

EMPLOYEE BENEFITS PROGRAMS COMMITTEE

The Employee Benefits Programs Committee was assigned the following responsibilities:

- Receive annual reports from the Board of Trustees of the Teachers' Fund for Retirement (TFFR) regarding the annual test of actuarial adequacy of the TFFR statutory contribution rates, pursuant to North Dakota Century Code Section 15-39.1-10.11.
- Review legislative measures and proposals affecting public employees retirement programs and health and retiree health plans, pursuant to Section 54-35-02.4.
- Receive periodic reports from the Office of Management and Budget (OMB) Human Resource Management Services Division on the implementation, progress, and bonuses provided by state agency programs to provide bonuses to recruit or retain employees in hard-to-fill positions, pursuant to Section 54-06-31.
- Receive a biennial report from OMB summarizing reports of state agencies providing service awards to employees in the classified service, pursuant to Section 54-06-32.
- Receive a biennial report from OMB summarizing reports of state agencies providing employer-paid costs of training or educational courses to employees in the classified service, pursuant to Section 54-06-33.
- Receive a biennial report from OMB summarizing reports of executive branch state agencies paying employee membership dues for professional organizations and membership dues for service clubs when required to do business or if the membership is primarily for the benefit of the state, pursuant to Section 54-06-34.
- Adopt a procedure for identifying measures and proposed measures mandating health insurance coverage of services or payments for specified providers of services, pursuant to Section 54-03-28(4).
- Approve terminology adopted by the Board of Trustees of TFFR to comply with applicable federal statutes or rules, pursuant to Section 15-39.1-35.
- Approve terminology adopted by the Public Employees Retirement System (PERS) Board to comply with federal requirements, pursuant to Sections 39-03.1-29, 54-52-23, and 54-52.1-08.2.
- Receive notice from the Board of Trustees of TFFR of any necessary or desirable changes in statutes relating to TFFR, pursuant to Section 15-39.1-05.2.
- Receive notice from firefighters relief associations of each association's intent to provide a substitution monthly service pension, pursuant to Section 18-11-15.

Committee members were Representatives Joshua A. Boschee (Chairman), Bert Anderson, Claire Cory, Ron Guggisberg, Mitch Ostlie, Matthew Ruby, and Paul J. Thomas and Senators Brad Bekkedahl, Randy A. Burckhard, Dick Dever, Tim Mathern, Kristin Roers, and Shawn Vedaa.

Representative George Keiser served on the committee until his death on December 22, 2021.

BACKGROUND

The Employee Benefits Programs Committee has statutory jurisdiction over legislative measures that affect retirement, health insurance, and retiree health insurance programs of public employees. Under Section 54-35-02.4, the committee is required to consider and report on legislative measures and proposals over which it takes jurisdiction and which affect, actuarially or otherwise, retirement programs and health and retiree health plans of public employees. Section 54-35-02.4 also requires the committee take jurisdiction over any measure or proposal that authorizes an automatic increase or other change in benefits beyond the ensuing biennium which would not require legislative approval and to include in the report of the committee a statement that the proposal would allow future changes without legislative involvement.

The committee may solicit draft measures from interested persons during the interim and is required to make a thorough review of any measure or proposal it takes under its jurisdiction, including an actuarial review. A copy of the committee's report must accompany any measure or amendment affecting a public employee's retirement program, health plan, or retiree health plan which is introduced during a legislative session. The statute provides any legislation enacted in contravention of these requirements is invalid, and benefits provided under that legislation must be reduced to the level in effect before enactment.

Teachers' Fund for Retirement

Chapter 15-39, which was repealed in 1971, established the teachers' insurance and retirement fund. This fund, the rights to which were preserved by Section 15-39.1-03, provided a fixed annuity for full-time teachers whose rights vested

in the fund before July 1, 1971. The plan was repealed in 1971, at which time TFFR was established with the enactment of Chapter 15-39.1.

The Teachers' Fund for Retirement became effective July 1, 1971, and is governed by its board of trustees. The State Investment Board is responsible for the investment of the trust assets, although the TFFR Board of Trustees establishes the asset allocation policy. The Retirement and Investment Office (RIO) is the administrative agency for TFFR. The Teachers' Fund for Retirement is a qualified governmental defined benefit retirement plan.

All certified teachers of a public school in the state participate in TFFR, including supervisors, principals, and administrators. Noncertified employees, such as instructional aides, facility maintenance, secretaries, and drivers, are not allowed to participate in TFFR. Eligible employees become members on the date of employment.

The district or other employer that employs a member contributes a percentage of the member's salary. This percentage consists of a base percentage of 7.75 percent, plus additions. Effective July 1, 2008, the employer contribution rate became 8.25 percent; effective July 1, 2010, the employer contribution rate became 8.75 percent; effective July 1, 2012, the employer contribution rate became 10.75 percent; and effective July 1, 2014, the employer contribution rate became 12.75 percent. However, the employer contribution rate will revert to 7.75 percent when TFFR is 100 percent funded on an actuarial basis. The contribution rate will not increase automatically if the funded ratio later falls below 100 percent.

Before July 1, 2012, all active members contributed 7.75 percent of salary per year to TFFR. The employer may "pick up" the member's contributions under the provisions of Internal Revenue Code Section 414(h). The member contribution rate was increased from 7.75 to 9.75 percent effective July 1, 2012, and increased to 11.75 percent effective July 1, 2014. The 4 percent added to the member contribution rate will remain in effect until TFFR is 100 percent funded on an actuarial basis. At that point, the member contribution rate will revert to 7.75 percent. The member's total earnings are used for salary purposes, including overtime and nontaxable wages under a Section 125 plan, but excluding certain extraordinary compensation, such as fringe benefits or unused sick or vacation leave.

Members who joined TFFR by June 30, 2008, are Tier 1 members, while members who join after that date are Tier 2 members. Final average compensation, for purposes of determining retirement benefits, is the average of the member's highest 3 plan-year salaries for Tier 1 members or 5 plan-year salaries for Tier 2 members. Monthly benefits are based on one-twelfth of this amount. Tier 1 members are eligible for a normal service retirement benefit at age 65 with credit for 3 years of service, or earlier, if the sum of the member's age and years of service is at least 85. Effective June 30, 2013, Tier 1 members who are at least age 55 and vested--3 years of service--as of the effective date, or if the sum of the member's age and service is at least 65, are eligible for normal service retirement benefits and are grandfathered. Those who do not meet these criteria as of June 30, 2013, may retire upon normal retirement on or after age 65 with credit for 3 years of service, or earlier, if the sum of the member's age and years of service is at least 90, with a minimum age of 60. A Tier 2 member may retire upon normal retirement on or after age 65 with credit for 5 years of service, or earlier, if the sum of the member's age and years of service is at least 90. Effective July 1, 2013, Tier 2 members may retire upon normal retirement on or after age 65 with credit for 5 years of service, or earlier, if the sum of the member's age and years of service is at least 90, with the added requirement that the member has reached a minimum age of 60.

The monthly retirement benefit is 2 percent of final average monthly compensation times years of service. Benefits are paid as a monthly life annuity, with a guarantee if the payments made do not exceed the member's contributions plus interest, determined as of the date of retirement, the balance will be paid in a lump sum to the member's beneficiary.

To receive a death benefit, death must occur while being an active, inactive, or a nonretired member. Upon the death of a nonvested member, a refund of the member's contributions and interest is paid. Upon the death of a vested member, the beneficiary may elect the refund benefit or a life annuity of the normal retirement benefit "popping-up" to the original life annuity based on final average compensation and service as of the date of death, but without applying any reduction for the member's age at death.

A Tier 1 member leaving covered employment with less than 3 years of service and a Tier 2 member leaving covered employment with less than 5 years of service is eligible to withdraw or receive a refund benefit. Optionally, a vested member may withdraw the member's contributions plus interest in lieu of the deferred benefit otherwise due. A member who withdraws receives a lump sum payment of the member's employee contributions plus interest credited on these contributions. Interest is credited at 6 percent per year.

At times, the law relating to TFFR retirement benefits has been amended to grant certain postretirement benefit increases. However, TFFR has no automatic cost-of-living increase features.

Public Employees Retirement System

The Public Employees Retirement System is governed primarily by Chapters 54-52, 54-52.1, 54-52.2, 54-52.3, and 54-52.6. The PERS retirement benefits include the defined contribution (DC) retirement plan and the defined benefit (DB) retirement plan, the retiree health insurance credit (RHIC), and the 457 deferred compensation plan. The PERS insurance plans include health insurance for active and retired members, life insurance, dental insurance, vision insurance, and long-term care insurance.

The retirement system is supervised by the PERS Board and covers most public employees of the state, district health units, and the Garrison Diversion Conservancy District. Elected officials and officials first appointed before July 1, 1971, may choose to be members. Officials appointed to office after that date are required to be members. Most North Dakota Supreme Court justices and district court judges are members of the plan but receive benefits that differ from other members. A county, city, or school district may choose to participate on completion of an employee referendum and on execution of an agreement with the PERS Board. Political subdivision employees are not eligible to participate in the DC retirement plan.

The PERS main system DB retirement plan is funded from employer contributions, employee contributions, and investment earnings. Contributions are calculated based on a percentage of gross pay. The DB retirement plan is provided through the combined PERS fund--PERS main system, the judges' retirement system, the public safety system with prior PERS main system service, and the public safety system without prior PERS main system service--Highway Patrolmen's retirement system, and Job Service North Dakota retirement plan (Job Service).

Retirement Tiers

Receipt of retirement benefits is based on two dates establishing three tiers of retirement benefits for members under the combined PERS fund--January 1, 2016, and January 1, 2020. The three retirement benefits that vary based on the date of initial hire are the normal retirement age, final average salary multiplier, and receipt of the RHIC.

There are two normal retirement ages for retirement plan members:

- **Rule of 85** - Members of the PERS main system and judges' retirement system are eligible for a normal service retirement benefit at age 65 or when age plus years of service is equal to at least 85. Members of the public safety retirement system are eligible for a normal service retirement at age 55 and 3 eligible years of service or when age plus service is equal to at least 85.
- **Rule of 90 and minimum age of 60** - Members of the PERS main system first enrolled after December 31, 2015, are eligible for a normal service retirement benefit at age 65 or when age plus years of service is equal to at least 90 and the member attains a minimum age of 60.

There are two retirement benefit final average salary multipliers for retirement plan members:

- **2 percent and judges** - Members of the PERS main and public safety systems enrolled before January 1, 2020, have a retirement benefit calculated based on 2 percent of final average salary multiplied by years of service. The retirement benefit for a member of the judges' retirement system is 3.50 percent of final average salary for the first 10 years of service, 2.80 percent for each of the next 10 years of service, and 1.25 percent for service in excess of 20 years.
- **1.75 percent** - Members of the PERS main and public safety systems enrolled after December 31, 2019, have a retirement benefit calculated based on 1.75 percent of final average salary multiplied by years of service.

There are two classes of RHIC recipients for retirement plan members:

- **RHIC** - Members of the PERS main and public safety systems first enrolled before January 1, 2020, receive an RHIC.
- **No RHIC** - Members of the PERS main and public safety systems first enrolled after December 31, 2019, do not receive an RHIC.

Surviving Spouse Retirement Benefits

The surviving spouse of a PERS member may be eligible for benefits under the retirement system. The surviving spouse who is the sole refund beneficiary of a deceased member of the PERS main system or public safety system who had accumulated at least 3 years of service before normal retirement is entitled to elect one of four forms of preretirement death benefits. If the surviving spouse is not the sole refund beneficiary, the refund beneficiary only may choose a lump sum distribution of the accumulated balance. The preretirement death benefit may be a lump sum payment of the member's accumulated contributions with interest; 50 percent of the member's accrued benefit, not reduced on account of age, payable for the surviving spouse's lifetime; a continuation portion of a 100 percent joint and survivor annuity, only available if the participant was eligible for normal retirement; or a partial lump sum payment in addition to one of the

annuity options. The surviving spouse of a deceased member of the judges' retirement system who had accumulated at least 5 years of service is entitled to elect one of two forms of preretirement death benefits. The preretirement death benefit may be a lump sum payment of the member's accumulated contribution with interest or 100 percent of the member's accrued benefit, not reduced on account of age, payable for the spouse's lifetime. For members who are neither vested nor have a surviving spouse, the benefit is a lump sum payment of the member's accumulated contributions with interest.

Retirement Benefits

The standard form of payment for members of the PERS main and public safety systems is a monthly benefit for life with a refund to the beneficiary at death of the remaining balance, if any, of accumulated member contributions. The standard form of payment for members of the judges' retirement system is a monthly benefit for life, with 50 percent payable to an eligible survivor. The final average salary is the average of the highest salary received by a member for any 36 months employed during the last 180 months of employment.

Retirement System Contributions

Except for the employer contribution rate for the public safety system plans, contribution rates are specified by statute. For the PERS main system, from 1977 through 1989, the employer contribution was 5.12 percent of state employee salaries and the employee contribution was 4 percent. In lieu of state employee salary increases in 1983 and 1984, the state began to pay the 4 percent employee contribution. In 1989, the employer contribution was reduced by 1 percent and reallocated for an RHIC. In 2012, 2013, and 2014, the employer and employee contributions were each increased 1 percent each year.

The January 1, 2014, increase is scheduled to revert to the contribution rates in effect on July 1, 2013, following the first valuation of the PERS main system showing a ratio of the actuarial value of assets to the actuarial accrued liability of the PERS main system which is equal to or greater than 100 percent. The 2019 Legislative Assembly terminated the RHIC for new hires and the 1.14 percent was reallocated with the effect being for new hires the employer contribution increased by 1.14 to 8.26 percent.

1989 Through December 31, 2011		Effective January 1, 2012		Effective January 1, 2013		Effective January 1, 2014	
Employer	Employee	Employer	Employee	Employer	Employee	Employer	Employee
4.12%	4.00% ¹	5.12%	5.00% ¹	6.12%	6.00% ¹	7.12% ²	7.00% ¹

¹The state pays 4 percent of the employee share of retirement contributions.

²Senate Bill No. 2046 (2019) reallocated the 1.14 percent employer contribution for the RHIC to the main system defined benefit retirement plan for employees hired after December 31, 2019, resulting in a total employer contribution rate of 8.26 percent for employees hired after December 31, 2019.

Retiree Health Insurance Credit Fund

The 1989 Legislative Assembly established an RHIC fund with the purpose of prefunding hospital benefits coverage; medical benefits coverage; prescription drug coverage under any health insurance program; and dental, vision, and long-term care benefits coverage under the uniform group insurance program for retired members of PERS and the Highway Patrolmen's retirement system receiving retirement benefits or surviving spouses of those retired members who have accumulated at least 10 years of service. The fund provides a monthly credit for health insurance benefits of \$5 multiplied by the retired members' years of service.

The employer contribution under PERS was reduced by 1 percent of the monthly salaries or wages of participating members, including participating judges, and the money was redirected to the RHIC fund. The 2009 Legislative Assembly increased the employer contribution to 1.14 percent of the monthly salaries or wages of participating members. The 2019 Legislative Assembly closed the program for new hires after December 31, 2019.

**ACTUARIAL REPORTS
Teachers' Fund for Retirement**

The committee received annual actuarial valuation reports on TFFR dated July 1, 2021, and July 1, 2022. The primary purposes of the valuation report are to report the TFFR's actuarial assets, calculate TFFR's liabilities, determine the funding policy actuarially determined contribution for fiscal year 2023 and compare to the statutory employer contribution, determine the effective amortization period, explore the reasons why the current valuation differs from the prior valuation, and provide information for annual financial statements. In addition, the report provides information required by TFFR in connection with the Governmental Accounting Standards Board Statement Nos. 67 and 68, the standards that set the accounting rules for public retirement systems and the employers that sponsor or contribute to these plans. Valuations are prepared annually, as of July 1 of each year, the first day of TFFR's plan and fiscal year.

Effective with the July 1, 2013, actuarial valuation, the TFFR Board of Trustees adopted an actuarial funding policy that provides direction on how to calculate an actuarially determined contribution. To determine the adequacy of the 12.75 percent statutory employer contribution rate, the rate is compared to the actuarially determined contribution. The actuarially determined contribution is equal to the sum of the employer normal cost rate and the level percentage of pay required to amortize the unfunded actuarial accrued liability over a 30-year closed period that began July 1, 2013. For this calculation, payroll is assumed to increase 3.25 percent per year. As of July 1, 2022, the actuarially determined contribution is 12.12 percent of payroll, compared to 12.37 percent on July 1, 2021. Therefore, the statutory employer contribution rate of 12.75 percent resulted in a contribution margin of .63 percent of payroll as of July 1, 2022.

As of June 30, 2022, the actuarial value of assets was \$3.13 billion, representing 103.6 percent of the fair value of assets of \$3.02 billion. The actuarial value of 103.6 of fair value percent falls within the 20 percent corridor, so no further adjustment to the actuarial value of assets is necessary. Guidelines in Actuarial Standard of Practice Statement No. 44, selection and use of asset valuation methods for pension valuations, recommends asset values fall within a reasonable range around the corresponding market value. The actuarial asset method complies with these guidelines.

For the year ending June 30, 2022, the consulting actuary determined the return on the fair value of assets was -6.1 percent. After gradual recognition of investment gains and losses under the actuarial smoothing method, the actuarial rate of return was 7.4 percent, which represents an experience gain when compared to the assumed rate of 7.25 percent. Based on the actuarial value of assets, the funded ratio increased to 69.9 percent, compared to 68.6 percent as of July 1, 2021. The net pension liability increased from \$1.05 billion as of June 30, 2021, to \$1.46 billion as of June 30, 2022.

The fund's cashflow (contributions minus benefit payments, refunds, and expenses) as a percentage of the market value of assets is a deficiency of 2.0 percent as of June 30, 2022, compared to a deficiency of 1.6 percent as of June 30, 2021.

As of July 1, 2022, the fund had 11,802 active members and 9,438 retirees and beneficiaries. Plan costs are affected by the age, years of service, and compensation of active members. The average age of active members was 41.3 years, and active members have 11.3 average years of service. Average compensation for active members was \$64,916. As of July 1, 2022, 9,438 retirees and beneficiaries were receiving total monthly benefits of \$251.9 million with the average monthly benefit amount for the retirees and beneficiaries being \$2,224.

Public Employees Retirement System

The committee received annual actuarial valuation reports as of July 1, 2021, and July 1, 2022, on the following PERS funds:

- Combined PERS fund:
 - PERS main system;
 - Judges' retirement fund;
 - Public safety system with prior PERS main system service; and
 - Public safety system without prior PERS main system service;
- Highway Patrolmen's retirement system;
- RHIC fund; and
- Job Service.

The actuarial valuations are performed to determine whether the assets and statutory contributions are anticipated to be sufficient to provide the prescribed benefits. The purpose of the actuarial valuations is to determine whether the contribution is sufficient to meet the long-term obligations to the members covered by the funds in accordance with the benefit provisions of the funds.

Plan Funding

The statutory or approved employer and employee contribution rates for fiscal year 2023 are:

	Employee Rate	Employer Rate
PERS main system ²	7.00%	7.35%
Judges' retirement system	8.00%	17.52%
Public safety system with prior PERS main system service	5.50% ¹	9.81%
Public safety system without prior PERS main system service	5.50%	7.93%
Highway Patrolmen's retirement system	13.80%	20.20%

RHIC ²	0%	1.14%
Job Service	7.00%	0% ³

¹Employee contribution rate for Bureau of Criminal Investigation is 6.00 percent.

²RHIC rate for members first enrolled after December 31, 2019, is made to the Main system for Main system members and to the DC system for DC system members. Main system employer rate of 7.35 percent is a blend of 7.12 percent for pre-2020 enrollees and 8.26 percent for members first enrolled after 2019.

³Due to the overfunded status of the Job Service fund, an employer contribution is not required.

The comparison of total--employer and employee--statutory or approved contribution rates and the total actuarial contribution rates for fiscal year 2023 are:

	Actuarial Contribution Rate	Statutory/Approved Contribution Rate	Statutory Rate Excess - Deficiency
PERS main system	21.70%	14.35%	(7.35%)
Judges' retirement system	19.90%	25.52%	5.62%
Public safety system with prior PERS main system service	16.94%	15.31%	(1.63%)
Public safety system without prior PERS main system service	14.66%	13.43%	(1.23%)
Highway Patrolmen's retirement system	53.15%	34.00%	(19.15%)
RHIC	1.35%	1.14%	(.21%)

The following is a comparison of this year's total actuarial contribution rates to last year's rates:

	Fiscal Year 2022	Fiscal Year 2023
PERS main system	19.46%	21.70%
Judges' retirement system	16.62%	19.90%
Public safety system with prior PERS main system service	14.86%	16.94%
Public safety system without prior PERS main system service	12.81%	14.66%
Highway Patrolmen's retirement system	45.46%	53.15%
RHIC	1.08%	1.35%

Demographics

The following demographic data was reported for active members as of July 1, 2022:

Category	Year Beginning July 1, 2022
PERS main system	
Number of active members	23,487
Average age	46.1
Average service credit	9.3
Total compensation	\$1,160,836,487
Average compensation	\$46,425
Judges' retirement system	
Number of active members	57
Average age	56.9
Average service credit	10
Total compensation	\$8,729,372
Average compensation	\$153,147
Public safety system with prior PERS main system service	
Number of active members	990
Average age	36.7
Average service credit	6.8
Total compensation	\$64,746,118
Average compensation	\$65,400
Public safety system without prior PERS main system service	
Number of active members	245
Average age	38.2
Average service credit	4.6
Total compensation	\$13,995,584
Average compensation	\$57,125
Combined PERS fund	
Number of active members	24,779
Average age	45.7
Average service credit	9.1
Total compensation	\$1,248,307,560
Average compensation	\$50,378

Category	Year Beginning July 1, 2022
Highway Patrolmen's retirement system	
Number of active members	151
Average age	38.2
Average service credit	11.5
Total compensation	\$12,267,230
Average compensation	\$81,240
Job Service	
Number of active members	1
Average age	66.7
Average service credit	47.3
Total compensation	\$61,332
Average compensation	\$61,332
RHIC	
Number of active members	19,018
Average age	47.9
Average service credit	11.7
Total compensation	\$1,032,405,030
Average compensation	\$54,286

Funding Ratio

The following is a comparison of this year's actuarial funded ratio to last year's ratio:

	July 1, 2021		July 1, 2022	
	Unfunded Actuarial Liability	Funded Ratio	Unfunded Actuarial Liability	Funded Ratio
PERS main system	\$1,425,110,399	70.3%	\$1,750,648,216	67.0%
Judges' retirement system	(\$7,869,497)	114.7%	(\$6,721,299)	111.6%
Public safety system with prior PERS main system service	\$27,985,885	78.2%	\$38,432,559	74.9%
Public safety system without prior PERS main system service	(\$504,268)	103.5%	860,033	95.4%
Highway Patrolmen's retirement system	\$31,925,416	74.1%	\$43,238,171	69.0%
RHIC	\$74,673,124	68.6%	\$93,323,552	64.6%
Job Service	(\$30,942,632)	147.7%	(\$22,087,227)	131.3%

CONSIDERATION OF RETIREMENT AND HEALTH PLAN LEGISLATIVE PROPOSALS

The committee established April 1, 2022, as the deadline for submission of retirement, health, and retiree health proposals; however, extended the timeline for bill drafts recommended by Legislative Management interim committees. The deadline is intended to provide the committee and the consulting actuary of each affected retirement, health, or retiree health program sufficient time to discuss and evaluate the proposals. The committee allowed legislators and those agencies entitled to the bill introduction privilege to submit proposals for consideration. The committee recognized the committee retains the authority to waive this self-imposed deadline. The committee reviewed each submitted proposal and received testimony from interested persons.

Under Section 54-35-02.4, each retirement, insurance, or retiree insurance program is required to pay, from its retirement, insurance, or retiree health benefits fund, as appropriate, and without the need for a prior appropriation, the cost of any actuarial report required by the committee which relates to that program. The committee referred the submitted legislative proposals to the affected retirement or insurance program and requested the program authorize the preparation of actuarial reports. For technical comments, PERS used the actuarial services of Gabriel, Roeder, Smith & Company (GRS) to evaluate proposals that affected retirement programs, Ice Miller for proposals with federal tax components, and Deloitte Consulting, LLP to evaluate proposals that affected the public employees health benefits program. For technical comments, TFFR used the actuarial services of The Segal Group, Inc., in evaluating proposals that affect TFFR.

The committee obtained written actuarial information on proposals over which the committee took jurisdiction. In evaluating each proposal, the committee considered the proposal's actuarial cost impact; testimony by retirement and health insurance program administrators and testimony by interested persons; the impact on the general fund or special funds and on the affected retirement program; and other consequences of the proposal or alternatives to the proposal. Based on these factors, the committee makes a favorable recommendation, unfavorable recommendation, or no recommendation on each proposal.

A copy of the actuarial evaluation and the committee's report on each proposal will be appended to each proposal introduced. Each sponsor is responsible for securing introduction of the proposal in the 68th Legislative Assembly.

Teachers' Fund for Retirement

The following is a summary of the proposals affecting TFFR over which the committee took jurisdiction and received an actuarial report, a summary of the actuarial analysis, and the committee's action on each proposal:

Bill Draft No. 16

Sponsor: Representative Thomas

Proposal: Provides an exception for participation in TFFR for a teacher who has served at least 20 years in the armed forces of the United States who retired with full military retirement benefits.

Actuarial analysis: The change made by this bill draft does not impact the actuarial position of TFFR. The expected number of members who would choose not to participate in TFFR and PERS is not expected to have a significant impact on PERS.

Committee report: Favorable.

Bill Draft No. 53

Sponsor: TFFR

Proposal: Provides for changes relating to TFFR benefits and duties of the TFFR Board.

Actuarial analysis: The changes made by the bill draft do not provide a material impact on the actuarial position of TFFR.

Committee report: Favorable.

Public Employees Retirement System

The following is a summary of the proposals primarily affecting PERS over which the committee took jurisdiction and received an actuarial report, a summary of the actuarial analysis, and the committee's action on each proposal:

Bill Draft No. 2

Sponsor: Senator Dave Oehlke

Proposal: Provides for PERS health benefits coverage of prosthetic devices.

Actuarial analysis: The expansion of prosthetic coverage will increase claims costs by .3 percent per year.

Committee report: Favorable.

Bill Draft No. 8

Sponsor: Representative Todd Porter

Proposal: Expands the PERS Bureau of Criminal Investigation participation in the public safety retirement system to include all peace officers employed by the state, except for members of the State Highway Patrol who are covered by the highway patrol plan.

Actuarial analysis:

- Approximately 430 members would transfer from the main PERS plan to the public safety system with prior main service and new hires would begin in the public safety system.
- Because the public safety system contains more favorable retirement provisions than the main system there would be an increase in past service liability because of the transfer.
- The net impact of the transfer is expected to result in an increase in unfunded actuarial accrued liability to the public safety system due to an asset transfer that is about 78 percent of the actuarial accrued liability under the main system.
- Normal cost of benefits goes down from 12.97 to 11.91 percent because of the expansion.
- Employer contributions will increase.

Committee report: No recommendation.

Bill Draft No. 34

Sponsor: Representative Jim Kasper

Proposal: Narrows the scope of duties of the Employee Benefits Programs Committee.

Actuarial analysis: Although there is no quantifiable financial impact of the proposed bill draft, the bill draft would render the Employee Benefits Programs Committee unable to authorize actuarial reports or other analysis resulting from consultation with experts and program advisors related to the potential impact of legislation. Therefore, there would be

no avenue to analyze the actuarial impact of legislative proposals on the PERS retirement plan or health insurance benefits.

Committee report: Unfavorable.

Bill Draft No. 45

Sponsor: Representative Kasper

Proposal: Revises the membership of the PERS Board and revises the process for approval of PERS health benefits coverage contracts.

Actuarial analysis: Although there is no quantifiable financial impact of the proposed bill draft, there are administrative or procedural implications.

Committee report: Unfavorable.

Bill Draft No. 54

Sponsor: PERS

Proposal: Provides for a change in the computation of final average salary for PERS retirement benefits.

Actuarial analysis: Although the change is expected to have a small, but likely immaterial financial impact on the PERS retirement system, there will not be an impact to the actuarial valuation results.

Committee report: Favorable.

Bill Draft No. 71

Sponsor: Supreme Court

Proposal: Provides for clerks of court to be state judicial employees.

Actuarial analysis: The change would have minimal actuarial impact.

Committee report: Favorable.

Bill Draft No. 77

Sponsor: Attorney General

Proposal: Revises the retirement benefits for peace officers employed by the Bureau of Criminal Investigation.

Actuarial analysis:

- Extends the projected year of full funding for the entire public safety system with prior main service from 2030 to 2034.
- Normal cost increases from 12.97 to 18.35 percent.

Committee report: Favorable.

Bill Draft No. 87

Sponsor: Representative Mike Lefor

Proposal: Provides for legacy fund funding of the PERS main plan.

Actuarial analysis: Would improve the PERS main plan funding, resulting in 100 percent funding by 2049.

Committee report: Favorable.

The committee took jurisdiction of five additional bill drafts the committee determined affect PERS. The committee will continue to hold meetings to receive the actuarial reports on these five bill drafts and will continue to take jurisdiction of legislative measures throughout the legislative session.

ADDITIONAL COMMITTEE RESPONSIBILITIES

Recruitment and Retention Bonuses

Pursuant to Section 54-06-31, the committee received periodic reports from the OMB Human Resource Management Services Division on the implementation, progress, and bonuses provided under state agency bonus programs to recruit or retain employees in hard-to-fill positions. During the 2019-21 biennium:

Agency	2019-21 Agency Authorized FTE Positions	July 1, 2019, to June 30, 2021 (Biennium Total)					
		Recruit		Referral		Retain	
		Number	Amount	Number	Amount	Number	Amount
Department of Agriculture	78.00					6	\$60,000
Bank of North Dakota	181.50			1	\$1,000	24	188,514
Department of Corrections and Rehabilitation	899.79	72	\$63,750	36	13,300	1	4,126
Department of Environmental Quality	165.50	2	12,500			10	64,250
Department of Financial Institutions	31.00	1	5,834			18	225,434
Governor's office	18.00	1	1,000				
State Department of Health	204.00	2	50,832			8	46,858
Highway Patrol	197.00	35	67,500				
State Historical Society	75.00					7	17,500
Department of Human Services	2230.23	165	806,402			223	1,399,980
Industrial Commission/ Department of Mineral Resources	112.75					174	735,735
Information Technology Department	402.00	16	32,500			77	183,209
Insurance Department	41.00					2	5,500
Commission on Legal Counsel for Indigents	40.00					4	7,580
Office of Management and Budget	112.00	1	5,000			6	20,417
Parks and Recreation Department	61.50	1	5,000				
Department of Public Instruction	89.25					1	5,000
Retirement and Investment Office	20.00	1	5,000				
Soybean Council	5.00					1	3,000
State Auditor's office	58.00					31	108,900
State Treasurer's office	7.00					1	8,402
Department of Trust Lands	28.00					1	(3,850)
Veterans' Home	120.72	1	682			89	295,471
Department of Water Resources	90.00					2	5,000
Workforce Safety and Insurance	260.14	3	7,042	7	3,500	1	1,500
Total		301	\$1,063,042	44	\$17,800	687	\$3,382,526

NOTES: Amounts paid are rounded to the full dollar value, agencies are listed only if they provided these types of bonuses during this period, and negative bonus amounts are due to a forfeited bonus when an employee terminated before the end of the commitment period.

For the 1st year of the 2021-23 biennium:

Agency	2021-23 Agency Authorized FTE Positions	Active Employee Count (June 2022)	July 1, 2021, to June 30, 2022 (Fiscal Year Total)					
			Recruit		Referral		Retain	
			Number	Amount	Number	Amount	Number	Amount
Bank of North Dakota	173.00	161	6	\$21,833			2	\$11,246
Department of Corrections and Rehabilitation	907.79	833	85	85,084	20	\$8,467	22	89,000
Department of Environmental Quality	166.00	149					8	88,945
Department of Financial Institutions	31.00	28					1	(4,612)
Highway Patrol	193.00	184	12	30,000				
Department of Human Services	2,249.33	2,010	108	522,859	59	15,100	189	1,114,965
Industrial Commission/ Department of Mineral Resources	108.25	95					84	425,000
Information Technology Department	479.00	437	2	7,000			2	11,000
Job Service North Dakota	156.61	145	1	5,000				
Commission on Legal Counsel for Indigents	40.00	36					2	11,000
Office of Management and Budget	108.00	102					2	18,643
Department of Public Instruction	86.25	79					22	104,000
Retirement and Investment Office	19.00	17	1	20,000			1	4,444
School for the Deaf	44.61	46	1	2,500				
State Auditor's office	61.00	53					28	107,000
Tax Commissioner	118.00	106					2	6,000
Veterans' Home	114.79	113	17	37,619	1	\$1,500	15	32,523
Department of Water Resources	90.00	81					17	62,500
Workforce Safety and Insurance	260.14	237	4	9,300				
Total			237	\$741,195	80	\$25,067	397	\$2,081,654

NOTES: Amounts paid are rounded to the full dollar value, agencies are listed only if they provided these types of bonuses during this period, and negative bonus amounts are due to a forfeited bonus when an employee terminated before the end of the commitment period.

Service Awards, Tuition, and Professional Organizations

In accordance with Sections 54-06-32, 54-06-33, and 54-06-34, the OMB Human Resource Management Services Division reported for the 2019-21 biennium, state employee service awards totaled \$437,366.94; employer-paid costs of training or educational courses, including tuition and fees, totaled \$6,029,794.05; and employer-paid professional organization membership and service club dues for individuals totaled \$1,292,949.97. The following schedule is a summary of the information presented for the 2019-21 biennium:

Agency	2019-21 Authorized FTE Positions	State Employee Service Awards	Employer-Paid Costs of Training or Educational Courses, Including Tuition and Fees	Employer-Paid Professional Organizational Membership and Service Club Dues for Individuals
101 - Governor's office	18.00		\$1,609.10	\$400.00
108 - Secretary of State	32.00	\$1,721.00	1,234.80	12,878.00
110 - Office of Management and Budget	112.00	7,296.93	22,660.30	9,548.28
112 - Information Technology Department	402.00	15,581.05	250,592.36	91,342.15
117 - State Auditor's office	58.00	4,403.50	35,667.14	11,548.00
120 - State Treasurer	7.00	200.00	1,104.00	6,720.00
125 - Attorney General	246.00		7,252.50	32,075.00
127 - Tax Commissioner	123.00	11,596.00	45,191.49	3,685.00
140 - Office of Administrative Hearings	5.00	1,290.39		
180 - Judicial branch	363.00	18,976.10	148,025.59	334,203.91
188 - Commission on Legal Counsel for Indigents	40.00		1,639.00	18,725.35
190 - Retirement and Investment Office	20.00	1,461.00	19,523.90	15,190.00
192 - Public Employees Retirement System	34.50	1,435.00	9,580.75	25,370.98
195 - Ethics Commission	2.00			445.00
201 - Department of Public Instruction	89.25	5,058.24	8,411.55	41,249.75
226 - Department of Trust Lands	28.00	1,987.65	8,952.73	7,745.00
250 - State Library	27.75	2,450.10		24,411.00
252 - School for the Deaf	44.61		3,488.08	
253 - North Dakota Vision Services - School for the Blind	27.90		5,398.62	2,890.00
270 - Department of Career and Technical Education	52.30	3,096.13	2,854.00	6,289.00
301 - State Department of Health	204.00	8,196.50	179,735.40	51,201.74
303 - Department of Environmental Quality	165.50	12,545.00	74,726.54	4,985.00
313 - Veterans' Home	120.72	5,403.95	10,154.42	1,959.00
316 - Indian Affairs Commission	4.00		2,863.91	
321 - Department of Veterans' Affairs	7.00			4,525.00
325 - Department of Human Services	2,230.23	112,130.00	462,242.90	33,549.19
360 - Protection and Advocacy Project	28.50	2,939.17		
380 - Job Service North Dakota	172.61	13,486.00	7,961.00	425.00
401 - Insurance Department	41.00	1,244.95	9,880.23	5,940.00
405 - Industrial Commission	112.25	4,382.51	17,575.42	17,500.00
406 - Department of Labor and Human Rights	14.00	725.00	4,081.82	
408 - Public Service Commission	43.00	3,429.50	1,075.00	3,180.46
412 - Aeronautics Commission	7.00	150.00		
413 - Department of Financial Institutions	31.00		1,760.00	
414 - Securities Department	10.00	900.00	19,221.69	5,927.00
485 - Workforce Safety and Insurance	260.14	22,729.56	137,097.00	85,088.06
504 - Highway Patrol	197.00		424,592.48	41,223.42
530 - Department of Corrections and Rehabilitation	899.79	52,032.39	207,278.68	153,331.09
540 - Adjutant General	222.00	13,784.90	3,412,894.77	28,468.95
601 - Department of Commerce	61.80	2,175.80	14,723.72	1,261.00
602 - Department of Agriculture	78.00	4,586.00	16,539.92	33,562.61
607 - Milk Marketing Board		500.00		
616 - State Seed Department		2,207.50		1,440.00
701 - State Historical Society	75.00	5,851.75	25,760.70	1,478.00
720 - Game and Fish Department	165.00	14,853.60	4,255.00	125,203.13
750 - Parks and Recreation Department	61.50	7,279.77	6,383.18	5,351.00
770 - State Water Commission	90.00	6,350.00	4,670.90	7,448.00
801 - Department of Transportation	982.00	62,930.00	411,133.46	35,185.90
Total		\$437,366.94	\$6,029,794.05	\$1,292,949.97

Health Insurance Mandate Procedure

Under Section 54-03-28, the committee considered issues of timing and equity relating to setting a deadline for submission of bills or bill drafts providing for health insurance mandates. The committee recognized the importance of allowing newly elected legislators the opportunity to introduced legislation providing for a health insurance mandate but also the importance of receiving the required cost-benefit analysis before the deadline to report bills out of committee.

Recommendation

The committee recommended legislators who plan to introduce a legislative measure that provides for a health insurance mandate under Section 54-03-28 be required to provide Legislative Council a copy of the proposed legislative measure by the close of business on the second Friday following adjournment of the Organizational Session.

Federal Requirements

Neither TFFR nor PERS notified the committee under Sections 15-39.1-35, 39-03.1-29, 54-52-23, and 54-52.1-08.2 of any federal requirements necessitating changes in the laws relating to TFFR or PERS.

Teachers' Fund for Retirement Legislation

The committee was notified by TFFR under Section 15-39.1-05.2(5) of its intent to introduce Bill Draft No. 53, which would provide for changes relating to TFFR benefits and duties of the TFFR Board.

Firefighters Relief Associations

No firefighters relief association notified the committee pursuant to Section 18-11-15(5), which requires the committee to be notified by any firefighters relief association that implements an alternate schedule of monthly service pension benefits for members of the association.

REPORTS

Retirement and Investment Office

During the interim the committee received periodic reports from RIO, including:

- An overview of RIO;
- The status of investments of the State Investment Board; and
- A summary of RIO's strategic plan.

Since 2010, assets under the management of the State Investment Board have increased by 320 percent, to approximately \$20 billion. Performance of the TFFR, PERS, and legacy funds as of June 30, 2022, were:

	TFFR	PERS	Legacy
Total fund - Year-to-date	(11.2%)	(11.6%)	(13.4%)
Total fund - 1 year	(6.2%)	(6.7%)	(10.1%)
Total fund - 3 year	7%	7.1%	4.8%
Total fund - 5 year	7.2%	7.2%	5.4%

Public Employees Retirement System

During the interim, the committee received periodic reports from PERS, including:

- An overview of the PERS agency;
- An overview of the PERS retirement plans and group insurance plans;
- An overview of the contracts PERS enters under Chapters 54-52, 54-52.1, and 54-52.6; and
- A summary of the PERS strategic plan for 2022 to 2024.