

# North Dakota Public Employees Retirement System Overview

Employee Benefits Programs Committee  
November 16, 2023



**NORTH DAKOTA**  
PUBLIC EMPLOYEES  
RETIREMENT SYSTEM

# NDPERS Overview

- I. NDPERS Agency
- II. Retirement Plans
- III. Group Insurance Plans
- IV. Legislation Implementation



# NDPERS AGENCY

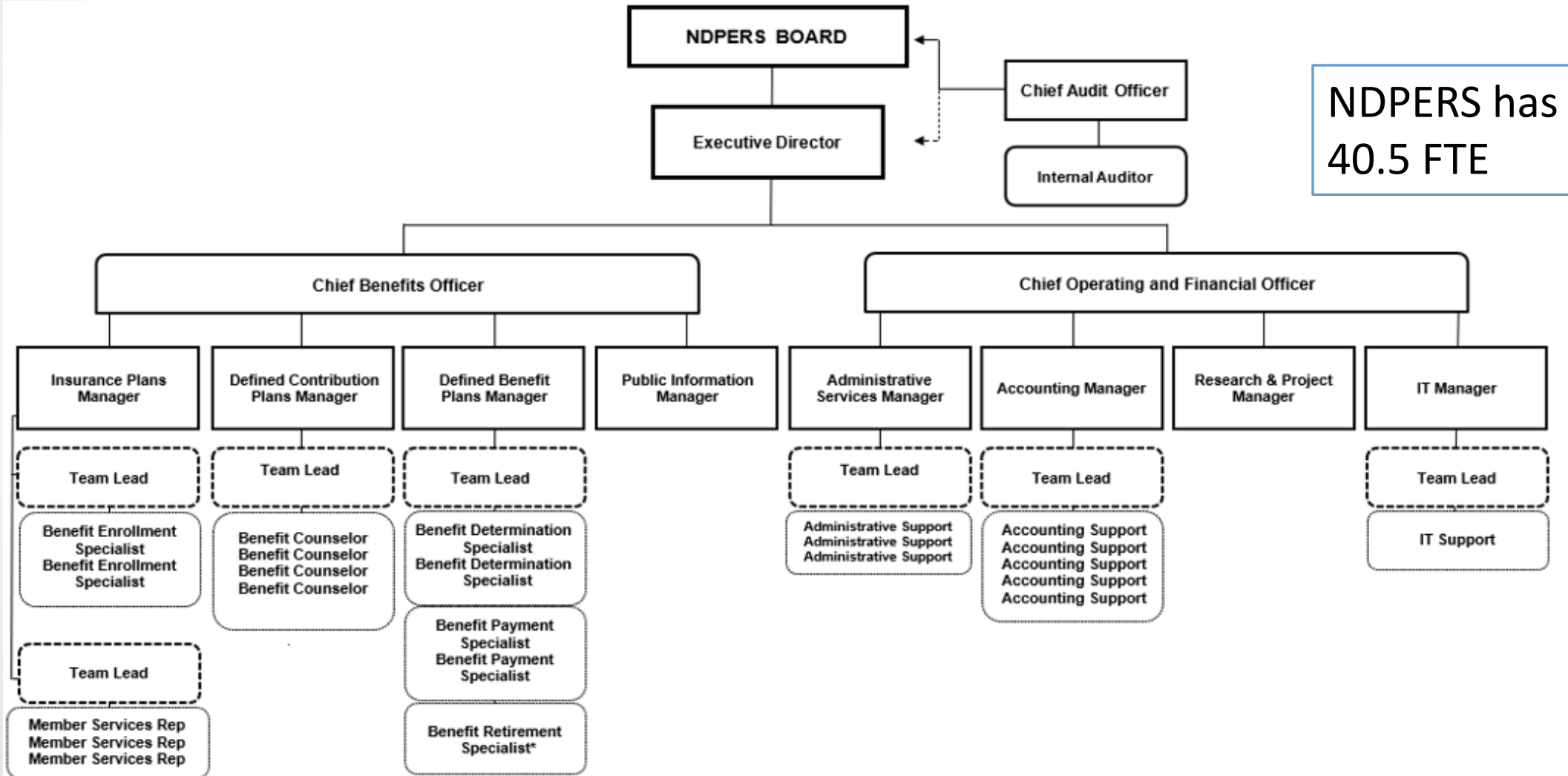


# NDPERS Agency

- NDPERS is created by NDCC § 54-52-03
- NDPERS is directed by an eleven-member Board:
  - Chair (appointed by Governor) Michelle Kommer
  - Elected Active Member Tyler Erickson
  - Elected Active Member Casey Goodhouse
  - Elected Active Member Adam Miller
  - Legislative Appointee Senator Dick Dever
  - Legislative Appointee Senator Shawn Vedaa
  - Legislative Appointee Representative Greg Stemen
  - Legislative Appointee Representative Jason Dockter
  - Governor Appointee Joe Morrissette
  - Governor Appointee Jeff Volk
  - Governor Appointee Gerald Buck



# NDPERS Agency



NDPERS has 40.5 FTE



# RETIREMENT PROGRAMS



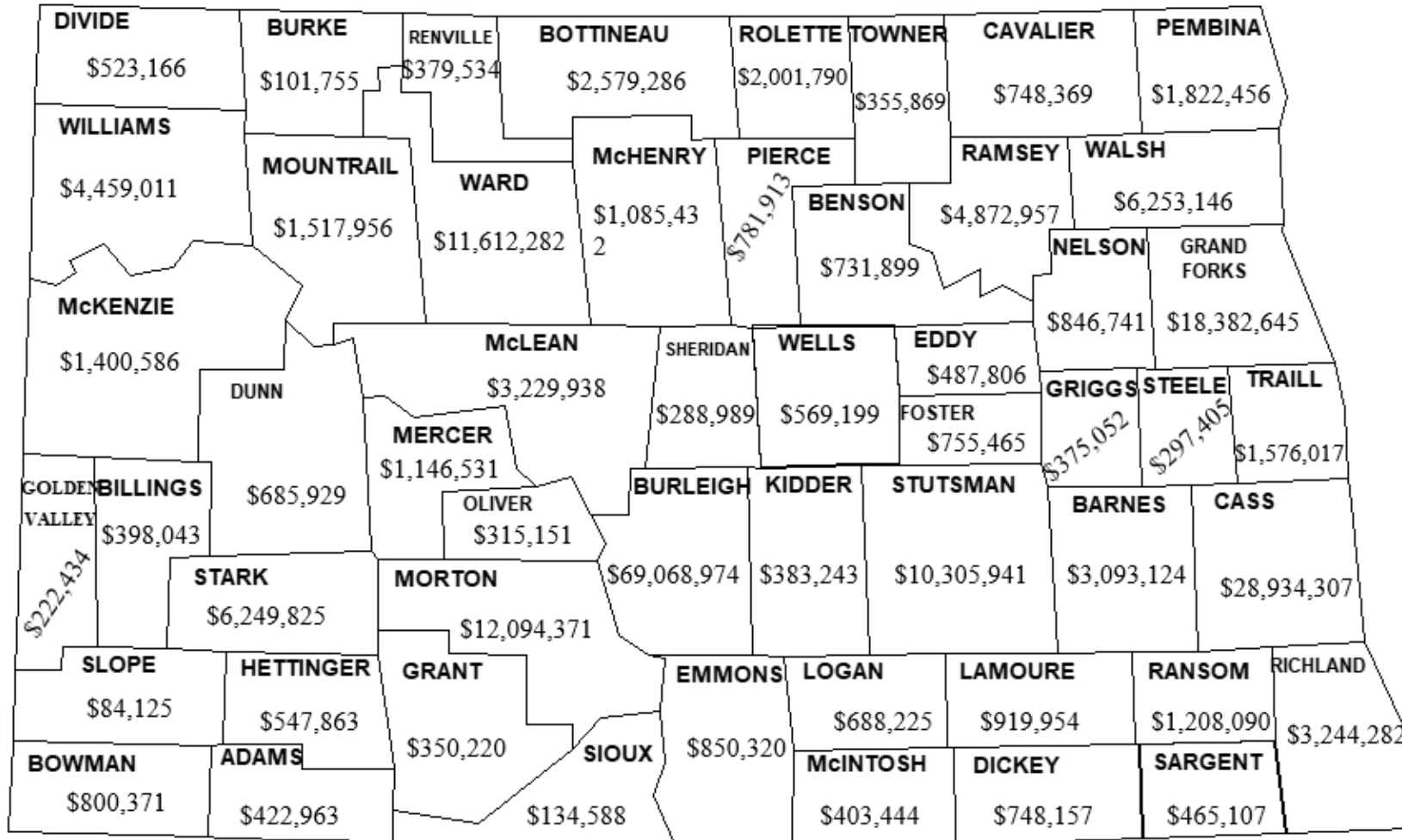
# Retirement Programs

January 2023	RETIREMENT PROGRAMS MANAGED AND ADMINISTERED BY NDPERS								
	<b>TOTAL</b>	<b>Main</b>		<b>Public</b>	<b>Highway</b>	<b>Job</b>	<b>DEFINED</b>	<b>DEFERRED</b>	<b>HEALTH</b>
	<b>RETIREMENT</b>	<b>System</b>	<b>Judges</b>	<b>Safety</b>	<b>Patrol</b>	<b>Service</b>	<b>CONTRIBUTION</b>	<b>COMP</b>	<b>CREDIT</b>
									<b>(RHIC)</b>
<b>PARTICIPATING EMPLOYERS</b>									
State	98	98	1	2	1	1	98	99	98
Counties	51	51		21				30	51
School Dist	131	131						33	131
Cities	98	98		22				55	98
District Health Units	20	20						15	20
Others	73	73		3				47	73
<b>TOTAL</b>	<b>471</b>							<b>279</b>	<b>471</b>
<b>EMPLOYEES</b>									
State	10,408	10,038	55	75	153	1	86	7,091	8,037
Counties	4,239	3,688		550			1	819	3,206
School Dist	7,438	7,437					1	104	4,317
Cities	2,869	2,291		577			1	431	2,103
District Health Units	269	269						195	203
Others	641	619		22				159	391
Subtotal	25,864	24,342	55	1,224	153	1	89	8,799	18,257
Retirees	13,443	12,910	44	143	111	116	119		13,697
Subtotal	<b>39,307</b>	<b>37,252</b>	<b>99</b>	<b>1,367</b>	<b>264</b>	<b>117</b>	<b>208</b>	<b>8,799</b>	<b>31,954</b>
Deferred Members	16,875	16,188	5	626	56	0			7,112
<b>TOTAL</b>	<b>56,182</b>	<b>53,440</b>	<b>104</b>	<b>1,993</b>	<b>320</b>	<b>117</b>	<b>208</b>	<b>8,799</b>	<b>39,066</b>



# Retirement Programs

Annual Benefits 2022



Over \$211 million is paid to retirees within North Dakota every year, in every county in the state

In State - \$211,379,281

Out-of-State - \$35,095,120

Total - \$246,474,401





# Main Retirement Plan

- Originally a Defined Contribution plan
- Became a Defined Benefit plan in 1977
- Became a Hybrid plan in 1999
  - Legislative Assembly approved legislation creating the Portability Enhancement Provision (PEP), which is an element of a Defined Contribution plan
  - Having elements of both a Defined Benefit plan and a Defined Contribution plan make the Main PERS plan a Hybrid plan
- 2023 Legislative Assembly closed the plan effective January 1, 2025



# Main Retirement Plan

- Benefit = Final Average Salary (FAS) X Service Credit X Multiplier
- Multiplier:
  - 2% if hired before 1/1/2020
  - 1.75% if hired after 12/31/2019
- FAS changed for all non-retired members effective 1/1/2020
  - Previously the high 36 months from the last 15 years
  - After 1/1/2020 is the highest three 12-consecutive month periods from the last 15 years
  - Change was designed to equalize benefits regardless of whether members are paid monthly or bi-weekly
- Average benefit is \$1,436/month, or \$17,232/year



# Main Retirement Plan Benefit Reductions

- Three tiers of retirement plan members, each tier has different benefits or requirements
  - The first tier, or the “85 Tier”, consists of members hired on or before December 31, 2015
    - Normal retirement for the 85 Tier is the earlier of age 65 or Rule of 85
  - The second tier, or the “90 Tier”, consists of members hired between December 31, 2015, and January 1, 2020
    - Normal retirement for the 90 Tier is the earlier of age 65 or Rule of 90 (minimum age of 60)
  - The third tier, or the “2020 Tier”, consists of members hired after December 31, 2019
    - Normal retirement is the same as the 90 Tier, but members do not receive the Retiree Health Insurance Credit (RHIC) and their retirement multiplier is 1.75% (rather than 2%, as with the 85 and 90 Tiers)
    - This entire tier will be eligible to transition to the new DC plan
- New Tiers were an effort to reduce benefit costs to help improve Plan funding
  - Contributions + Investment Income = Benefits + Administrative Expenses



# Main Retirement Plan Benefit Reductions

- Because of the benefit reductions, benefits for those hired after 12/31/2019 are 1.95 percent of pay less valuable than 85 Tier benefits

<u>Provision</u>	<u>Group</u>	<u>% of Pay</u>
Later Retirement Eligibility	New Hires after 12/31/2015	-0.50%
Lower Benefit Accrual Rate	New Hires after 12/31/2019	-1.10%
Elimination of RHIC Benefits	New Hires after 12/31/2019	-0.35%
Total Difference		<hr/> -1.95%



# Main Retirement Plan

- Contribution Rates:
  - 85 and 90 Tiers: 14.12%
    - 7.0% employee
    - 7.12% employer (increases 1% on 1/1/24)
  - 2020 Tier: 15.26%
    - 7.0% employee
    - 8.26% employer (7.12% employer contribution plus the RHIC contribution of 1.14% re-directed to Main Retirement Plan) (increases 1% on 1/1/24)
  - Combined, the employer contribution is about 7.43%
  - The State's contribution is from: 48% general fund, 44% special funds, and 8% federal funds (approximately)
- As of July 1, 2023, the Main Retirement Plan was 66.26% funded (actuarial value of assets)



# HB 1040 – Main Plan Closure

- Closes Main PERS Defined Benefit (DB) plan to new hires effective 1/1/2025; new hires go into a new Defined Contribution (DC) plan
  - Special session allows the effective date to be moved up if possible
- Increases the employer contribution rate for DB plan employees for both Political Subdivisions and the State by 1% effective 1/1/2024
- **State** contribution goes up to the actuarially determined employer contribution (ADEC) rate on 1/1/2026 for all state and political subdivision employees
  - ADEC rate to be determined based on 7/1/24 actuarial valuation



# Judges Retirement Plan

- Elected or appointed Supreme Court Justices and District Court Judges
- Benefit = FAS X Service Credit X Multiplier
- Multiplier:
  - 3.5% for first 10 years
  - 2.8% for second 10 years
  - 1.25% for service over 20 years
- Judges Retirement Plan was 112.54% funded as of 7/1/2023



# Public Safety Retirement Plans

- Public Safety = both Law Enforcement and Firefighters
- Three distinct plans – one for members that have prior PERS service (higher employer contribution), and one for members without prior PERS service, and one state plan for Bureau of Criminal Investigation (BCI) employees.
- Benefit = FAS X Service Credit X Multiplier
- Multiplier (non-BCI) = 2% if hired prior to 1/1/20; 1.75% if hired after 12/31/19
  - BCI multiplier is 3% for first 20 years and 1.75% for years above 20
- Normal retirement = age of 55 or rule of 85
- Plan with prior service was 68.59% funded as of 7/1/2023
- Plan without prior service was 92.95% funded as of 7/1/2023





# Highway Patrol Retirement Plan

- Members of the Highway Patrol
- Benefit = FAS X Service Credit X Multiplier
- Multiplier:
  - 3.6% for first 25 years
  - 1.75% for remaining years
- Highway Patrol Retirement Plan was 74.0% funded as of 7/1/2023
- The statutory contribution rate for the Highway Patrol plan is below the Actuarially Determined Contribution (ADC) rate
  - Contributions will be going up over the next two years



# Job Service Retirement Plan

- A closed plan for Job Service employees
  - Employees hired after this plan was closed are members of the Main PERS plan (after 1/1/25 new employees will be in the new DC plan)
  - Because the plan is closed, we have significantly de-risked the investment portfolio – it is now 20% equities and 80% fixed income, with an assumed rate of return of 3.0%
- NDPERS took over the administration of this plan in 2001
- One active member as of 7/1/2023
- 169 benefit recipients as of 7/1/2023
- The Job Service Plan was 122.7% funded as of 7/1/2023



# Legacy Defined Contribution Plan

- Same contribution rate as the Main PERS Plan – 7% employee, 7.12% employer (plus 1.14% RHIC contributions for those hired after 12/31/2019)
- Like a 401(k) plan in private business, there is no benefit formula for a DC plan
- There is also no formal disability benefit – a member only has access to their account balance
- Created by the Legislative Assembly in 1999
- Currently has 197 members (90 active) and assets of \$19.3 million (9/30/2023)



# 2025 DC Plan

- New DC plan has a mandatory 4% employee/5.26% employer contribution
- Employee can elect to go up to a 7% employee contribution with a corresponding employer increase (up to 8.26%).
  - Initial opportunity to increase contribution would go into the DC plan, and that election cannot be changed
  - Any later increase goes into the **State's** section 457 deferred compensation plan
    - Any election into the 457 plan can be changed
    - If a political subdivision does not participate in the State's deferred compensation plan, this election is not possible



# 2025 DC Plan

- Recordkeeper will have counseling available
- Allows **State** employee DB plan members with no more than 5 years of service credit as of 1/1/25 to elect to transfer to the existing (legacy) defined contribution plan
  - NDPERS transfers 100% of the member's "actuarial present value of the employee's accumulated benefit obligation"
  - Agencies will contribute an extra \$3,333 per year for three years to each transferee's account
  - No similar opportunity for political subdivision DB plan members to elect to go to the DC plan
- Currently no option for a political subdivision to join the new DC plan if they were not in the Main DB plan
  - My understanding is that this was inadvertent, and may be changed next session to allow a political subdivision to elect to participate in the DC plan even if they were not in the DB plan



# Deferred Compensation Plan

- Supplementary pre-tax savings plan for public employees under section 457 of the Internal Revenue Code
- ~9,700 members (6,684 active) as of September 2023, with assets of \$189 million
- Eleven different providers
  - Including TIAA, which provides services for the NDPERS “Companion Plan”
- Participants who are also in the Main PERS Plan get the PEP advantage



# Retiree Health Insurance Credit (RHIC)

- The RHIC program provides NDPERS retirees with a specific calculated benefit amount available for reimbursement in retirement years up to the amount of the retiree's eligible health insurance premium expenses
  - \$5 for every year of service credit, paid every month
  - Example: 20 years of service credit X \$5 = \$100 RHIC every month
- Health insurance premium expenses include vision and dental insurance premiums
- Insurance policies no longer need to be through NDPERS to qualify for reimbursement
- The RHIC was eliminated for Main retirement plan and DC plan employees first hired after December 31, 2019, and the 1.14% employer contribution is re-directed to the Main PERS plan or their DC accounts, respectively.



# GROUP INSURANCE PLANS





# Group Insurance Plans

- Three different Health Insurance plans for actives – Sanford Health Plan (SHP)
- Plan F (medical) and Part D (prescription) plans for Medicare retirees – SHP and Humana
- Life Insurance – Voya
- Dental Insurance – Delta Dental
- Vision Insurance – Superior Vision
- Employee Assistance Program – The Village, CHI-St. Alexius Health, Live Well Solutions, and NexGen (selected by each agency)
- Flexible Compensation (FlexComp) Plan – administered by ASIFlex



# Group Insurance Plans

January 2023	GROUP INSURANCE PROGRAMS MANAGED AND ADMINISTERED BY NDPERS					
	<i>HEALTH</i>	<i>LIFE</i>	<i>DENTAL</i>	<i>VISION</i>	<i>EAP</i>	<i>FLEXCOMP</i>
<b>PARTICIPATING EMPLOYERS</b>						
State	99	98	99	99	97	87
Counties	28	31				
School Dist	15	5				
Cities	29	26				
District Health Units	20	20	20	20	20	5
Others	32	16				
<b>TOTAL</b>	<b>223</b>	<b>196</b>	<b>119</b>	<b>119</b>	<b>117</b>	<b>92</b>
<b>EMPLOYEES</b>						
State	14,353	15,083	9,438	9,672	15,103	2,794
Legislators	135	135				
Counties	1,430	2,768				
School Dist	743	95				
Cities	651	244				
District Health Units	242	269	106	100	268	54
Others	244	167				
Retirees	6,732	3,157	4,243	4026		
COBRA	194		44	43		
<b>TOTAL</b>	<b>24,724</b>	<b>21,918</b>	<b>13,831</b>	<b>13,841</b>	<b>15,371</b>	<b>2,848</b>
<b>Covered Lives</b>	<b>58,504</b>					



# Health Plan

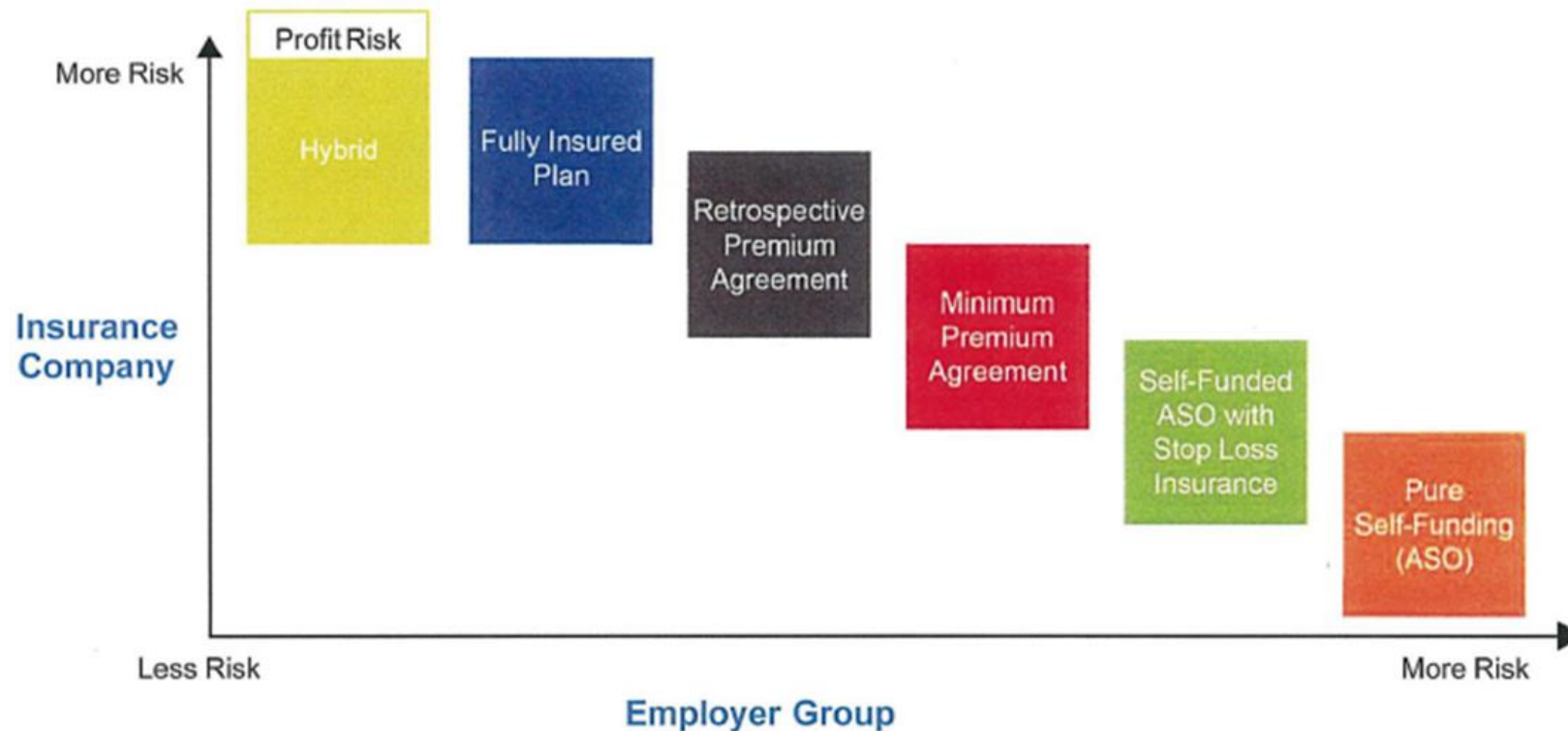
- Originally fully insured from 1977-1983 with BCBS
- In 1983 it became a self-insured plan
- In 1989 the self-insured plan essentially went bankrupt, and we were able to transition to a modified fully-insured structure with BCBS
  - Modified fully-insured structure: NDPERS shared 50/50 in losses up to \$6 million, but no more than that, and shared 50/50 in gains up to \$3 million, and took all gains above \$3 million
  - Gains are added to our reserves
- In 2015, after a Request for Proposals procurement process, we transitioned to Sanford Health Plan (SHP) with the same modified fully-insured structure
- In 2017 we negotiated the elimination of the loss sharing, while retaining the gain sharing
  - As such, right now the state has none of the risk from the health plan, and shares 50/50 in all the gain for the first \$3 million, and takes all the gain above \$3 million
  - This is tantamount to having a fully-insured plan for losses, but having nearly all the gain possibility from a self-insured plan



# Health Plan

## Spectrum from Fully Insured to Self-Insured

Who Assumes the Risk?



# Health Plan

- Three options:
  - Grandfathered PPO Plan – “Grandfathered” under the Affordable Care Act
    - State and most political subdivisions
  - Non-Grandfathered PPO Plan – for large (51+ employees) political subdivisions only (currently only two)
    - The “large” requirement is from federal law
  - Non-Grandfathered High Deductible Health Plan (HDHP) – State and large (51+) political subdivision employees
    - State employees have the option of electing the HDHP
      - The state contributes to a Health Savings Account (HSA) to encourage participation
      - 818 participants (prior to open enrollment)
    - If a political subdivision elects to offer the HDHP to its employees, that is the only health plan they can offer. If they later want to offer a PPO instead, they can only offer the non-grandfathered PPO.
      - The state does not administer the HSA for a political subdivision



# Health Plan - Wellness

- Studies show that wellness programs within health plans can have a measurable impact on plan costs going forward
  - A significant portion of health care spending increases in the last 20 years has been due to modifiable population risk factors
- NDPERS has focused wellness efforts at two levels:
  1. Employer – required by NDCC section 54-52.1-14
    - Participating employers receive a 1% premium discount
    - Employer program covers 97% of employees (with 67% of employers participating)
  2. Employee (next slide)



# Health Plan – Employee Wellness

- About the Patient Program – helps diabetes patients comply with their treatment plan
- Diabetes Prevention Program – helps at-risk individuals make lifestyle choices that can help prevent diabetes
- Healthy Pregnancy Program – assists expectant mothers to reduce high-cost pregnancies
- Fitness center reimbursement – up to \$20 monthly with 12 visits
- Exercise is Medicine – Fargo and Bismarck-based fitness center classes
- \$250 Wellness Incentive
  - Available to both the employee and their covered spouse
  - Provided by our health carrier as part of the premium
  - Earn either through:
    - Wellness Portal – an online website that encourages physical fitness and rewards individuals for obtaining wellness goals
      - Participate in programs and challenges
      - Earn Points for redemption
    - Fitness center reimbursement - \$20 per month reimbursement if attend fitness center 12 days/month



# Health Plan - Contract

- Statute allows the Board to enter a two-year contract, and award two possible additional two-year extensions
- We went out to bid for the 2021-23 biennium, and again awarded the plan to SHP
- In that RFP, we solicited bids for every type of coverage
  - Bundled health and Rx under the modified fully-insured arrangement and under a self-insured structure
  - Separate (unbundled) health and Rx, potentially with the modified fully-insured arrangement and self-insured
  - Under any of these possibilities, statute requires that Rx will now have to be with a transparent Pharmacy Benefit Manager (PBM)
- We renewed with SHP again for the 23-25 biennium





# Health Plan - Retirees

- Bundled Plan F (medical) and Part D (Rx) plan for our retirees
- The Board has considered unbundling these, and moving from a Plan F to a Plan G
  - Adverse selection concerns



# Other Insurance Plans

- Life Insurance – Voya
- Dental Insurance – Delta Dental
- Vision Insurance – Superior Vision
- All are voluntary (although if an employer offers life insurance, employees are required to participate in the basic life plan)
- All are available to our retirees if application is made within 31 days of a qualifying event (life insurance only available if they were on the plan when they retired)
- Retirees may use Retiree Health Insurance Credit (RHIC) monies for any Health, Prescription Drug, Dental, Long-Term Care, and Vision coverages, regardless of whether they get the coverage through NDPERS



# Employee Assistance Program

- Primarily to provide support to employees to help them deal with personal or work-related problems, including counseling
- Available to all permanent state agency employees
- Each agency picks one of the available vendors for their employees – The Village, CHI-St. Alexius Health, Live Well Solutions, or NexGen
- Vendor options are determined through a bid process, but all vendors meeting the minimum qualifications who will sign our contract are available for employers



# Flexcomp Program

- Allows employees to elect to have a pre-tax deduction from their salary to use for one of three purposes:
  1. Pre-tax eligible premiums (premium conversion)
  2. Medical Flexible Spending Account (FSA)
  3. Dependent Care Flexible Spending Account (FSA)
- NDPERS does not administer the Flexcomp Program for Higher Education employees



# LEGISLATION IMPLEMENTATION



# Bills Affecting PERS

	Description	Effective Date	Notes
<b>HB 1411</b>	Requires NDPERS health insurance to cover prosthetic repairs and replacements if medical necessary	7/1/2023	Implemented; cost to be paid by reserves
<b>HB 1095</b>	Comprehensive medication management program required of all insurers within the state	1/1/2025	Implementation in process; cost to be paid by reserves
<b>SB 2140</b>	Sets a cap of \$25/month that a member on NDPERS health insurance, excluding Medicare Part D, can be charged towards insulin and diabetic supplies. Pilot program for the biennium.	8/1/2023	Implemented; cost to be paid by reserves
<b>SB 2158</b>	CHAND Study – requires NDPERS participation in a study during interim to explore dissolving CHAND	8/1/2023	Participated in the first Committee meeting



# Bills Affecting PERS

	Description	Effective Date	Notes
HB 1014	Industrial Commission splitting into two agencies	7/1/2023	Implemented
HB 1183	Expands definition of peace officer for eligibility in the Peace Officer Plan	8/1/2023	Transitioned state-employed peace officers to Plan
HB 1309	Modifies the benefit multiplier for BCI agents to be a two-tier multiplier based upon years of service and increases the vesting for new BCI agents hired, essentially requiring a new Public Safety plan	8/1/2023	Implemented
HB 1501	Soybean Council privatization	7/1/2024	Working with Council
HB 1040	Closed the Defined Benefit Plan to new hires and establishes a new Defined Contribution Plan tier for new hires after the effective date of the closure	1/1/2025	See below



# HB 1040 Implementation

- May 3: Distributed email to employers to forward to employees.
- May 4: Article added to NDPERS news and NDPERS website homepage.
- May 11: Collaborated with OMB to publish article in Team ND News.
- May 17: NDPERS presented at OMB Essentials and Team ND HR meetings.
- June 21: Published article on NDPERS active member newsletter.
- July 5 – 12: Distributed notices to employers regarding upcoming employer contribution changes on January 1, 2024.
- August 1: Article added to NDPERS news and NDPERS website homepage.
- August 7: Email to employers to forward to employees announcing implementation date of January 1, 2025.
- August 7: Published article in NDPERS retiree newsletter.
- August 10: Collaborated with OMB to publish article in Team ND News.
- November 1: NDPERS presented at OMB Essentials Team meeting.

***2024 will include more detailed communications for both employers and employees***





# HB 1040 Implementation

- Internal bi-weekly implementation meetings
- Filled one (Counselor) of two new FTEs for this work, the other (Defined Contribution Retirement Programs Manager) will begin December 1, 2023
- Once the new Manager is on board we will modify our org structure
- Created a multiple-page list of modifications we will need on our business system
  - Developers have projected completion of our system programming in March
  - Once our business system is modified, will provide political subs with requirements
- Working with the Attorney General's office on the amendment of existing rules and the creation of newly required administrative rules – 9-12 month process
  - 25-30 new and amended rules
- Conferred with outside tax counsel regarding election window for new DC hires
- Addressed special election transfer calculation with actuary



# HB 1040 Implementation

- The contract with our current recordkeeper, TIAA, ends 6/30/2024
- We have been working with our investment consultant, Callan, since February on drafting the RFP for a new recordkeeper
- The Board approved the RFP at its August 15<sup>th</sup> meeting
- RFP published August 16<sup>th</sup>
- Responses received from 5 vendors, currently being reviewed

	August 2023	September 2023	October 2023	November 2023	December 2023
RFP Published	16				
Recordkeeper discovery questions due	30				
Discovery questions responses posted by Callan		8			
RFP online responses due		15			
Hard copy responses due		18			
Finalists notified				Mid-Nov.	
Best and final offers submitted					Early Dec.
Finalist Presentations (if applicable)					TBD



# PERSLink & Employer Programming Timeline

	2023						2024											
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>HB 1040 Programming Implementation</b>																		
Funding for development effective	Completed																	
HB 1040 section-by-section analysis to determine system enhancements	Completed	Completed																
Meet with GRS to discuss the incentive, and get programming parameters		Completed																
Biweekly meetings to discuss section-by-section coding			Completed	Completed	Goal	Goal	Goal	Goal	Goal									
NDPERS user acceptance testing of enhancements									Goal	Goal	Goal							
NDPERS updates file layout documentation for employers									Goal	Goal								
NDPERS develops sample file layouts for employers									Goal	Goal								
Determine final go-live date												Goal						
Three months prior to go live:																		
State PeopleSoft development													Tentative for October 1, 2024 Launch	Tentative for October 1, 2024 Launch		Tentative for January 1, 2025 Launch	Tentative for January 1, 2025 Launch	
Higher Ed PeopleSoft development													Tentative for October 1, 2024 Launch	Tentative for October 1, 2024 Launch		Tentative for January 1, 2025 Launch	Tentative for January 1, 2025 Launch	
Political sub development													Tentative for October 1, 2024 Launch	Tentative for October 1, 2024 Launch				Tentative for January 1, 2025 Launch
Employer file testing															Tentative for October 1, 2024 Launch			Tentative for January 1, 2025 Launch

KEY
Completed
Goal
Past Due
Tentative for October 1, 2024 Launch
Tentative for January 1, 2025 Launch



# HB 1040 Implementation

- We have heard some state agencies are concerned about their ability to pay the \$3,333 incentive; however, since the first payment will be next biennium (January of 2026), they should have the necessary appropriations
- Contribution percentage election is a large programming and compliance effort
- Oklahoma PERS has advised us we should consider how to deal with excessive employer contribution forfeitures
  - Potentially through clarifying legislation in 2025



# Transition Considerations

- NDPERS staff identified the lack of ability for a political subdivision to elect to join the new DC plan if it was not already in the DB plan – advised Legislative Council for consideration next session
- Many political subdivisions have contacted us intending to transition their public safety officers into the public safety plan next December, just prior to the DB plan closure. The primary reason for this timing is budgetary – the public safety employer contribution rate is higher than the DB/DC plan contribution rate.



# Questions?

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