



**TESTIMONY ON HOUSE BILL 1486
Government and Veterans Affairs Committee
January 26, 2023**

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City of Grand Forks, ND

Mr. Chairman and members of the committee, my name is Maureen Storstad, and I am the Finance and Administrative Services Director for the City of Grand Forks. Thank you for the opportunity to provide testimony and express the City of Grand Forks' opposition to this legislation.

The NDPERS retirement system Main Plan is an excellent defined benefit pension plan and it is our top retention and recruitment tool for the City of Grand Forks.

The City of Grand Forks, in general, has supported previous efforts to support the NDPERS Main Plan to bring this plan to a healthier funding percentage level, and we would continue to support the NDPERS Main Plan if the State were to consider keeping this plan open to new employees. The City of Grand Forks has supported past legislation to incrementally increase contribution rates over the last 12+ years as the City has been able to manage these incremental increases through budget planning.

House Bill 1486 closes this plan and requires an employer contribution to meet both the normal contribution costs, plus the actuarial amount determined to amortize the unfunded accrued liability of the Main Plan over a closed period of 246 months. This will make it extremely difficult for budget planning purposes as it presents an unknown. The City of Grand Forks has great concern as to this bill's financial impact.

These types of pension plans need to be viewed with a long-term perspective. As long as the plan remains open, there is not a need to be fully funded today, but to show a plan that reflects a positive trajectory toward fully funding. I believe the State still has this ability with the existing NDPERS Main Plan as long as it is not closed to new employees.

The City of Grand Forks is against House Bill 1486, which closes the NDPERS Main Plan to new employees. As stated previously, it is the most important recruitment and retention tool that we have as a municipality.

The narrative that exists to support these two bills is that this younger generation of employees doesn't care about defined benefit pensions and that employees

just want a benefit that is portable as jobs are seen as short-term ventures. In speaking with our Human Resource Director, Tangee Bouvette, that has not been the experience with City of Grand Forks employees. City employees do care about defined benefit pension plans. The City's typical job applicant are individuals that are looking for long-term career paths that can provide financial stability along with work-life integration. Providing for a secure retirement is a key component of a sustainable career for employees providing essential community services.

In reviewing the information presented by Milliman at the July 21st, 2022 interim legislative committee meeting, a baseline was presented along with a revised projection at the newly adopted, more conservative, 6.5% assumed rate of return. This was used in comparison and showed the impact of closing the plan to new employees. It is very expensive to close a defined benefit plan as new employees do not contribute toward funding of the plan as the plan was intended. Therefore, the numbers show, based on performance numbers at the time, the following:

- Keep NDPERS Main Pension Plan open at 6.5% assumed earnings rate:

74% funded after 30 years (basically holds its own, but funding percentage does not improve) (This is with no additional annual cash infusion)

87% funded after 30 years with a positive trajectory (with \$25M additional annual cash infusion)

- Close the NDPERS Main Pension Plan to new employees and same 6.5% assumed earning rate:

43% funded after 30 years (with \$25M additional annual cash infusion)

Based on the data presented and summarized above, it is much more costly to close the NDPERS Main Pension Plan than it would be to keep the plan open to new employees and get the plan on a healthier trajectory toward becoming fully funded.

The City of Grand Forks opposes the closure of the NDPERS Main Pension Plan. We would support making incremental contribution changes to the NDPERS plan and monitoring funding every two years, in order to get this plan on a positive trajectory toward healthier funding. It is for the reasons stated above that we oppose the passage of House Bill 1486 as this bill is not in the best interests of the City of Grand Forks. Thank you for your time and consideration. We respectfully ask for a DO NOT PASS on House Bill 1486.