



North Dakota Legislative Council

Prepared for the Retirement Committee
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(DRAFT - FOR COMMITTEE REVIEW)

REQUEST FOR PROPOSAL DRAFT - PUBLIC EMPLOYEES RETIREMENT SYSTEM DEFINED BENEFIT AND DEFINED CONTRIBUTION PLANS STUDY

This memorandum provides information regarding items to include in a potential request for proposal to hire a consultant to provide information related to the Retirement Committee's directive to develop a plan for new hires under the Public Employees Retirement System to participate in the defined contribution plan and to close the defined benefit plan to new entries effective January 1, 2024.

As provided for in [Section 1 of House Bill No. 1209 \(2021\)](#), the directive is to develop a plan for new hires under the Public Employees Retirement System to participate in the defined contribution plan and to close the defined benefit plan to new entries effective January 1, 2024. Specific areas the consultant should address include:

1. Actuarial estimates, including:
 - a. A replication valuation of the July 1, 2021, actuarial valuation for the defined contribution plan and resolve any discrepancies between the replication valuation and the valuation performed by the Public Employees Retirement System actuary;
 - b. The unfunded liability of the plan as it currently exists, identifying the state's share of the unfunded liability and each participating political subdivision's share of the unfunded liability;
 - c. The unfunded liability if the plan is closed to new hires effective January 1, 2024, and new hires participate in the state's existing or modified defined contribution plan, identifying the state's share of the unfunded liability, and each participating political subdivision's share of the unfunded liability;
 - d. The amount of a lump sum cash deposit into the plan on July 1, 2025, to enable the plan to be 100 percent funded in 20 years, 25 years, and 30 years for:
 - (1) The plan as it currently exists, identifying the cash infusion necessary for the state's portion of the plan and the cash infusion necessary for the political subdivision's portion of the plan; and
 - (2) The plan if closed to new hires effective January 1, 2024, identifying the cash infusion necessary for the state's portion of the plan and the cash infusion necessary for each political subdivision's portion of the plan;
 - e. In any analysis of closing all or a part of the defined benefit plan, information on how the eventual de-risking of the plan's investment portfolio will affect investment returns over time, including the effect on the plan's assumed rate of return and the corresponding effect on liabilities;
 - f. Options to fund the defined benefit plan including a lump sum contribution and increases in employer or employee contributions, or both;
 - g. The effect on the defined benefit plan of allowing current defined benefit plan members to elect to transfer to the current defined contribution plan or a new defined contribution or hybrid plan; and
 - h. Model proposals for new defined contribution or hybrid plans, including the percentage of a member's final average salary they might expect to receive under those plans over the course of their retirement.
2. Consultation regarding:
 - a. Any federal provisions that affect the ability of a proposal to "carve out" the local plan or to keep the defined benefit plan open for political subdivision new hires while closing the plan to state new hires;

- b. Options to address employees who have both state and local contributions and employees who leave state or local employment and return to the state or local employment later;
- c. Options for political subdivisions to transfer their assets and liabilities from the existing plan to another program to avoid closure;
- d. Options for administration of the plan;
- e. Options for modification of the plan;
- f. Estimated cost to implement changes; and
- g. Potential impacts to bond ratings of the state and political subdivisions if unfunded liabilities increase.

The resulting contract will require periodic reports to the Retirement Committee on the status of the project and on tentative findings, participation at committee meetings, and recommendations with the final written report due by April 1, 2022 (or other date identified by the committee).