

Testimony: Opposition to House Bill 1040
Before the Senate State and Local Government Committee
March 9, 2023

Good morning, chairman Kristin Roers and members of the Senate State and Local Government Committee, my name is Gary Feist, I have been a state employee for 31 years as an auditor in the Office of State Tax Commissioners Office. I'm here today in opposition to HB 1040 which would close the North Dakota Public Employees defined benefit pension plan to new hires. Many state agencies including the tax commissioner's office are struggling to recruit and retain staff. Closing the defined benefit plan will only make it more difficult to recruit staff and will increase agency's expenses for the continual posting of jobs and training of new hires.

The defined benefit pension plan is a benefit that is very important in recruiting and retaining quality employees. I previously served on the State Employee Compensation Commission where legislators and employees studied and discussed the compensation of state employees and the need to be competitive in the job market. Studies completed by the state have shown that state employee wages lag the market and the benefits, including the defined benefit pension plan, allow the state to close some of the total compensation gap with other large employers in the state and surrounding states. Closing the defined benefit plan will make it more difficult to retain long term employees while also making it difficult to recruit new employees.

In a recent North Dakota Human Resources Management Services' Total Reward Survey employees were asked about compensation and benefits. On the issues of pension there were the following questions: "I prefer to have a defined benefit pension plan rather than a defined contribution plan" for which 42% of state employees said they strongly agreed while in answering, "I prefer to have a defined contribution plan rather than a defined contribution plan" only 3% said they strongly agree. State employees of all ages value the defined benefit plan.

In the National Institute on Retirement Security (NIRS) 2020 Issue Brief: Millennial State & Local Government Employee Views on Their Job, Compensation & Retirement by Tyler Bond and Kelly Kenneally it was noted that 92% of state and local millennials agree pensions serve a role in incentivizing long public service careers and 94% said pensions serve as effective tools for recruiting new employees. In the same article it was noted that research conducted by Milliman found that public employees with retirement plan choice overwhelmingly choose defined benefit pension plans over defined contribution plans.

The defined benefit plan will provide me and other state employees with a secure, modest retirement without a cost-of-living adjustment. The defined benefit plan has been an important benefit to me and has played a role in my decision to remain a state employee over the last 31 years when I have been recruited by other employers. To be competitive in the labor market, North Dakota needs to have multiple tools available to enable it to recruit and retain staff and one of those is the defined benefit retirement plan.

I hope North Dakota will not make the same mistake other states have made in closing their defined benefit retirement plans. West Virginia closed its DB plan only to close its DC plan and reopen the DB plan because it was less expensive for the state to administer than the DC plan. In a 2019 new and updated case study completed by the National Institute on Retirement Security (NIRS) on the states of Alaska, Michigan, West Virginia, and Kentucky which switched their new employees to a defined contribution plan reported the states' overall costs increased, did not address existing pension underfunding, and led to a loss of retirement security for employees. The NIRS study also looked at demographic changes, benefit costs, actuarially required contributions, plan funding levels, and retirement security and found the switch to a DC plan intensified pension funding problems and increased costs to the states and its taxpayers.

Let us learn from other states, I urge the committee to give and HB 1040 a do not pass recommendation. North Dakota public employees deserve a retirement plan that will provide a secure retirement for their quality service provided to the citizens of North Dakota. Thank you for your consideration.

Gary Feist