

Chairman Bekkedahl, Members of the Senate Appropriations Committee;

My name is Sean Cleary. I represent District 35 — the center of Bismarck — in the North Dakota Senate. I am here today to give an overview SB 2239.

This bill has 3 goals:

1 - **Keep the promise to current state employees and retirees** by making sure the state has enough money to pay for the pension benefits they are legally owed.

2 - **Use taxpayer money responsibly** by making sure the pension plan is fully funded for the next 30 years.

3 - **Attract and retain a talented state workforce** by offering a choice in retirement plans to all state employees that meet their retirement goals

The bill contains the following changes to the NDCC:

- **Section 1** allows new state employees to elect to enter the NDPER's defined contribution plan
 1. **Purpose:** This provision would give all new state employees the choice to enroll in the DC plan should they decide it works best for their retirement goals.
Currently only non-classified new state employees can enroll in the DC plan.
- **Sections 2 and 3** require employees to pay an additional 1% of their salary towards the pension. Section 2 is the change specific to temporary employees, while Section 3 applies to full-time employees.
 1. **Purpose:** This provision requires public employees to pick up an additional portion of the funding required for the pension liability. This is a benefit they value, and it is fair to ask they pay a portion of the increased funding required.
- **Section 4** uses actuarially determined employer contributions (ADEC) to fund the PERS Defined Benefit Pension plan to 100% funding over the course of the next 31 years
 1. ADEC is essentially a calculation to determine the level of employer contributions necessary to ensure that the current unfunded liability (~\$1.9 billion) of the pension is paid off over the next 31 years.
 2. **Purpose:** These calculated contributions are a funding method that ensure we fund our pension liability over the given time frame.
- **Section 5 and 6** further clarifies that all new state employees will be able to enroll in the DC plan.
- **Section 7** requires that enrollees in the DC plan also contribute an additional 1% towards their retirement plan, to maintain equal percentages with members of the DB plan
- **Section 8** clarifies how vesting works for enrollees of the plan
- **Section 9** appropriates \$250 million from the General Fund to reduce the unfunded liability of the PERS DB pension

1. **Purpose:** This is designed to provide an initial investment into covering the pension's unfunded liability. This will help to ensure we can pay down the unfunded liability over the next 30 years.
- **Section 10** notes that the changes in this bill to the state contributions begin January 1, 2024 and that Section 2 applies to new state employees hired after December 31, 2023.

If we do not act on our pension liability, it will continue to grow, will become more expensive to fund, and could potentially jeopardize promised pension benefits.

Thanks for your attention and deliberation to this important issue. I am available to answer any questions you may have.

Respectfully,

Senator Sean Cleary
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