit" means such credit toward a retirement benefit as the retirement  
23                   board may determine under the provisions of this chapter.
- 24   ~~16-17.~~ "Public employees retirement system" means the retirement plan and program  
25                   established by this chapter.
- 26   ~~17-18.~~ "Retirement" means the acceptance of a retirement allowance under this chapter upon  
27                   either termination of employment or termination of participation in the retirement plan.
- 28   ~~18-19.~~ "Retirement board" or "board" means the governing authority created under section  
29                   54-52-03.
- 30   ~~19-20.~~ "Seasonal employee" means a participating member who does not work twelve  
31                   months a year.

1 ~~20-21.~~ "Service" means employment on or after July 1, 1966.

2 ~~21-22.~~ "Service benefit" means the credit toward retirement benefits as determined by the  
3 retirement board under the provisions of this chapter.

4 ~~22-23.~~ "Temporary employee" means a ~~governmental unit~~an employee who is not eligible to  
5 participate as a permanent employee, who is at least eighteen years old and not  
6 actively contributing to another employer-sponsored pension fund, and, if employed by  
7 a school district, occupies a noncertified teacher's position.

8 ~~23-24.~~ "Wages" and "salaries" means the member's earnings in eligible employment under  
9 this chapter reported as salary on the member's federal income tax withholding  
10 statements plus any salary reduction or salary deferral amounts under 26 U.S.C. 125,  
11 401(k), 403(b), 414(h), or 457. "Salary" does not include fringe benefits such as  
12 payments for unused sick leave, personal leave, vacation leave paid in a lump sum,  
13 overtime, housing allowances, transportation expenses, early retirement incentive pay,  
14 severance pay, medical insurance, workforce safety and insurance benefits, disability  
15 insurance premiums or benefits, or salary received by a member in lieu of previously  
16 employer-provided fringe benefits under an agreement between the member and  
17 participating employer. Bonuses may be considered as salary under this section if  
18 reported and annualized pursuant to rules adopted by the board.

19 **SECTION 5. AMENDMENT.** Section 54-52-02.5 of the North Dakota Century Code is  
20 amended and reenacted as follows:

21 **54-52-02.5. Newly elected and appointed state officials.**

22 1. ~~After December 31, 1999, a person~~but before January 1, 2025, an individual elected  
23 or appointed to a state office for the first time must, from and after the date that  
24 ~~person~~individual qualifies and takes office, be a participating member of the public  
25 employees retirement system unless that person makes an election at any time during  
26 the first six months after the date the person takes office to participate in the defined  
27 contribution retirement plan established under chapter 54-52.6.

28 2. After December 31, 2024, an individual elected or appointed to a state office for the  
29 first time, from and after the date that individual qualifies and takes office, must be a  
30 participating member of the defined contribution retirement plan established under  
31 chapter 54-52.6, unless at the time of election or appointment the individual is a

1            participating or deferred member under this chapter, in which case the official remains  
2            a participating member under this chapter.

3            3. As used in this section, the phrase "for the first time" means ~~a person~~ an individual  
4            appointed, who, after December 31, 1999, does not hold office as an appointed official  
5            at the time of that ~~person's~~ individual's appointment.

6            **SECTION 6. AMENDMENT.** Section 54-52-02.9 of the North Dakota Century Code is  
7 amended and reenacted as follows:

8            **54-52-02.9. Participation by temporary employees.**

- 9            1. ~~Within~~ Before January 1, 2025, within one hundred eighty days of beginning  
10            employment, a temporary employee may elect to participate in the public employees  
11            retirement system under this chapter and receive credit for service after enrollment.  
12            Monthly, the temporary employee shall pay to the fund an amount equal to  
13            ~~eight~~ fourteen and twelve hundredths percent times the temporary employee's present  
14            monthly salary. The amount required to be paid by a temporary employee increases  
15            by ~~two~~ one percent times the temporary employee's present monthly salary beginning  
16            with the monthly reporting period of January ~~2012, and with an additional two percent~~  
17            ~~increase, beginning with the reporting period of January 2013, and with an additional~~  
18            ~~increase of two percent, beginning with the monthly reporting period of January~~  
19            ~~2014~~ 2025.
- 20            2. If the temporary employee first enrolled:
- 21            a. Before January 1, 2020, in addition the temporary employee shall pay the  
22            required monthly contribution to the retiree health benefit fund established under  
23            section 54-52.1-03.2. This contribution must be recorded as a member  
24            contribution pursuant to section 54-52.1-03.2.
- 25            b. After December 31, 2019, the temporary employee shall pay to the fund an  
26            additional amount equal to one and fourteen hundredths percent times the  
27            temporary employee's present monthly salary.
- 28            3. A temporary employee who is a participating member under this chapter due to  
29            employment before January 1, 2025, who becomes a permanent employee after  
30            December 31, 2024, qualifies to participate in the defined benefit retirement plan  
31            under this chapter and receive credit for service after enrollment.



1       4. After December 31, 2024, and within one hundred eighty days of beginning  
2       employment, a temporary employee may elect to participate in the defined contribution  
3       retirement plan under chapter 54-52.6.

4       5. An employer may not pay the temporary employee's contributions. A temporary  
5       employee may continue to participate as a temporary employee in the public  
6       employees retirement system until termination of employment or reclassification of the  
7       temporary employee as a permanent employee. A temporary employee may not  
8       purchase any additional credit, including additional credit under section 54-52-17.4 or  
9       past service under section 54-52-02.6.

10       **SECTION 7. AMENDMENT.** Section 54-52-02.11 of the North Dakota Century Code is  
11 amended and reenacted as follows:

12       **54-52-02.11. Participation requirements for nonstate elected officials.**

13       Elected

14       1. Before January 1, 2025, eligible elected officials of participating counties, at their  
15       individual option, may enroll in the defined benefit plan within the first six months of  
16       their term.

17       2. After December 31, 2024, eligible elected officials of participating counties, at their  
18       individual option, may enroll in the defined contribution retirement plan under chapter  
19       54-52.6 within the first six months of their term.

20       **SECTION 8. AMENDMENT.** Section 54-52-02.12 of the North Dakota Century Code is  
21 amended and reenacted as follows:

22       **54-52-02.12. Participation requirements for nonstate appointed officials.**

23       1. Nonstate appointed officials of participating employers appointed on or after August 1,  
24       1999, but before January 1, 2025, who meet the participation requirements of this  
25       chapter must be enrolled in the defined benefit plan effective within the first month of  
26       taking office.

27       2. After December 31, 2024, nonstate appointed officials of participating employers who  
28       meet the participation requirements must be enrolled in the defined contribution  
29       retirement plan under chapter 54-52.6 effective within the first month of taking office.

30       **SECTION 9.** Section 54-52-02.15 of the North Dakota Century Code is created and enacted  
31 as follows:

1 **54-52-02.15. Public employees retirement system main plan - Closure to new hires -**

2 **Multiple plan membership.**

3 1. Under this section "eligible employee" means a permanent employee who:

4 a. Meets all the eligibility requirements set by this chapter;

5 b. Is at least eighteen years of age;

6 c. Becomes a participating member after December 31, 2024; and

7 d. Is not eligible to participate in the law enforcement plan, judges' plan, highway  
8 patrol plan, teachers' fund for retirement plan, or alternative retirement program  
9 established under section 15-10-17 for university system employees.

10 2. Effective January 1, 2025, the public employees retirement system defined benefit  
11 main plan maintained for employees is closed to new eligible employees. However, an  
12 employee who becomes a participating or deferred member under this chapter before  
13 January 1, 2025, remains in the defined benefit retirement plan under this chapter,  
14 regardless of being rehired after December 31, 2024.

15 3. Except as otherwise provided under this section, effective January 1, 2025, an eligible  
16 employee who begins employment with an employer shall participate in the defined  
17 contribution retirement plan under chapter 54-52.6 as provided under section  
18 54-52.6-02.1.

19 4. This section does not impact an employee to the extent the employee is a participating  
20 member in one or more of the following enumerated plans: law enforcement plan,  
21 judges' plan, highway patrol plan, teachers' fund for retirement plan, or alternative  
22 retirement program established under section 15-10-17 for university system  
23 employees.

24 a. A participating or deferred member in the defined contribution retirement plan  
25 under chapter 54-52.6 who becomes eligible to participate in a plan enumerated  
26 under this subsection is eligible to participate in the retirement plan enumerated  
27 under this subsection.

28 b. A participating member of a retirement plan enumerated under this subsection  
29 who becomes an eligible employee is not eligible to participate in the defined  
30 benefit retirement plan under this chapter but instead participates in the defined  
31 contribution retirement plan under chapter 54-52.6. However, this subdivision

1                   does not apply to an individual who before January 1, 2025, is a participating or a  
2                   deferred member under this chapter, as that individual continues to participate in  
3                   the defined benefit retirement plan under this chapter.

4           5.   The board shall adopt rules to implement this section.

5           **SECTION 10. AMENDMENT.** Subsection 2 of section 54-52-05 of the North Dakota  
6 Century Code is amended and reenacted as follows:

7           2.   Each member must be assessed and required to pay monthly ~~four~~seven percent of the  
8           monthly salary or wage paid to the member, and such assessment must be deducted  
9           and retained out of such salary in equal monthly installments commencing with the  
10           first month of employment. ~~Member contributions increase by one percent of the~~  
11           ~~monthly salary or wage paid to the member beginning with the monthly reporting~~  
12           ~~period of January 2012, and with an additional increase of one percent, beginning with~~  
13           ~~the monthly reporting period of January 2013, and with an additional increase of one~~  
14           ~~percent, beginning with the monthly reporting period of January 2014.~~

15   ~~— **SECTION 12. AMENDMENT.** Section 54-52-06 of the North Dakota Century Code is~~  
16   ~~amended and reenacted as follows:~~

17   ~~— **54-52-06. Employer's contribution to retirement plan – Report to the legislative**~~  
18   ~~**assembly employee benefits programs committee.**~~

19   ~~— 1. Each~~

20   ~~— 1. a. As determined by actuarial valuations, each state governmental unit shall~~  
21   ~~contribute to the defined benefit plan an amount equal to four and~~  
22   ~~twelve-hundredths percent of the monthly salary or wage of a participating~~  
23   ~~member. Governmental unit contributions increase by one percent of the monthly~~  
24   ~~salary or wage of a participating member beginning with the monthly reporting~~  
25   ~~period of January 2012; with an additional increase of one percent, beginning~~  
26   ~~with the reporting period of January 2013; and with an additional increase of one~~  
27   ~~percent, beginning with the monthly reporting period of January 2014 on a level~~  
28   ~~percent of compensation basis for all main system defined benefit retirement plan~~  
29   ~~employees and all defined contribution retirement plan employees sufficient~~  
30   ~~under the actuarial valuation to meet both the normal cost plus the actuarially~~  
31   ~~determined amount required to amortize the unfunded accrued liability of the~~

1                   ~~main plan over a closed period of two hundred forty-six months, beginning~~  
2                   ~~January 1, 2025, and continuing through June 30, 2045. By November fifteenth~~  
3                   ~~of each even-numbered year the board shall publish the contribution rate~~  
4                   ~~required under this subsection. The board shall calculate this rate based on the~~  
5                   ~~July first actuarial report of that year.~~

6                   ~~b. Each participating political subdivision shall contribute an amount equal to eight~~  
7                   ~~and twelve hundredths percent of the monthly salary or wage of a participating~~  
8                   ~~member.~~

9                   ~~c. For a participating member who first enrolls after December 31, 2019, the~~  
10                  ~~governmental unit a participating political subdivision shall contribute an additional~~  
11                  ~~amount equal to one and fourteen hundredths percent of the monthly salary or~~  
12                  ~~wage of the participating member.~~

13                 ~~2. For those members who elect to exercise their rights under section 54-52-17.14, the~~  
14                 ~~employing governmental unit, or in the case of a member not presently under covered~~  
15                 ~~employment the most recent employing governmental unit, shall pay the associated~~  
16                 ~~employer contribution. If the employee's contribution is paid by the governmental unit~~  
17                 ~~under subsection 3 of section 54-52-05, the employer unit shall contribute, in addition,~~  
18                 ~~an amount equal to the required employee's contribution. Each governmental unit~~  
19                 ~~shall pay the contribution monthly, or in the case of an election made pursuant to~~  
20                 ~~section 54-52-17.14 a lump sum, into the retirement fund from the governmental unit's~~  
21                 ~~funds appropriated for payroll and salary or any other funds available for these~~  
22                 ~~purposes. Any governmental unit failing to pay the contributions monthly, or in the~~  
23                 ~~case of an election made pursuant to section 54-52-17.14 a lump sum, or failing to~~  
24                 ~~otherwise comply with the board's established wage reporting or payroll reporting~~  
25                 ~~process requirements, is subject to a civil penalty of fifty dollars and, as interest, one~~  
26                 ~~percent of the amount due for each month of delay or fraction of a month after the~~  
27                 ~~payment became due. In lieu of assessing a civil penalty or one percent per month, or~~  
28                 ~~both, interest at the actuarial rate of return may be assessed for each month the~~  
29                 ~~contributions are delinquent. If contributions are paid within ninety days of the date the~~  
30                 ~~contributions became due, penalty and interest to be paid on delinquent contributions~~  
31                 ~~may be waived.~~

1 ~~3. An employer is required to submit contributions for any past eligible employee who~~  
2 ~~was employed after July 1, 1977, for which contributions were not made if the~~  
3 ~~employee would have been eligible to become vested had the employee participated~~  
4 ~~and if the employee elects to join the public employees retirement system. Employer~~  
5 ~~contributions may not be assessed for eligible service that an employee has waived~~  
6 ~~pursuant to subsection 1 of section 54-52-05.~~

7 ~~4. The~~~~Annually, the board shall report to each session of the legislative assembly~~~~the~~  
8 ~~employee benefits programs committee the contributions necessary, as determined by~~  
9 ~~the actuarial study, to maintain the fund's actuarial soundness.~~

10 **SECTION 11. AMENDMENT.** Section 54-52-06 of the North Dakota Century Code is  
11 amended and reenacted as follows:

12 **54-52-06. Employer's contribution to retirement plan - Report to the ~~legislative~~**  
13 **~~assembly~~employee benefits programs committee.**

- 14 1. Each governmental unit shall contribute an amount equal to four and  
15 twelve-hundredths percent of the monthly salary or wage of a participating member.  
16 Governmental unit contributions increase by one percent of the monthly salary or  
17 wage of a participating member beginning with the monthly reporting period of  
18 January 2012; with an additional increase of one percent, beginning with the reporting  
19 period of January 2013; ~~and~~ with an additional increase of one percent, beginning with  
20 the monthly reporting period of January 2014; and with an additional increase of  
21 one percent, beginning with the monthly reporting period of January 2024. For a  
22 participating member who first enrolls after December 31, 2019, the governmental unit  
23 shall contribute an additional amount equal to one and fourteen-hundredths percent of  
24 the monthly salary or wage of the participating member.
- 25 2. For those members who elect to exercise their rights under section 54-52-17.14, the  
26 employing governmental unit, or in the case of a member not presently under covered  
27 employment the most recent employing governmental unit, shall pay the associated  
28 employer contribution. If the employee's contribution is paid by the governmental unit  
29 under subsection 3 of section 54-52-05, the employer unit shall contribute, in addition,  
30 an amount equal to the required employee's contribution. Each governmental unit  
31 shall pay the contribution monthly, or in the case of an election made pursuant to

1 section 54-52-17.14 a lump sum, into the retirement fund from the governmental unit's  
2 funds appropriated for payroll and salary or any other funds available for these  
3 purposes. Any governmental unit failing to pay the contributions monthly, or in the  
4 case of an election made pursuant to section 54-52-17.14 a lump sum, or failing to  
5 otherwise comply with the board's established wage reporting or payroll reporting  
6 process requirements, is subject to a civil penalty of fifty dollars and, as interest, one  
7 percent of the amount due for each month of delay or fraction of a month after the  
8 payment became due. In lieu of assessing a civil penalty or one percent per month, or  
9 both, interest at the actuarial rate of return may be assessed for each month the  
10 contributions are delinquent. If contributions are paid within ninety days of the date the  
11 contributions became due, penalty and interest to be paid on delinquent contributions  
12 may be waived.

13 3. An employer is required to submit contributions for any past eligible employee who  
14 was employed after July 1, 1977, for which contributions were not made if the  
15 employee would have been eligible to become vested had the employee participated  
16 and if the employee elects to join the public employees retirement system. Employer  
17 contributions may not be assessed for eligible service that an employee has waived  
18 pursuant to subsection 1 of section 54-52-05.

19 4. ~~The~~Annually, the board shall report to ~~each session of the legislative assembly~~the  
20 employee benefits programs committee the contributions necessary, as determined by  
21 the actuarial study, to maintain the fund's actuarial soundness.

22 **SECTION 12. AMENDMENT.** Section 54-52-06 of the North Dakota Century Code is  
23 amended and reenacted as follows:

24 **54-52-06. Employer's contribution to retirement plan - Report to the ~~legislative~~**  
25 **~~assembly~~employee benefits programs committee.**

26 ~~1. Each~~

27 1. a. As determined by actuarial valuations, each state governmental unit shall  
28 contribute to the defined benefit plan an amount ~~equal to four and~~  
29 ~~twelve-hundredths percent of the monthly salary or wage of a participating~~  
30 ~~member. Governmental unit contributions increase by one percent of the monthly~~  
31 ~~salary or wage of a participating member beginning with the monthly reporting~~

1 ~~period of January 2012; with an additional increase of one percent, beginning~~  
2 ~~with the reporting period of January 2013; with an additional increase of one~~  
3 ~~percent, beginning with the monthly reporting period of January 2014; and with~~  
4 ~~an additional increase of one percent, beginning with the monthly reporting~~  
5 ~~period of January 2024~~on a level percent of compensation basis for all main  
6 system defined benefit retirement plan employees and all defined contribution  
7 retirement plan employees sufficient under the actuarial valuation to meet both  
8 the normal cost plus the actuarially determined amount required to amortize the  
9 unfunded accrued liability of the main plan over a closed period of two hundred  
10 forty-six months, beginning January 1, 2026, and continuing through June 30,  
11 2046. By November fifteenth of each even-numbered year the board shall publish  
12 the contribution rate required under this subsection. The board shall calculate this  
13 rate based on the July first actuarial report of that year.

14 b. Each participating political subdivision shall contribute an amount equal to eight  
15 and twelve-hundredths percent of the monthly salary or wage of a participating  
16 member.

17 c. For a participating member who first enrolls after December 31, 2019, ~~the~~  
18 governmental unita participating political subdivision shall contribute an additional  
19 amount equal to one and fourteen-hundredths percent of the monthly salary or  
20 wage of the participating member.

21 2. For those members who elect to exercise their rights under section 54-52-17.14, the  
22 employing governmental unit, or in the case of a member not presently under covered  
23 employment the most recent employing governmental unit, shall pay the associated  
24 employer contribution. If the employee's contribution is paid by the governmental unit  
25 under subsection 3 of section 54-52-05, the employer unit shall contribute, in addition,  
26 an amount equal to the required employee's contribution. Each governmental unit  
27 shall pay the contribution monthly, or in the case of an election made pursuant to  
28 section 54-52-17.14 a lump sum, into the retirement fund from the governmental unit's  
29 funds appropriated for payroll and salary or any other funds available for these  
30 purposes. Any governmental unit failing to pay the contributions monthly, or in the  
31 case of an election made pursuant to section 54-52-17.14 a lump sum, or failing to

1 otherwise comply with the board's established wage reporting or payroll reporting  
2 process requirements, is subject to a civil penalty of fifty dollars and, as interest, one  
3 percent of the amount due for each month of delay or fraction of a month after the  
4 payment became due. In lieu of assessing a civil penalty or one percent per month, or  
5 both, interest at the actuarial rate of return may be assessed for each month the  
6 contributions are delinquent. If contributions are paid within ninety days of the date the  
7 contributions became due, penalty and interest to be paid on delinquent contributions  
8 may be waived.

9 3. An employer is required to submit contributions for any past eligible employee who  
10 was employed after July 1, 1977, for which contributions were not made if the  
11 employee would have been eligible to become vested had the employee participated  
12 and if the employee elects to join the public employees retirement system. Employer  
13 contributions may not be assessed for eligible service that an employee has waived  
14 pursuant to subsection 1 of section 54-52-05.

15 4. Annually, the board shall report to the employee benefits programs committee the  
16 contributions necessary, as determined by the actuarial study, to maintain the fund's  
17 actuarial soundness.

18 **SECTION 13. AMENDMENT.** Section 54-52-14.3 of the North Dakota Century Code is  
19 amended and reenacted as follows:

20 **54-52-14.3. Public employee retirement funds - Use and investment.**

21 Any provision of law relating to the use and investment of public employee retirement funds  
22 must be deemed a part of the employment contracts of the employees participating in any  
23 public employee retirement system. All moneys from any source paid into any public employee  
24 retirement system fund created by the laws of this state must be used and invested only for the  
25 exclusive benefit of the members, retirees, and beneficiaries of ~~that~~the retirement system,  
26 including the payment of system administrative costs.

27 **SECTION 14. AMENDMENT.** Subdivision b of subsection 1 of section 54-52-17.2 of the  
28 North Dakota Century Code is amended and reenacted as follows:

29 b. ~~Pursuant~~Subject to section 54-52-02.15 and pursuant to rules adopted by the  
30 board, an employee who has service credit in the system and in any of the plans  
31 described in paragraphs 1 and 2 of subdivision a is entitled to benefits under this



1 chapter. The benefits of a temporary employee employed after July 31, 2015,  
2 must be calculated using the benefit formula in section 54-52-17. A permanent  
3 employee or a temporary employee employed before August 1, 2015, may elect  
4 to have benefits calculated using the benefit formula in section 54-52-17 under  
5 either of the following methods:

- 6 (1) The final average salary as calculated in section 54-52-17. If the  
7 participating member has worked for less than thirty-six months at  
8 retirement, the final average salary is the average salary for the total months  
9 of employment.
- 10 (2) The final average salary as calculated in section 54-52-17 for employment  
11 with any of the three eligible employers under this subdivision, with service  
12 credit not to exceed one month in any month when combined with the  
13 service credit earned in the alternate retirement system.

14 **SECTION 15.** Section 54-52.2-09 of the North Dakota Century Code is created and enacted  
15 as follows:

16 **54-52.2-09. Employer match for members of defined contribution retirement plan.**

17 An employee who first participated in the defined contribution retirement plan under chapter  
18 54-52.6 after December 31, 2024, who elects to contribute less than the optional three percent  
19 of wages or salary under subdivision b of subsection 1 of section 54-52.6-09, who participates  
20 in the deferred compensation program under this chapter, qualifies for employer matching of  
21 contributions made under this section. The employee may elect to contribute an amount of  
22 wages or salary which does not exceed any remaining balance of the optional three percent  
23 contribution and the employer shall match this contribution. This section does not limit the ability  
24 of an employee to contribute unmatched wages or salary under this chapter, subject to federal  
25 contribution limitations.

26 **SECTION 16. AMENDMENT.** Section 54-52.6-01 of the North Dakota Century Code is  
27 amended and reenacted as follows:

28 **54-52.6-01. Definition of terms.**

29 As used in this chapter, unless the context otherwise requires:

- 30 1. "Board" means the public employees retirement system board.

- 1           2.   ~~"Deferred member" means a person who elected to receive deferred vested retirement~~  
2           ~~benefits~~an individual who is not actively participating in the main plan under chapter  
3           ~~54-52 who has an account intact in the main plan under chapter 54-52.~~
- 4           3.   ~~"Eligible employee" means a permanent state employee, except an employee of the~~  
5           ~~judicial branch or an employee of the board of higher education and state institutions~~  
6           ~~under the jurisdiction of the board, who is eighteen years or more of age and who is in~~  
7           ~~a position not classified by North Dakota human resource management services. If a~~  
8           ~~participating member loses permanent employee status and becomes a temporary~~  
9           ~~employee, the member may still participate in the defined contribution retirement plan,~~  
10          ~~for employees who become participating members after December 31, 2024, has the~~  
11          ~~same meaning as provided under section 54-52-02.15. For employees who elected to~~  
12          ~~join the defined contribution retirement plan under this chapter before January 1, 2025,~~  
13          ~~the term includes a permanent state employee, except an employee of the judicial~~  
14          ~~branch or an employee of the board of higher education and state institutions under~~  
15          ~~the jurisdiction of the board of higher education, who is at least eighteen years of age~~  
16          ~~and who is in a position not classified by the North Dakota human resource~~  
17          ~~management services.~~
- 18          4.   ~~"Employee" means any person~~an individual employed by ~~the state~~a governmental  
19          ~~unit, whose compensation is paid out of state~~the governmental unit's funds, or funds  
20          controlled or administered by ~~the state~~a governmental unit or paid by the federal  
21          government through any of its executive or administrative officials.
- 22          5.   ~~"Employer" means the state of North Dakota~~a governmental unit.
- 23          6.   ~~"Governmental unit" means the state of North Dakota or a participating political~~  
24          ~~subdivision of the state.~~
- 25          7.   ~~"Normal retirement date" is determined based on subsection 3 of section 54-52-17.~~
- 26          8.   ~~"Participating member" means an eligible employee who elects to~~  
27          ~~participate~~participates in the defined contribution retirement plan established under  
28          this chapter.
- 29          7.9. ~~"Permanent employee" means a state~~an employee whose services are not limited in  
30          duration and who is filling an approved and regularly funded position and is employed  
31          twenty hours or more per week and at least five months each year.

1    ~~8-10.~~   "Temporary employee" means a governmental unit employee who is not an eligible  
2            employee due to not meeting the qualification of being a permanent employee, and  
3            who is not actively contributing to another employer-sponsored pension fund, and, if  
4            employed by a school district, occupies a noncertified teacher's position.

5    11.   "Wages" and "salaries" means earnings in eligible employment under this chapter  
6            reported as salary on a federal income tax withholding statement plus any salary  
7            reduction or salary deferral amounts under 26 U.S.C. 125, 401(k), 403(b), 414(h), or  
8            457. "Salary" does not include fringe benefits such as payments for unused sick leave,  
9            personal leave, vacation leave paid in a lump sum, overtime, housing allowances,  
10           transportation expenses, early retirement, incentive pay, severance pay, medical  
11           insurance, workforce safety and insurance benefits, disability insurance premiums or  
12           benefits, or salary received by a member in lieu of previously employer-provided fringe  
13           benefits under an agreement between an employee and a participating employer.  
14           Bonuses may be considered as salary under this section if reported and annualized  
15           pursuant to rules adopted by the board.

16        **SECTION 17. AMENDMENT.** Section 54-52.6-02 of the North Dakota Century Code is  
17    amended and reenacted as follows:

18        **54-52.6-02. Election.**

19        1.   The board shall provide an opportunity for each eligible employee who is a member of  
20            the public employees retirement system on September 30, 2001, and who has not  
21            made a written election under this section to transfer to the defined contribution  
22            retirement plan before October 1, 2001, to elect in writing to terminate membership in  
23            the public employees retirement system and elect to become a participating member  
24            under this chapter. Except as provided in section 54-52.6-03, an election made by an  
25            eligible employee under this section is irrevocable. The board shall accept written  
26            elections under this section from eligible employees during the period beginning on  
27            July 1, 1999, and ending 12:01 a.m. December 14, 2001. An eligible employee who  
28            does not make a written election or who does not file the election during the period  
29            specified in this section continues to be a member of the public employees retirement  
30            system. An eligible employee who makes and files a written election under this section  
31            ceases to be a member of the public employees retirement system effective twelve

1 midnight December 31, 2001; becomes a participating member in the defined  
2 contribution retirement plan under this chapter effective 12:01 a.m. January 1, 2002;  
3 and waives all of that person's rights to a pension, annuity, retirement allowance,  
4 insurance benefit, or any other benefit under the public employees retirement system  
5 effective December 31, 2001. This section does not affect ~~a person's~~ an individual's  
6 right to health benefits or retiree health benefits under chapter 54-52.1. An eligible  
7 employee who is first employed and entered upon the payroll of that person's  
8 employer after September 30, 2001, and before January 1, 2025, may make an  
9 election to participate in the defined contribution retirement plan established under this  
10 chapter at any time during the first six months after the date of employment. If the  
11 board, in its sole discretion, determines that the employee was not adequately notified  
12 of the employee's option to participate in the defined contribution retirement plan, the  
13 board may provide the employee a reasonable time within which to make that election,  
14 which may extend beyond the original six-month decision window.

- 15 2. If an individual who is a deferred member of the public employees retirement system  
16 on September 30, 2001, is re-employed before January 1, 2025, and by virtue of that  
17 employment is again eligible for membership in the public employees retirement  
18 system under chapter 54-52, the individual may elect in writing to remain a member of  
19 the public employees retirement system or if eligible to participate in the defined  
20 contribution retirement plan established under this chapter to terminate membership in  
21 the public employees retirement system and become a participating member in the  
22 defined contribution retirement plan established under this chapter. An election made  
23 by a deferred member under this section is irrevocable. The board shall accept written  
24 elections under this section from a deferred member during the period beginning on  
25 the date of the individual's re-employment and ending upon the expiration of six  
26 months after the date of that re-employment. If the board, in its sole discretion,  
27 determines that the employee was not adequately notified of the employee's option to  
28 participate in the defined contribution retirement plan, the board may provide the  
29 employee a reasonable time within which to make that election, which may extend  
30 beyond the original six-month decision window. A deferred member who makes and  
31 files a written election to remain a member of the public employees retirement system

1 retains all rights and is subject to all conditions as a member of that retirement system.  
2 A deferred member who does not make a written election or who does not file the  
3 election during the period specified in this section continues to be a member of the  
4 public employees retirement system. A deferred member who makes and files a  
5 written election to terminate membership in the public employees retirement system  
6 ceases to be a member of the public employees retirement system effective on the  
7 last day of the payroll period that includes the date of the election; becomes a  
8 participating member in the defined contribution retirement plan under this chapter  
9 effective the first day of the payroll immediately following the date of the election; and  
10 waives all of that person's rights to a pension, an annuity, a retirement allowance,  
11 insurance benefit, or any other benefit under the public employees retirement system  
12 effective the last day of the payroll that includes the date of the election. This section  
13 does not affect any right to health benefits or retiree health benefits to which the  
14 deferred member may otherwise be entitled.

- 15 3. An eligible employee who elects under this section to participate in the retirement plan  
16 established under this chapter must remain a participant even if that employee returns  
17 to the classified service or becomes employed by a political subdivision that  
18 participates in the public employees retirement system. The contribution amount must  
19 be as provided in this chapter, regardless of the position in which the employee is  
20 employed. Notwithstanding the irrevocability provisions of this chapter, if a member  
21 who elects to participate in the retirement plan established under this chapter  
22 becomes a supreme or district court judge, becomes a member of the highway patrol,  
23 becomes employed in a position subject to teachers' fund for retirement membership,  
24 or becomes an employee of the board of higher education or state institution under the  
25 jurisdiction of the board of higher education who is eligible to participate in an  
26 alternative retirement program established under subsection 6 of section 15-10-17, the  
27 member's status as a member of the defined contribution retirement plan is  
28 suspended, and the member becomes a new member of the retirement plan for which  
29 that member's new position is eligible. The member's account balance remains in the  
30 defined contribution retirement plan, but no new contributions may be made to that  
31 account. The member's service credit and salary history that were forfeited as a result

1 of the member's transfer to the defined contribution retirement plan remain forfeited,  
2 and service credit accumulation in the new retirement plan begins from the first day of  
3 employment in the new position. If the member later returns to employment that is  
4 eligible for the defined contribution retirement plan, the member's suspension must be  
5 terminated, the member again becomes a member of the defined contribution  
6 retirement plan, and the member's account resumes accepting contributions. At the  
7 member's option, and pursuant to rules adopted by the board, the member may  
8 transfer any available balance as determined by the provisions of the alternate  
9 retirement plan into the member's account under this chapter.

10 4. After consultation with its actuary, the board shall determine the method by which a  
11 participating member or deferred member may make a written election under this  
12 section. If the participating member or deferred member is married at the time of the  
13 election, the election is not effective unless the election is signed by the individual's  
14 spouse. However, the board may waive this requirement if the spouse's signature  
15 cannot be obtained because of extenuating circumstances.

16 5. If the board receives notification from the internal revenue service that this section or  
17 any portion of this section will cause the public employees retirement system or the  
18 retirement plan established under this chapter to be disqualified for tax purposes  
19 under the Internal Revenue Code, then the portion that will cause the disqualification  
20 does not apply.

21 6. A participating member under this section who becomes a temporary employee may  
22 still participate in the defined contribution retirement plan upon filing an election with  
23 the board within one hundred eighty days of transferring to temporary employee  
24 status. The participating member may not become a member of the defined benefit  
25 plan as a temporary employee.

26 a. The temporary employee electing to participate in the defined contribution  
27 retirement plan shall pay ~~monthly to the fund an amount equal to eight and twelve-~~  
28 ~~hundredths percent times the temporary employee's present monthly salary. The~~  
29 ~~amount required to be paid by a temporary employee increases by two percent-~~  
30 ~~times the temporary employee's present monthly salary beginning with the~~  
31 ~~monthly reporting period of January 2012, and with an additional increase of two-~~

1 percent, beginning with the monthly reporting period of January 2013, and with  
2 an additional increase of two percent, beginning with the monthly reporting period  
3 of January 2014. The temporary employee shall also pay the required monthly  
4 contribution to the retiree health benefit fund established under section  
5 ~~54-52.1-03.2~~. This contribution must be recorded as a member contribution  
6 pursuant to section ~~54-52.1-03.2~~ into the plan as provided under section  
7 54-52.6-09.6.

8 b. An employer may not pay the temporary employee's contributions.

9 c. A temporary employee may continue to participate as a temporary employee until  
10 termination of employment or reclassification of the temporary employee as a  
11 permanent employee.

12 7. A former participating member under this section who has accepted a retirement  
13 distribution pursuant to section 54-52.6-13 and who subsequently becomes employed  
14 by an entity different from the employer with which the member was employed at the  
15 time the member retired but which does participate in any state-sponsored retirement  
16 plan may, before re-enrolling in the defined contribution retirement plan, elect to  
17 permanently waive future participation in the defined contribution retirement plan,  
18 whatever plan in which the new employing entity participates, and the retiree health  
19 program and maintain that member's retirement status. Neither the member nor the  
20 employer are required to make any future retirement contributions on behalf of that  
21 employee.

22 8. After December 31, 2024, an eligible employee is no longer allowed to elect  
23 participation under this section.

24 **SECTION 18.** Section 54-52.6-02.1 of the North Dakota Century Code is created and  
25 enacted as follows:

26 **54-52.6-02.1. Participation in defined contribution retirement plan.**

27 1. Except as otherwise provided under section 54-52-02.5 or 54-52-02.15 or this chapter,  
28 effective January 1, 2025, an eligible employee who is first enrolled shall participate in  
29 the defined contribution retirement plan under this chapter.

30 2. A temporary employee may elect to participate in the defined contribution retirement  
31 plan as provided under section 54-52.6-09.6.

1       3. A county elected official may elect to participate in the defined contribution retirement  
2           plan as provided under section 54-52-02.11.

3       4. A nonstate appointed official shall participate in the defined contribution retirement  
4           plan as provided under section 54-52-02.12.

5       **SECTION 19. AMENDMENT.** Section 54-52.6-03 of the North Dakota Century Code is  
6 amended and reenacted as follows:

7       **54-52.6-03. Transfer of accumulated fund balances.**

8       1. For an individual who elects under section 54-52.6-02 to terminate membership in the  
9 public employees retirement system under chapter 54-52, the board shall transfer a  
10 lump sum amount from the retirement fund to the participating member's account in  
11 the defined contribution retirement plan under this chapter. However, if the individual  
12 terminates employment ~~prior to~~before receiving the lump sum transfer under this  
13 section, the election made under section 54-52.6-02 is ineffective and the individual  
14 remains a member of the public employees retirement system under chapter 54-52  
15 and retains all the rights and benefits provided under that chapter. The board shall  
16 calculate the amount to be transferred for persons employed before October 1, 2001,  
17 using the two following formulas, and shall transfer the greater of the two amounts  
18 obtained:

19       ~~1.a.~~ The actuarial present value of the individual's accumulated benefit obligation  
20 under the public employees retirement system based on the assumption that the  
21 individual will retire under the earliest applicable normal retirement age, plus  
22 interest from January 1, 2001, to the date of transfer, at the rate of one-half of  
23 one percent less than the actuarial interest assumption at the time of the election;  
24 or

25       ~~2.b.~~ The actual employer contribution made, less vested employer contributions made  
26 pursuant to section 54-52-11.1, plus compound interest at the rate of one-half of  
27 one percent less than the actuarial interest assumption at the time of the election  
28 plus the employee account balance.

29       2. The board shall calculate the amount to be transferred for persons employed after  
30 September 30, 2001, and before January 1, 2025, using only the formula contained in  
31 subdivision b of subsection 21.



1       **SECTION 20. AMENDMENT.** Section 54-52.6-05 of the North Dakota Century Code is  
2 amended and reenacted as follows:

3       **54-52.6-05. Direction of investments.**

- 4       1. Each participating member shall direct the investment of the individual's accumulated  
5       employer and employee contributions and earnings to one or more investment choices  
6       within available categories of investment provided by the board. The board shall follow  
7       federal guidelines for establishing a qualified default investment alternative for  
8       contributions made by a participating member who fails to provide explicit investment  
9       direction. The qualified default investment alternative must include an in-plan annuity.  
10       If a participating member does not elect an investment option upon enrollment into the  
11       defined contribution retirement plan, the board shall automatically enroll the  
12       participating member into the qualified default investment alternative option.
- 13       2. The board shall provide an investment menu of investment options. In establishing the  
14       investment options, the board shall:
- 15       a. Include predetermined investment portfolio options constructed to reflect different  
16       risk profiles that automatically reallocate and rebalance contributions as a  
17       participating member ages.
- 18       b. Allow a participating member to construct an investment portfolio using some or  
19       all of the investment options.
- 20       3. The board shall provide a diversified menu of mutual funds and in-plan lifetime annuity  
21       options, either fixed, variable, or a combination of both. In selecting an annuity  
22       provider the board shall comply with section 54-52.6-05.1.

23       **SECTION 21.** Section 54-52.6-05.1 of the North Dakota Century Code is created and  
24 enacted as follows:

25       **54-52.6-05.1. Annuity provider - Qualifications.**

- 26       1. The board shall select one or more annuity providers to provide the annuity options  
27       under this chapter.
- 28       2. In selecting an annuity provider under this section, the board shall:
- 29       a. Determine whether the annuity provider and the provider's subsidiaries and  
30       affiliates have appropriate financial strength and stability at the time of selection  
31       and during the term of contract with the board.

- 1           (1) The board may require the provider to provide the board with written  
2           representation:
- 3           (a) The provider is in compliance with title 26.1.  
4           (b) The provider at the time of selection is and for each of the preceding  
5           seven years was in compliance and good standing with the insurance  
6           commissioner of the provider's domiciliary state and the provider is  
7           not operating under an order of rehabilitation or liquidation.  
8           (c) The provider maintains and has maintained reserves that satisfy the  
9           statutory requirements of each state in which the provider does  
10          business.
- 11          (2) The board may require a provider selected by the board to provide annuities  
12          under this chapter to notify the board of a change of circumstances resulting  
13          in the provider failing to meet any of the requirements under paragraph 1.
- 14          (3) The board must have determined the provider has a claims paying ability  
15          rating that meets standards adopted by the board.
- 16          b. Determine whether the annuity provider is able to provide contracted rights and  
17          benefits to a participating member.
- 18          c. Determine whether the costs, including fees and commissions, of the annuity  
19          options in relation to the benefits and product features of the annuity options are  
20          reasonable.
- 21          d. Determine whether the administrative services to be provided under the annuity  
22          option are appropriate. At a minimum the administrative services must include  
23          periodic reports to the board.
- 24          e. Determine whether the annuity provider is experienced in paying lifetime  
25          retirement income through annuities offered to public employee defined  
26          contribution retirement plans.
- 27          f. Determine whether the annuity provider offers a menu of annuity options that  
28          meet the following conditions:
- 29               (1) The annuity options are suitable for participating members and  
30               beneficiaries.

- 1           (2) The contract terms and income benefits are clearly stated, based on  
2                     reasonable assumptions.
- 3           (3) The menu of annuity options offers a range of lifetime income options.
- 4           (4) If an annuity is a variable annuity, the annuity offers a fixed account option  
5                     along with a variable option.
- 6           g. Determine whether the annuity provider offers objective and participant-specific  
7                     education and tools to help a participating member understand the appropriate  
8                     use of annuities as a long-term retirement savings vehicle.

9           **SECTION 22. AMENDMENT.** Section 54-52.6-08 of the North Dakota Century Code is  
10 amended and reenacted as follows:

11           **54-52.6-08. Credit of transfers.**

12           The board shall promptly credit the plan account of a participating member who makes an  
13 election under ~~this chapter~~section 54-52.6-02 to terminate membership in the public employees  
14 retirement system under chapter 54-52 with any amount transferred from the public employees  
15 retirement system.

16           **SECTION 23. AMENDMENT.** Section 54-52.6-09 of the North Dakota Century Code is  
17 amended and reenacted as follows:

18           **54-52.6-09. Contributions - Penalty.**

19           1. Each

- 20           a. A participating member who first joined the defined contribution retirement plan  
21                     before January 1, 2025, shall contribute monthly seven percent of the monthly  
22                     salary or wage paid to the participant.
- 23           b. A participating member who first joined the defined contribution retirement plan  
24                     after December 31, 2024, shall contribute monthly four percent of the monthly  
25                     salary or wage paid to the participant, and this. In addition, the participating  
26                     member may elect to contribute monthly up to an additional three percent of the  
27                     monthly salary or wage paid to the participant.
- 28           c. This assessment must be deducted from the participant's salary in equal monthly  
29                     installments commencing with the first month of participation in the defined  
30                     contribution retirement plan established under this chapter. Participating member  
31                     contributions increase by one percent of the monthly salary or wage paid to the

1 participant beginning with the monthly reporting period of January 2012; with an  
2 additional increase of one percent, beginning with the reporting period of  
3 January 2013; and with an additional increase of one percent, beginning with the  
4 monthly reporting period of January 2014.

5 2. The

6 a. For a participating member who first joined the defined contribution retirement  
7 plan before January 1, 2025, the employer shall contribute an amount equal to  
8 seven and twelve-hundredths percent of the monthly salary or wage of the  
9 participating member.

10 b. For a participating member who first joined the defined contribution retirement  
11 plan after December 31, 2024, the employer shall contribute an amount equal to  
12 four and twelve-hundredths percent of the monthly salary or wage of a  
13 participating member, plus up to an additional three percent as an employer  
14 matching contribution calculated based on the participating member's election  
15 under subdivision b of subsection 1. Employer contributions increase by one-  
16 percent of the monthly salary or wage of a participating member beginning with  
17 the monthly reporting period of January 2012; with an additional increase of one-  
18 percent, beginning with the monthly reporting period of January 2013; and with  
19 an additional increase of one percent, beginning with the monthly reporting  
20 period of January 2014.

21 c. For members a participating member first enrolled after December 31, 2019, the  
22 employer contribution includes an additional increase of one and fourteen-  
23 hundredths percent.

24 d. If the employee's contribution is paid by the employer under subsection 3, the  
25 employer shall contribute, in addition, an amount equal to the required  
26 employee's contribution. Monthly, the employer shall pay such contribution into  
27 the participating member's account from the employer's funds appropriated for  
28 payroll and salary or any other funds available for such purposes.

29 e. If the employer fails to pay the contributions monthly, or fails to otherwise comply  
30 with the board's established wage reporting or payroll reporting process  
31 requirements, the employer is subject to a civil penalty of fifty dollars and, as

1 interest, one percent of the amount due for each month of delay or fraction of a  
2 month after the payment became due. In lieu of assessing a civil penalty or one  
3 percent per month, or both, interest at the actuarial rate of return may be  
4 assessed for each month the contributions are delinquent. If contributions are  
5 paid within ninety days of the date the contributions became due, penalty and  
6 interest to be paid on delinquent contributions may be waived.

- 7 3. Each employer, at its option, may pay the employee contributions required by this  
8 section for all compensation earned after December 31, 1999. The amount paid must  
9 be paid by the employer in lieu of contributions by the employee. If the employer  
10 decides not to pay the contributions, the amount that would have been paid will  
11 continue to be deducted from the employee's compensation. If contributions are paid  
12 by the employer, they must be treated as employer contributions in determining tax  
13 treatment under this code and the federal Internal Revenue Code. Contributions paid  
14 by the employer may not be included as gross income of the employee in determining  
15 tax treatment under this code and the federal Internal Revenue Code until they are  
16 distributed or made available. The employer shall pay these employee contributions  
17 from the same source of funds used in paying compensation to the employee. The  
18 employer shall pay these contributions by effecting an equal cash reduction in the  
19 gross salary of the employee or by an offset against future salary increases or by a  
20 combination of a reduction in gross salary and offset against future salary increases.  
21 Employee contributions paid by the employer must be treated for the purposes of this  
22 chapter in the same manner and to the same extent as employee contributions made  
23 before the date on which employee contributions were assumed by the employer. An  
24 employer shall exercise its option under this subsection by reporting its choice to the  
25 board in writing.

26 **SECTION 24.** Section 54-52.6-09.5 of the North Dakota Century Code is created and  
27 enacted as follows:

28 **54-52.6-09.5. Employer contribution for defined benefit plan.**

29 In addition to the employer contribution under section 54-52.6-09, a state employer shall  
30 contribute to the defined benefit retirement plan under chapter 54-52, an amount equal to the  
31 contribution rate calculated under section 54-52-06 less the amount of the required employer

1 contribution under sections 54-52.2-09 and 54-52.6-09. If a state employer uses federal funds  
2 to pay any or all of an employee's wages, the employer shall use state funds to pay this  
3 additional contribution.

4 **SECTION 25.** Section 54-52.6-09.6 of the North Dakota Century Code is created and  
5 enacted as follows:

6 **54-52.6-09.6. Participation by temporary employees.**

7 A temporary employee may elect, within one hundred eighty days of beginning employment,  
8 to participate in the defined contribution retirement plan under this chapter. Monthly, the  
9 temporary employee shall contribute an amount equal to nine and twenty-six hundredths  
10 percent times the temporary employee's present monthly salary, and may elect to contribute up  
11 to an additional six percent. An employer may not pay the temporary employee's contribution. A  
12 temporary employee may continue to participate as a temporary employee until termination of  
13 employment or reclassification of the temporary employee as a permanent employee.

14 **SECTION 26. AMENDMENT.** Section 54-52.6-10 of the North Dakota Century Code is  
15 amended and reenacted as follows:

16 **54-52.6-10. Vesting.**

17 1. A participating member is immediately one hundred percent vested in that member's  
18 contributions made to that member's account under this chapter. A participating  
19 member vests in the employer contributions made on that member's behalf to an  
20 account under this chapter according to the following schedule:

21 1-a. Upon completion of two years of service, fifty percent.

22 2-b. Upon completion of three years of service, seventy-five percent.

23 3-c. Upon completion of four years of service, one hundred percent.

24 2. A participating member also becomes one hundred percent vested in the employer  
25 contributions upon reaching age sixty-five. A participating member who was a member  
26 or deferred member of the public employees retirement system under chapter 54-52  
27 who makes an election to participate in the defined contribution retirement plan  
28 pursuant to this chapter under section 54-52.6-02 must be credited with the years of  
29 service accrued under the public employees retirement system on the effective date of  
30 participation in the defined contribution retirement plan for the purpose of meeting  
31 vesting requirements for benefits under this section. Any forfeiture as a result of the

1 failure of a participating member to vest in the employer contribution must be  
2 deposited in the administrative expenses account.

3 **SECTION 27. AMENDMENT.** Section 54-52.6-13 of the North Dakota Century Code is  
4 amended and reenacted as follows:

5 **54-52.6-13. Distributions.**

6 1. A participating member is eligible to receive distribution of that ~~person's~~individual's  
7 accumulated balance in the plan upon becoming a former participating member.

8 2. Upon the death of a participating member or former participating member, the board  
9 shall pay the accumulated account balance of that deceased participant to the  
10 deceased participant's refund beneficiary, if any, as provided in this subsection. If the  
11 deceased participant designated an alternate refund beneficiary with the surviving  
12 spouse's written consent, the board shall distribute the accumulated balance to the  
13 named beneficiary. If the deceased participant named more than one primary  
14 beneficiary with the surviving spouse's written consent, the board shall pay the  
15 accumulated account balance to the named primary beneficiaries in the percentages  
16 designated by the deceased participant or, if the deceased participant had not  
17 designated a percentage for the beneficiaries, in equal percentages. If one or more of  
18 the primary beneficiaries has predeceased the deceased participant, the board shall  
19 pay the predeceased beneficiary's share to the remaining primary beneficiaries. If any  
20 beneficiary survives the deceased participant, yet dies before distribution of the  
21 beneficiary's share, the beneficiary must be treated as if the beneficiary predeceased  
22 the deceased participant. If there is no remaining primary beneficiary, the board shall  
23 pay the accumulated account balance of that deceased participant to the contingent  
24 beneficiaries in the same manner. If there is no remaining designated beneficiary, the  
25 board shall pay the accumulated account balance of that deceased participant to the  
26 deceased participant's estate. If the deceased participant had not designated an  
27 alternate refund beneficiary or the surviving spouse is the refund beneficiary, the  
28 surviving spouse of the deceased participant may select a form of payment as  
29 provided in subdivision d of subsection 3.

30 3. a. A former participating member may elect one or a combination of several of the  
31 following methods of distribution of the accumulated balance:

- 1           a. (1) A lump sum distribution to the recipient.
- 2           b. (2) A lump sum direct rollover to another qualified plan, to the extent allowed by  
3                 federal law.
- 4           e. (3) Periodic distributions, including annuities, as authorized by the board.
- 5           d. (4) No current distribution, in which case the accumulated balance must remain  
6                 in the plan until the former participating member or refund beneficiary elects  
7                 a method or methods of distribution under this section, to the extent allowed  
8                 by federal law.
- 9           b. A surviving spouse beneficiary may elect one or a combination of several of the  
10                methods of distribution provided in ~~subdivisions a, b, or e~~ paragraph 1, 2, or 3 of  
11                subdivision a if the surviving spouse is the sole refund beneficiary. If the surviving  
12                spouse is not the sole refund beneficiary, the refund beneficiary may only choose  
13                a lump sum distribution of the accumulated balance.
- 14         4. If the former participating member's vested account balance is less than one thousand  
15               dollars, the board shall automatically shall refund the member's vested account  
16               balance upon termination of employment. The member may waive the refund if the  
17               member submits a written statement to the board, within one hundred twenty days  
18               after termination, requesting that the member's vested account balance remain in the  
19               plan.

20         **SECTION 28. AMENDMENT.** Section 54-52.6-15 of the North Dakota Century Code is  
21         amended and reenacted as follows:

22         **54-52.6-15. Board to provide information.**

- 23         1. The board shall provide information to employees who are eligible under section  
24               54-52.6-02 to elect to become participating members under this chapter. The  
25               information must include at a minimum the employee's current account balance, the  
26               assumption of investment risk under a defined contribution retirement plan,  
27               administrative and investment costs, coordination of benefits information, and a  
28               comparison of projected retirement benefits under the public employees retirement  
29               system under chapter 54-52 and the retirement plan established under this chapter.
- 30         2. The board, or the board's vendor, shall provide to participating members:



- 1           a. Enrollment information that includes benefits of the defined contribution  
2                 retirement plan, investment options available, the assumption of risk, and  
3                 administrative and investment costs.
- 4           b. Ongoing investment and retirement income planning, including education on how  
5                 to set, measure, and adjust income and saving goals based on desired  
6                 retirement income and financial objectives, actual behavior, and changing  
7                 circumstances.
- 8           c. Retirement income education, including distribution options available and in-plan  
9                 annuitization options.
- 10          d. Advice and guidance information, tools, and services primarily focused on long-  
11                 term planning and investing and life events that potentially influence and impact  
12                 retirement savings.
- 13          3. Notwithstanding any other provision of law, the board is not liable for any election or  
14                 investment decision made by an employee based upon information provided to an  
15                 employee under this chapter.

16          **SECTION 29. AMENDMENT.** Section 54-52.6-19 of the North Dakota Century Code is  
17          amended and reenacted as follows:

18          **54-52.6-19. Overpayments.**

19          The board has the right of setoff to recover overpayments made under this chapter and to  
20          satisfy any claims arising from embezzlement or fraud committed by a participating member,  
21          deferred member under this chapter, refund beneficiary, or other person ~~who~~that has a claim to  
22          a distribution or any other benefit from a plan governed by this chapter.

23          **SECTION 30.** Section 54-52.6-22 of the North Dakota Century Code is created and enacted  
24          as follows:

25          **54-52.6-22. Report to employee benefits programs committee.**

26          Annually, the board shall provide a report to the employee benefits programs committee on  
27          the status of the defined contribution retirement plan under this chapter.

28          **SECTION 31. REPEAL.** Section 54-52-06.5 of the North Dakota Century Code is repealed.

29          ~~**SECTION 31. APPROPRIATION - TRANSFER - GENERAL FUND TO PUBLIC**~~  
30          ~~**EMPLOYEES RETIREMENT SYSTEM FUND - REDUCTION OF UNFUNDED LIABILITY.**~~

31          ~~There is appropriated out of any moneys in the general fund in the state treasury, not otherwise~~

1 ~~appropriated, the sum of \$250,000,000, or so much of the sum as may be necessary, to the~~  
2 ~~public employees retirement system, which the office of management and budget shall transfer~~  
3 ~~to the public employees retirement system main system plan on July 1, 2023, for the purpose of~~  
4 ~~reducing the unfunded liability of the public employees retirement system main system plan, for~~  
5 ~~the biennium beginning July 1, 2023, and ending June 30, 2025.~~

6 **SECTION 32. LEGISLATIVE MANAGEMENT STUDY - PUBLIC EMPLOYEES**

7 **RETIREMENT SYSTEM RETIREMENT PLAN.** During the 2023-24 interim, the legislative  
8 management shall study the public employees retirement system main system plan, including  
9 funding options and contributions by political subdivisions. The legislative management shall  
10 report its findings and recommendations, together with any legislation required to implement the  
11 recommendations, to the sixty-ninth legislative assembly.

12 **SECTION 33. TRANSFER - STRATEGIC INVESTMENT AND IMPROVEMENTS FUND TO**  
13 **PUBLIC EMPLOYEES RETIREMENT SYSTEM FUND.** The office of management and budget  
14 shall transfer \$240,000,000 from the strategic investment and improvements fund to the public  
15 employees retirement system fund, for the purpose of reducing the unfunded liability of the  
16 public employees retirement system main system plan, during the biennium beginning July 1,  
17 2023, and ending June 30, 2025.

18 **SECTION 34. APPLICATION.** Subdivision a of subsection 1 of section 54-52-06, as  
19 amended under section 12 of this Act, applies to employer contributions beginning January  
20 20252026, using a contribution rate based on the July 1, 20222024, actuarial analysis.

21 **SECTION 35. EFFECTIVE DATE.** Sections 1, 3, 11, 32 and ~~34~~33 of this Act become  
22 effective July 1, 2023, ~~and~~; section 2, sections 4 through ~~30~~10, sections 13 through 23, and  
23 ~~section 32~~sections 25 through 31 of this Act become effective January 1, 2025; and sections 12,  
24 24, and 34 of this Act become effective January 1, 2026.