



Great Public Schools

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**Testimony before the Senate State and Local Government Committee
In opposition to House Bill 1040
Nick Archuleta, North Dakota United
March 9, 2023**

Chairwoman Roers and members of the Committee, for the record my name is Nick Archuleta, and I am the president of North Dakota United. I rise today on behalf of our 11,500 members to urge a ***do not pass*** recommendation on HB 1040.

Madam Chair, PERS Executive Director Scott Miller and former ND OMB Director Pam Sharp, have already shared with the Committee what it will cost to close the main PERS defined benefit plan to new employees on January 1, 2025. I am not going to rehash what they said because they understand the numbers and methodologies used to arrive at those numbers certainly better than me, and probably better than most people in this room. That said, \$5.547B over the next 20 years is an incredible sum to close a plan that can be saved for far less.

What I will talk about today, though, are our concerns associated with the closure of the PERS Defined Benefit Retirement Plan:

- \$5.5B. To the best of my knowledge, ND has not spent \$5.5B on any one item in its history. For perspective, the Fargo Diversion project is expected to cost almost \$2B less than it will cost to close the PERS DB plan. And before we attack that number, we should note that it is the only number arrived at as a result of an actuarial analysis of this plan. The Retirement Committee retained a reputable actuarial firm, Milliman, but for some reason, never asked them to do an analysis of the plan. Furthermore, according to Milliman, DC plans are, "an inefficient use of taxpayer money."
- Closing the defined benefit plan will have a negative impact on the ability of the state and political subdivisions to recruit and retain the resolute and high-quality personnel necessary to deliver the vital services that North Dakota's citizens deserve and depend on every day. On average, according to the Hay Group study, public employees are paid anywhere from 7 to 12 percent less than their similarly trained and experienced counterparts in the private sector. The defined benefit retirement plan and the PERS healthcare plan are key factors in attracting good people to public service.
- This legislature cannot bind future legislatures to pay the exorbitant cost for shutting down this plan. We have been tethered to a commodities-based economy since before statehood and we have seen oil and agriculture in very good times as well as in very bad times. What will happen when future legislatures cannot or will not appropriate the funds necessary to keep PERS solvent? We fear that PERS will run out of money and the state will not be able to honor its commitments to current retirees and those currently in the plan.

- The Defined Contribution plan that will be the only choice afforded future state employees is not popular now. According to a recent Human Resource Management Service (HRMS), only 3% percent of state employee survey respondents expressed their preference of a defined contribution plan as opposed to a defined benefit plan. Forty two percent STRONGLY prefer a DB plan. And that was across all age groups, dispelling the notion that young public employees prefer a DC plan.
- The only thing guaranteed about a defined contribution plan is the amount of money that goes into the plan. Less certain is what a retiree gets out, as that depends on factors beyond the control of the participant as we witnessed in real time during the recession of 2008-2009, and in every market downturn since then.

Mr. Chairman and members of the Committee, ND is not the first state to attempt to close down their defined benefit plan. In just over a decade after closing the DB plan for teachers in West Virginia, the closed retirement system was paying out more in benefits than it was bringing in in contributions, which drained the fund and hastened insolvency. Furthermore, the defined contribution plan was inadequate to help teachers build sufficient retirement reserves.

In Alaska, they closed their DB plan and have seen an exodus of teachers from the state, as well as a public jobs vacancy rate of 25%. That has caused a ripple effect throughout Alaska's state economy. Alaska is considering re-opening their DB plan. It is not hard to think of Alaska as North Dakota's ghost of Christmas Future. Alaska serves as a cautionary tales that North Dakota can ill afford to ignore.

Our members believe that the narrow charge given the Retirement Committee-to develop a plan to close the PERS DB plan-prevented the Committee from exploring other, less expensive solutions to preserve a plan that public employees prefer and is an efficient use of taxpayer money. While we appreciate the hard work of the Retirement Committee and the opportunity to partake in the rich discussions of the Committee, ND United cannot support the conclusions of the Committee.

Chairwoman Roers and members of the committee, for these reasons and the reasons outlined in the testimonies of those who spoke before me, we urge a ***do not pass*** on HB 1040.

I appreciate the opportunity to testify before you today. This concludes my testimony and I am happy to answer any questions.