



NORTH DAKOTA  
PUBLIC EMPLOYEES  
RETIREMENT SYSTEM

# Board Meeting Agenda

**Location:** WSI Board Room, 1600 East Century Avenue, Bismarck ND  
By phone: 701.328.0950 Conference ID: 390 002 893#  
**Date:** **Tuesday, October 29, 2024**  
**Time:** 8:30 A.M. [Click here to join the meeting](#)

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## I. MINUTES

- A. None

## II. CONFLICT OF INTEREST DISCLOSURE CONSIDERATION

## III. PRESENTATIONS

- A. Actuarial Valuations – Bonnie Wurst, Gabriel Roeder Smith (GRS)

## IV. DEFINED CONTRIBUTION PLAN IMPLEMENTATION

- A. Special Election Window Board Policies – Shawna (Board Action)

## V. DEFINED BENEFIT

- A. Job Service COLA – MaryJo (Board Action)

## VI. LEGISLATION / ADMINISTRATIVE RULES

- A. Proposed Administrative Rules – Rebecca (Information)
- B. Legislation – Rebecca (Board Action)

## VII. OPERATIONS / ADMINISTRATIVE

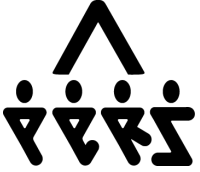
- A. Next Meeting Date: Tuesday, November 12, 2024

## VIII. MEMBER

- A. Unforeseeable Financial Hardship Case #888 **\*EXECUTIVE SESSION**  
– Marcy (Board Action)
- B. Insurance Benefit Appeal Case #892 **\*\*EXECUTIVE SESSION**  
– Lindsay (Board Action)

\*Executive Session pursuant to N.D.C.C. §44-04-19.2(1) and §54-52-26 to discuss confidential records relating to relating to retirement benefits of a member or a beneficiary in regards to member appeals or hardship withdrawal requests.

\*\*Executive Session pursuant to N.D.C.C. §44-04-19.2(1) and §54-52.1-11 (group insurance) to discuss information pertaining to an eligible employee's group medical records for claims, employee premium payments made, salary reduction amounts taken, history of any available insurance coverage purchased, and amounts and types of insurance applied for under the supplemental life insurance coverage.



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# Memorandum

**TO:**                   NDPERS Board

**FROM:**               Rebecca

**DATE:**               October 29, 2024

**SUBJECT:**           Actuarial Valuations

Bonnie Wurst, our actuary from GRS, will provide the results of our July 1, 2024 actuarial valuations.



# North Dakota Public Employees Retirement System Presentation of July 1, 2024 Actuarial Valuation Results

October 29, 2024

Bonnie Wurst, ASA, EA, MAAA, FCA

Abra Hill, ASA, MAAA, FCA



# Agenda

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- GRS Actuarial Valuation Methodology and Approach
- Demographic Data
- Funded Ratio Results
- Contribution Rate Results
- Reconciliation of Unfunded Liability, Actuarial Contribution Rate and Funded Ratio
- Actuarial Valuation Results Key Takeaways
- Projections
- Summary of Board Actions on Actuarial-Related Issues
- Questions
- Appendix





# GRS Actuarial Valuation Methodology and Approach



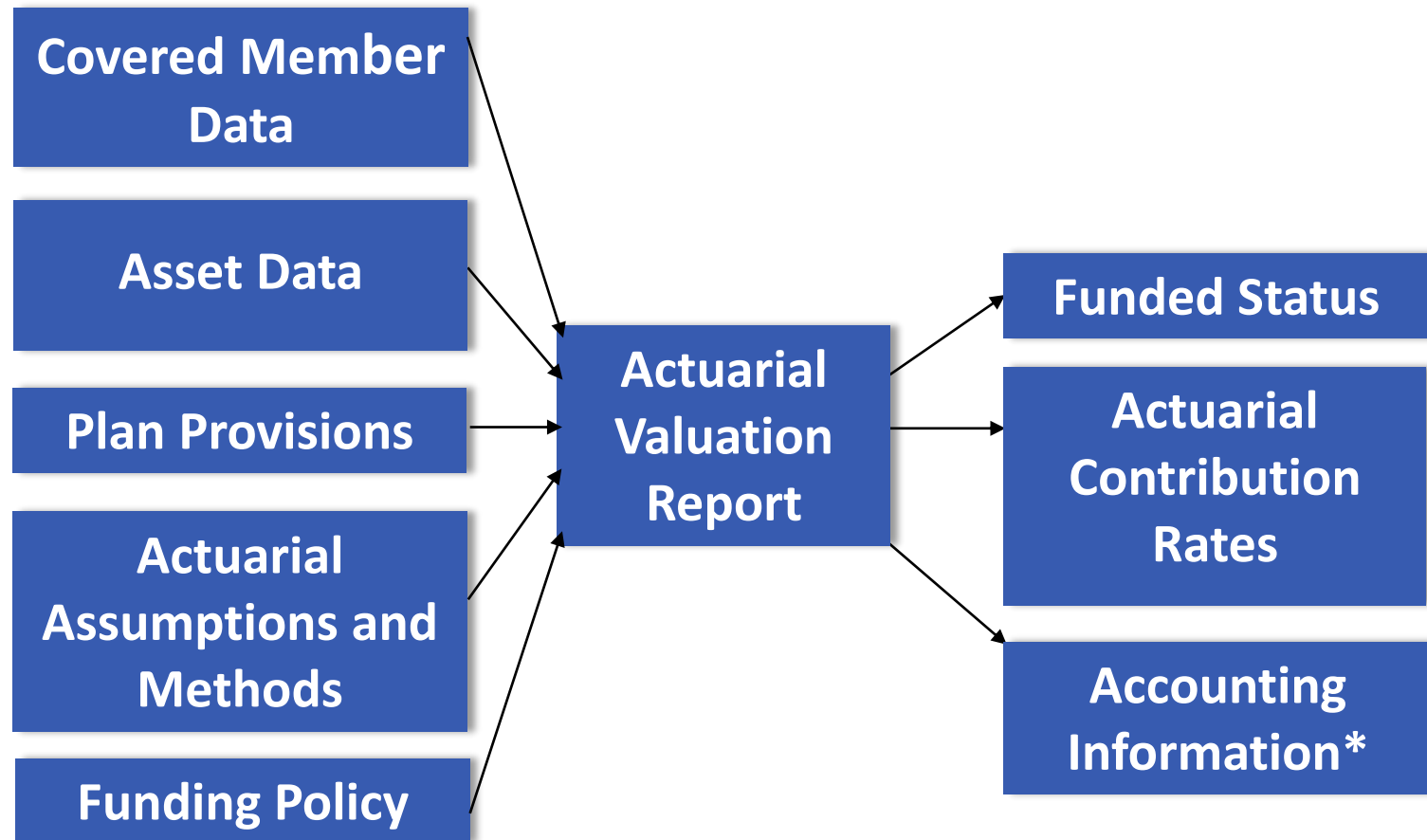
# Purpose of the Actuarial Valuation

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- Determine Funding Status
- Develop Actuarial Contribution Rates and Compare to Statutory Rates
- Provide Accounting and Other Data
  - Under the current accounting standards, a separate accounting actuarial valuation is performed



# Actuarial Valuation Process



*\* Under the current accounting requirements, GASB 67/68 and GASB 74/75, a separate accounting actuarial valuation report is issued.*

# Plan Changes

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- Main System

- Closed to new entrants enrolled on or after January 1, 2025
- State employees participating in the Main System on January 1, 2025 with no more than 5 years of service will be eligible to irrevocably elect to transfer to the DC Plan
- The state employer contribution for 2026 and later was changed to be the amount sufficient to fund the Main System on an actuarial basis, with the amortization of the unfunded liability determined on a level percent of payroll (included DC Plan payroll) over a closed period beginning January 1, 2026 and ending June 30, 2056
- In August 2023, the plan received a one-time cash infusion equal to \$135 million
- In October 2024, the plan received a cash infusion equal to \$65 million
  - The Main System is a potential recipient of future state contributions of \$65 million per biennium, contingent upon oil and gas revenue



# Contribution Changes

## Rates Set by Statute

|                                 | Employer |             |           |                |                       |
|---------------------------------|----------|-------------|-----------|----------------|-----------------------|
|                                 | Member   | Before 2024 | 2024-2025 | 2026 and Later |                       |
|                                 |          |             |           | State          | Political Subdivision |
| Main System Permanent Employees |          |             |           |                |                       |
| - Hired before 2020             | 7.00%    | 7.12%       | 8.12%     | Actuarial*     | 8.12%                 |
| - Hired after 2019              | 7.00%    | 8.26%       | 9.26%     | Actuarial*     | 9.26%                 |
| Main System Temporary Employees |          |             |           |                |                       |
| - Hired before 2020             | 14.12%   | 0.00%       | 0.00%     | 0.00%          | 0.00%                 |
| - Hired after 2019              | 15.26%   | 0.00%       | 0.00%     | 0.00%          | 0.00%                 |
| Judges                          | 8.00%    | 17.52%      | 17.52%    | 17.52%         | 17.52%                |

\* The 2026 and 2027 contribution will be based on the amount sufficient to fund the Main System on an actuarial basis from the July 1, 2024 valuation with the amortization of the unfunded liability determined on a level percent of payroll basis over a closed period beginning on January 1, 2026 and ending June 30, 2056.

# Contribution Changes

## Rates Determined by the Board of Retirement

|   | Member      | Employer    |                |                 |                        |                |
|---|-------------|-------------|----------------|-----------------|------------------------|----------------|
|   |             | Before 2024 | 2024 and Later | Before 2024     | 8/1/2023 to 12/31/2023 | 2024 and Later |
| Public Safety with prior Main System service    | 5.50%       | 9.81%       | 11.40%         |                 |                        |                |
| - National Guard Members                        | 5.50%       | 9.81%       | 11.40%         |                 |                        |                |
| Public Safety without prior Main System service | 5.50%       | 7.93%       | 9.16%          |                 |                        |                |
|   | Member      |             |                | Employer        |                        |                |
|   | Before 2024 | 2024        | 2025 and Later | Before 8/1/2023 | 8/1/2023 to 12/31/2023 | 2024 and Later |
| Public Safety with prior Main System service    |             |             |                |                 |                        |                |
| - BCI Employees                                 | 6.00%       | 7.00%       | 8.00%          | 9.81%           | 20.67%                 | 22.26%         |
| - State Public Safety Employees                 | 6.00%       | 6.00%       | 6.00%          | N/A             | 12.75%                 | 14.34%         |

# Contribution Changes

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- Highway Patrol Contributions
  - The statutory employee and employer contributions will each increase by 0.5% of pay every year from January 1, 2022 to January 1, 2025, ultimately increasing both by 2.00% of pay
  - In July 2023, a \$3 million one time cash infusion was received

# Impact of Changes

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- Changes that have no immediate impact but are reflected in the projections:
  - The future closure of the Main System
  - Future contribution increases
  - Main System change to actuarial funding policy beginning in 2026
- The liability released by members electing to transfer to the DC Plan in 2025 is expected to be greater than the amount of assets transferred to the DC Plan. We estimated a savings of \$19.8 million (0.3%) in the actuarial accrued liability (AAL) as of July 1, 2024. The estimate assumes that 50% of eligible current members would elect to transfer to the DC Plan in 2025.
  - When the impact of the potential additional contributions by State employers to DC transfer employees of \$3,333 annually for up to three years is reflected, the net gain is reduced to \$2.2 million.
    - Since these payments will be provided outside of the pension plan assets, this estimate is for informational purposes only.

# Impact of Changes

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- The state's 2026 and 2027 contributions to the Main System are based on the Actuarial Employer Contribution as of July 1, 2024.
- The Actuarial Employer Contribution as of July 1, 2024 is projected to be \$163.6 million, or 11.17% of total projected pay for 2026 (including DC plan payroll for new hires after 2024).
- After reflecting expected political subdivision contributions, which will continue to be based on fixed rates, the State's portion of the 2026 Actuarial Employer Contribution is projected to be \$107.5 million. Expressed as a percent of total projected State payroll (including State DC Plan payroll), this equates to 14.46% of pay for State employers.

# Impact of Changes

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- The 14.46% state employer rate is 5.92% of pay higher (\$44.0 million higher) than the current fixed statutory rate, projected to be 8.54% of pay in 2026 (\$63.5 million).
- “Spillover” contributions to the Main Plan are not reflected. This source of revenue will be recognized after receipt.
- These results do not reflect any changes in discount rate or investment returns due to potential de-risking of the assets of the Main Plan in the future. De-risking would increase required contributions.



# Impact of Changes

| Main System Results - Employer Contributions for 2026 |                                |  |                  |
|---|--------------------------------|--|------------------|
|   | % of Projected Main System Pay | % of Projected Main System and<br>Defined Contribution Pay | \$ in 2026       |
| Total Gross Normal Cost                               | 12.01%                         | 11.01%   | \$ 161,296,200   |
| Amortization Payment*                                 | 7.17%                          | 6.58%  | \$ 96,330,046    |
| Total Actuarial Contribution Requirement              | 19.18%                         | 17.59%   | \$ 257,626,246   |
| Expected Employee Contributions                       | 7.00%                          | 6.42%  | \$ 94,011,107    |
| Employer Actuarial Contribution Requirement           | 12.18%                         | 11.17%   | \$ 163,615,139   |
| <b>Projected Payroll</b>                              |                                |  |                  |
| Political Subdivision Main System Members             |                                |  | \$ 660,708,909   |
| Political Subdivision DC Members                      |                                |  | \$ 60,405,980    |
| State Employer Main System Members                    |                                |  | \$ 682,306,913   |
| State Employer DC Members                             |                                |  | \$ 61,321,959    |
| Main System and Defined Contribution                  |                                |  | \$ 1,464,743,761 |
| <b>Employer Contribution by Employer Type</b>         |                                |  |                  |
| Political Subdivisions (Fixed Rate)                   | 8.49%                          |  | \$ 56,075,328    |
| State Employers (Remaining Obligation)                |                                | 14.46%   | \$ 107,539,811   |
| Total   |                                |  | \$ 163,615,139   |
| <b>Contributions to be Made By State Employers</b>    |                                |  |                  |
| State Employer Contribution Rate                      |                                | 14.46%   |                  |
| Projected Blended Fixed Rate                          |                                | 8.54%  |                  |
| Additional State Contribution Requirement             |                                | 5.92%  | \$ 44,015,783    |

# Selection of Actuarial Assumptions

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## What

### Economic

- Investment Return
  - Payroll Growth Rates
  - Population Growth Rate
- (Usually, a constant population size is assumed)

### Demographic

- Retirement Rates
- Promotional/Step Pay Increases
- Disability
- Turnover
- Mortality

# Actuarial Assumptions

Actuarial assumptions should be reviewed periodically (at least every three to five years) to ensure they continue to reasonably represent past and expected future experience

- Section 54-52-04.4 of the North Dakota Century Code requires an experience study once every five years
- In 2020, GRS performed an experience study covering the period July 1, 2014 through July 1, 2019
- Recommended updated assumptions were adopted by the NDPERS Board in April 2020
- In addition, the investment return assumptions were updated for all plans in July 2022
- The next experience study will cover the period July 1, 2019 through July 1, 2024

# Actuarial Cost Method

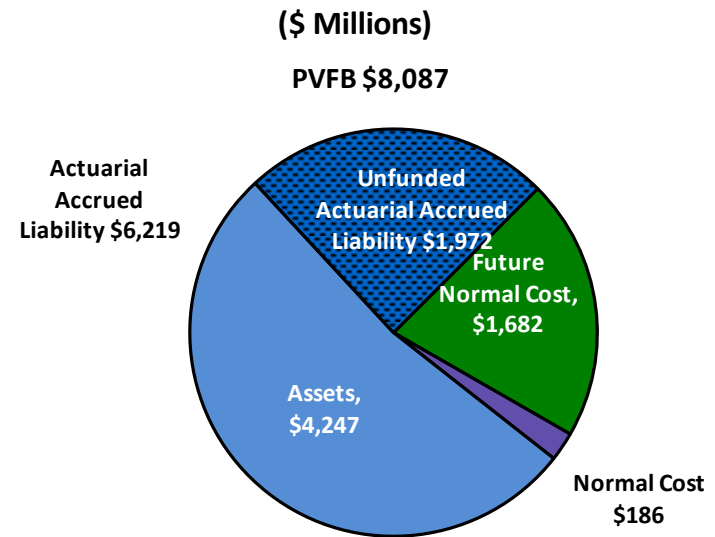
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| Plan           | Actuarial Cost Method |
|----------------|-----------------------|
| Main System    | Entry Age Normal      |
| Judges         | Entry Age Normal      |
| Public Safety  | Entry Age Normal      |
| Highway Patrol | Entry Age Normal      |
| Job Service    | Aggregate             |
| RHIC           | Modified Aggregate*   |

*\*Cost Method changed from Entry Age Normal to a Modified Aggregate method effective with the actuarial valuation as of July 1, 2019 for purposes of calculating the actuarial contribution rate. Entry Age Normal is required to be used for accounting purposes under the Governmental Accounting Standards Board for all Systems.*

# Actuarial Cost Method

- **Present value of future benefits** – present value of all future benefits (PVFB) payable to current participants (active, retired, terminated vested)
- **Actuarial accrued liability** – portion of PVFB allocated to prior years (equal to unfunded actuarial accrued liability plus assets)
- **Normal cost** – portion of PVFB allocated to current year
- **Future normal costs** – portion of PVFB allocated to future years
- **Unfunded actuarial accrued liability** – difference between the actuarial accrued liability and assets



Numbers may not add due to rounding

# Investment Return Experience

| System                       | Estimated Rates of Investment Return |         |        |        |                 |       |       |       | Current Assumed Rate of Return |
|------------------------------|--------------------------------------|---------|--------|--------|-----------------|-------|-------|-------|--------------------------------|
|                              | Market Value                         |         |        |        | Actuarial Value |       |       |       |                                |
|                              | 2021                                 | 2022    | 2023   | 2024   | 2021            | 2022  | 2023  | 2024  |                                |
| Main System                  | 27.00%                               | -6.53%  | 7.83%  | 8.96%  | 10.38%          | 7.43% | 6.00% | 6.96% | 6.50%                          |
| Judges                       | 27.00%                               | -6.53%  | 7.83%  | 8.96%  | 10.38%          | 7.43% | 6.00% | 6.96% | 6.50%                          |
| Public Safety with Prior*    | 27.00%                               | -6.53%  | 7.83%  | 8.96%  | 10.38%          | 7.43% | 6.00% | 6.96% | 6.50%                          |
| Public Safety without Prior* | 27.00%                               | -6.53%  | 7.83%  | 8.96%  | 10.38%          | 7.43% | 6.00% | 6.96% | 6.50%                          |
| Highway Patrol               | 24.15%                               | -6.55%  | 7.86%  | 8.77%  | 9.90%           | 6.87% | 5.50% | 6.47% | 6.50%                          |
| Job Service                  | 6.48%                                | -5.90%  | 2.98%  | 5.70%  | 3.78%           | 1.73% | 1.20% | 1.26% | 3.00%                          |
| RHIC                         | 25.07%                               | -14.72% | 10.41% | 12.45% | 9.81%           | 5.20% | 4.15% | 5.94% | 5.75%                          |

- *Public Safety with prior Main System service and Public Safety without prior Main System service.*



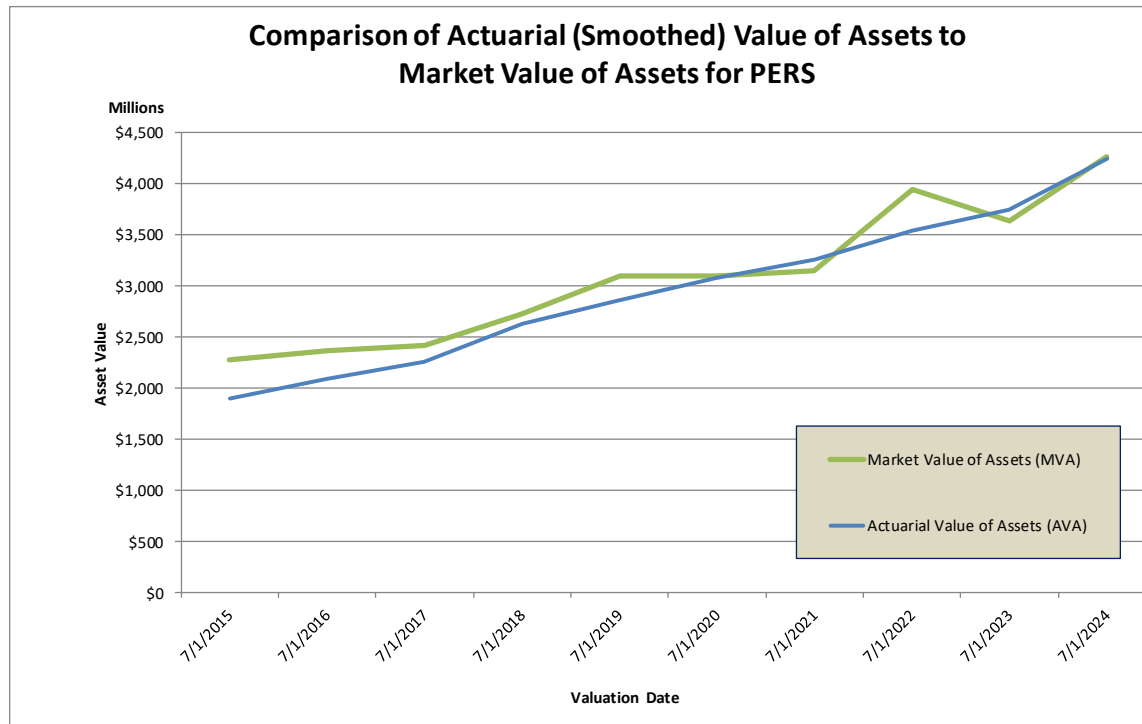
# Actuarial Value of Assets

## *Asset Smoothing*

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- Actuarial Value of Assets (AVA or Smoothed Value of Assets)
  - Recognizes the difference between the expected investment return using the valuation assumption and the actual investment return over a 5-year period
  - Dampens volatility of actuarially determined contribution rates

# Actuarial Value of Assets



# Current Funding Policy

- Employer/employee contribution rates are based on fixed rates set by Statute/Board

| Plan                             | Employer Rate<br>as of 7/1/2024 | Employee Rate<br>as of 7/1/2024 | Total Rate | Total Actuarial Rate |
|----------------------------------|---------------------------------|---------------------------------|------------|----------------------|
| Main System <sup>d</sup>         | 8.52%                           | 7.00%                           | 15.52%     | 21.07%               |
| Judges                           | 17.52%                          | 8.00%                           | 25.52%     | 19.81%               |
| Public Safety With Prior Main    | 12.27% <sup>a</sup>             | 5.62% <sup>b</sup>              | 17.89%     | 18.25%               |
| Public Safety Without Prior Main | 9.16%                           | 5.50%                           | 14.66%     | 14.31%               |
| Highway Patrol <sup>c</sup>      | 21.20%                          | 14.80%                          | 36.00%     | 51.79%               |
| RHIC <sup>d</sup>                | 1.14%                           | 0.00%                           | 1.14%      | 1.34%                |
| Job Service                      | 0.00%                           | 7.00%                           | 7.00%      | NA                   |

<sup>a</sup> Employer rates for Public Safety with prior Main System service is 11.40%, BCI is 22.26%, and State Public Safety is 14.34%.

<sup>b</sup> Employee rates: Public Safety with prior Main System service 5.50%, BCI 7.00% (increasing to 8.00% in 2025), and State Public Safety 6.00%.

<sup>c</sup> Highway Patrol employer and employee statutory contribution rates are to increase by 0.5 percentage points annually beginning on January 1, 2022, with the last increase occurring January 1, 2025.

<sup>d</sup> RHIC rate for members first enrolled on or after January 1, 2020 is made to the Main System for Main System members and to the DC System for DC System members. Main System employer rate of 8.52% is a blend of 8.12% for pre-2020 enrollees and 9.26% for members first enrolled in 2020 or later.

# Current Funding Policy

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- The statutory contribution rate is significantly lower than the actuarial rate for the Highway Patrol System, and is not expected to ever amortize the unfunded liabilities
- Although the contribution rates for the Main System as of July 1, 2024 are not adequate to improve the funding status of the plan, actuarial contributions beginning in 2026 are expected to bring the plan to full funding in 2056

# Current Funding Policy – Excluding RHIC

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- Actuarially Determined Employer Contribution (ADEC) rate equals
  - Employer Normal Cost, plus
  - Amortization of Unfunded Liability
    - Level percent of pay amortization
      - Payment increases as a dollar amount and remains level as a percentage of pay
      - Payroll is assumed to increase by 3.50% each year (3.00% for Judges)
    - Amortization Period
      - 20-year open period (Main System, Judges, Public Safety, Highway Patrol)
      - Not currently applicable for Job Service due to large surplus and Aggregate cost method
- The purpose of the ADEC calculation is to evaluate the sufficiency of actual contributions
  - A 30.5 year closed amortization period is used to determine actual contributions to the Main System beginning in 2026

# Current Funding Policy – RHIC

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- Actuarially Determined Employer Contribution (ADEC) rate equals
  - The rate needed to pay off the unfunded liability and future Normal Cost contributions at the end of 20 years as a level percent of closed group (decreasing) payroll
  - The remaining amortization period as of July 1, 2024 is 15 years



# Causes of Unfunded Liability

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- Not contributing at least Normal Cost + Interest on the Unfunded Liability.
- Actual experience which is less favorable than assumed. Examples:
  - Lower rates of investment earnings;
  - Higher salary increases;
  - Earlier retirement date(s); and
  - Lower rates of non-death terminations.
- Granting initial benefits or granting benefit increases for service already rendered.



## Demographic Data

# Demographic Data

## PERS Plans

|  | PERS                    |                        |                           |              |                   |                   |                     |
|--|-------------------------|------------------------|---------------------------|--------------|-------------------|-------------------|---------------------|
|  | Statistics as of July 1 |                        |                           |              |                   |                   |                     |
|  | 2024                    |                        |                           |              | 2023              |                   |                     |
|  | <u>Main System</u>      | <u>Judges</u>          | <u>Public Safety</u>      |              | <u>Total PERS</u> | <u>Total PERS</u> | <u>Total Change</u> |
|  |                         | <u>With Prior Main</u> | <u>Without Prior Main</u> |              |                   |                   |                     |
| <b>Membership Counts</b>               |                         |                        |                           |              |                   |                   |                     |
| Active Members                         | 23,839                  | 60                     | 1,649                     | 251          | 25,799            | 25,019            | 3.1%                |
| Retired Members                        | 15,370                  | 67                     | 168                       | 27           | 15,632            | 14,997            | 4.2%                |
| Inactive Vested and Non-Vested Members | 17,864                  | 1                      | 590                       | 212          | 18,667            | 17,602            | 6.1%                |
| <b>Total</b>                           | <b>57,073</b>           | <b>128</b>             | <b>2,407</b>              | <b>490</b>   | <b>60,098</b>     | <b>57,618</b>     | <b>4.3%</b>         |
| <b>Average Age (Active)</b>            | 45.8                    | 56.2                   | 38.0                      | 37.6         | 45.2              | 45.4              | (0.2)               |
| <b>Average Ben Service (Active)</b>    | 8.9                     | 9.9                    | 7.6                       | 4.9          | 8.8               | 9.0               | (0.2)               |
| <b>Total Base Payroll</b>              | \$1,311,798,089         | \$9,990,447            | \$117,265,263             | \$15,868,015 | \$1,454,921,813   | \$1,318,276,116   | 10.4%               |
| <b>Average Pay</b>                     | 55,027                  | 166,507                | 71,113                    | 63,219       | 56,395            | 52,691            | 7.0%                |
| <b>Total Retiree Benefits</b>          | \$266,123,823           | \$3,946,741            | \$3,984,351               | \$334,714    | \$274,389,628     | \$258,367,734     | 6.2%                |
| <b>Average Annual Benefit</b>          | 17,314                  | 58,907                 | 23,716                    | 12,397       | 17,553            | 17,228            | 1.9%                |

# Demographic Data

## Highway Patrol, Job Service, RHIC

|  | Highway Patrol          |              |             | Job Service             |             |              | RHIC                    |                 |              |
|--|-------------------------|--------------|-------------|-------------------------|-------------|--------------|-------------------------|-----------------|--------------|
|  | Statistics as of July 1 |              | Change      | Statistics as of July 1 |             | Change       | Statistics as of July 1 |                 | Change       |
|  | 2024                    | 2023         |             | 2024                    | 2023        |              | 2024                    | 2023            |              |
| <b>Membership Counts</b>               |                         |              |             |                         |             |              |                         |                 |              |
| Active Members                         | 167                     | 144          | 16.0%       | 1                       | 1           | 0.0%         | 16,283                  | 17,283          | -5.8%        |
| Retired Members                        | 147                     | 143          | 2.8%        | 163                     | 169         | -3.6%        | 15,599                  | 14,996          | 4.0%         |
| Inactive Vested and Non-Vested Members | 59                      | 59           | 0.0%        | -                       | -           |              | 8,255                   | 7,992           | 3.3%         |
| <b>Total</b>                           | <b>373</b>              | <b>346</b>   | <b>7.8%</b> | <b>164</b>              | <b>170</b>  | <b>-3.5%</b> | <b>40,137</b>           | <b>40,271</b>   | <b>-0.3%</b> |
| <b>Average Age (Active)</b>            | 37.6                    | 37.9         | (0.3)       | 68.7                    | 67.7        | 1.0          | 48.5                    | 48.3            | 0.2          |
| <b>Average Ben Service (Active)</b>    | 10.4                    | 11.3         | (0.9)       | 49.3                    | 48.3        | 1.0          | 13.0                    | 12.5            | 0.5          |
| <b>Total Base Payroll</b>              | \$14,820,158            | \$11,991,087 | 23.6%       | \$65,088                | \$61,404    | 6.0%         | \$1,036,707,331         | \$1,005,182,784 | 3.1%         |
| <b>Average Pay</b>                     | 88,743                  | 83,271       | 6.6%        | 65,088                  | 61,404      | 6.0%         | 63,668                  | 58,160          | 9.5%         |
| <b>Total Retiree Benefits</b>          | \$6,659,658             | \$6,474,882  | 2.9%        | \$5,344,890             | \$5,296,063 | 0.9%         | \$16,619,346            | \$16,040,935    | 3.6%         |
| <b>Average Annual Benefit</b>          | 45,304                  | 45,279       | 0.1%        | 32,791                  | 31,338      | 4.6%         | 1,065                   | 1,070           | -0.5%        |

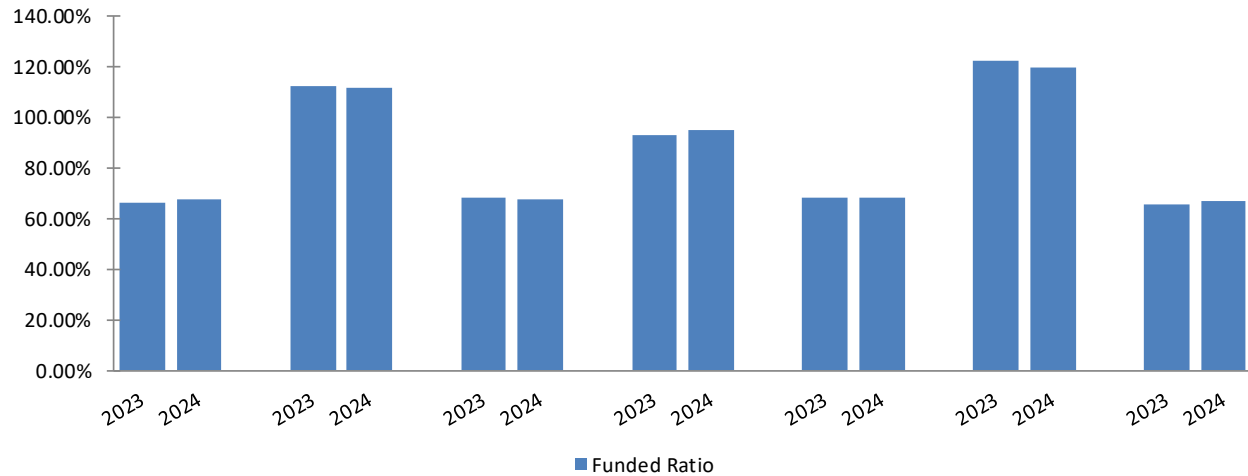
*Retiree benefit amounts for Job Service exclude the portion of the total benefit amount paid by the insurer.*

# Funded Ratio Results



# Funded Ratio Results

## All Plans – Actuarial Value of Assets



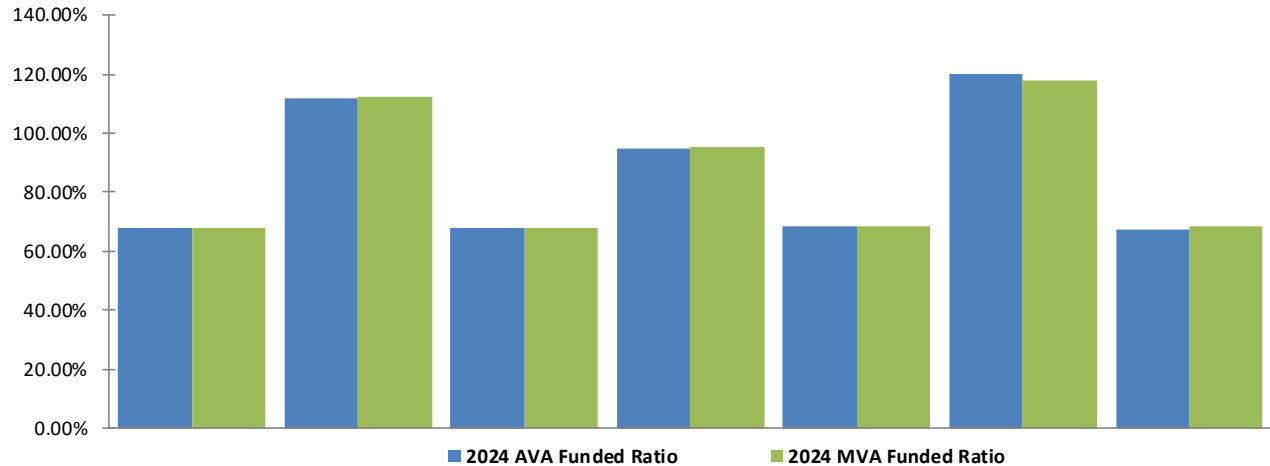
| Valuation Results                 | Main System      |                | Public Safety   |                    | Highway Patrol | Job Service     | RHIC           |
|-----------------------------------|------------------|----------------|-----------------|--------------------|----------------|-----------------|----------------|
|                                   |                  | Judges         | With Prior Main | Without Prior Main |                |                 |                |
| Actuarial Accrued Liability       | \$ 5,848,415,047 | \$ 62,678,213  | \$ 282,550,656  | \$ 25,324,652      | \$ 156,411,208 | \$ 70,291,124   | \$ 272,981,552 |
| Actuarial Value of Assets         | 3,961,181,475    | 70,268,531     | 191,719,801     | 24,021,406         | 107,292,168    | 84,286,060      | 183,344,179    |
| 2024 Unfunded Actuarial Liability | 1,887,233,572    | (7,590,318)    | 90,830,855      | 1,303,246          | 49,119,040     | (13,994,936)    | 89,637,373     |
| UAL as Percent of Payroll         | 144%             | -76%           | 77%             | 8%                 | 331%           | -21502%         | 9%             |
| 2023 Unfunded Actuarial Liability | \$ 1,875,724,792 | \$ (7,468,985) | \$ 58,752,407   | \$ 1,568,854       | \$ 46,285,129  | \$ (16,346,454) | \$ 92,754,158  |
| 2024 Funded Ratio                 | 67.7%            | 112.1%         | 67.9%           | 94.9%              | 68.6%          | 119.9%          | 67.2%          |
| 2023 Funded Ratio                 | 66.3%            | 112.5%         | 68.6%           | 93.0%              | 68.4%          | 122.7%          | 65.4%          |





# Funded Ratio Results

## All Plans – Actuarial/Market Value



| Valuation Results                       | Main System      |                | Public Safety   |                    | Highway Patrol | Job Service     | RHIC          |
|---|------------------|----------------|-----------------|--------------------|----------------|-----------------|---------------|
|   |                  | Judges         | With Prior Main | Without Prior Main |                |                 |               |
| 2024 Unfunded Actuarial Liability (AVA) | \$ 1,887,233,572 | \$ (7,590,318) | \$ 90,830,855   | \$ 1,303,246       | \$ 49,119,040  | \$ (13,994,936) | \$ 89,637,373 |
| 2023 Unfunded Actuarial Liability (AVA) | 1,875,724,792    | (7,468,985)    | 58,752,407      | 1,568,854          | 46,285,129     | (16,346,454)    | 92,754,158    |
| 2024 Unfunded Actuarial Liability (MVA) | 1,870,356,046    | (7,889,713)    | 90,013,989      | 1,200,897          | 49,189,748     | (12,512,517)    | 86,405,552    |
| 2023 Unfunded Actuarial Liability (MVA) | 1,928,252,351    | (6,513,076)    | 60,581,588      | 1,863,972          | 48,471,033     | (11,331,656)    | 99,975,124    |
| 2024 Funded Ratio (AVA)                 | 67.7%            | 112.1%         | 67.9%           | 94.9%              | 68.6%          | 119.9%          | 67.2%         |
| 2023 Funded Ratio (AVA)                 | 66.3%            | 112.5%         | 68.6%           | 93.0%              | 68.4%          | 122.7%          | 65.4%         |
| 2024 Funded Ratio (MVA)                 | 68.0%            | 112.6%         | 68.1%           | 95.3%              | 68.6%          | 117.8%          | 68.3%         |
| 2023 Funded Ratio (MVA)                 | 65.3%            | 110.9%         | 67.6%           | 91.6%              | 66.9%          | 115.7%          | 62.7%         |

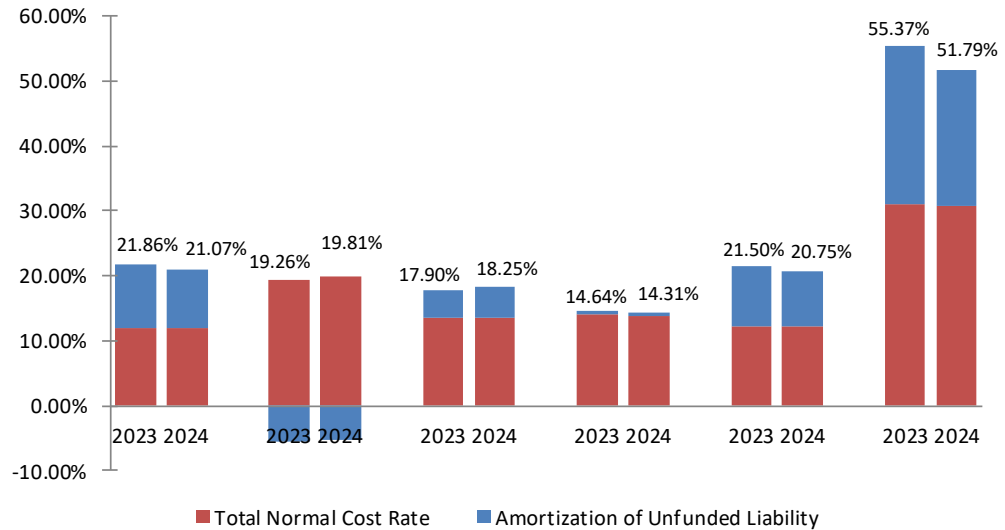


# Contribution Rate Results



# Contribution Rate Results

## Actuarial Contribution Rate (including employee rate)



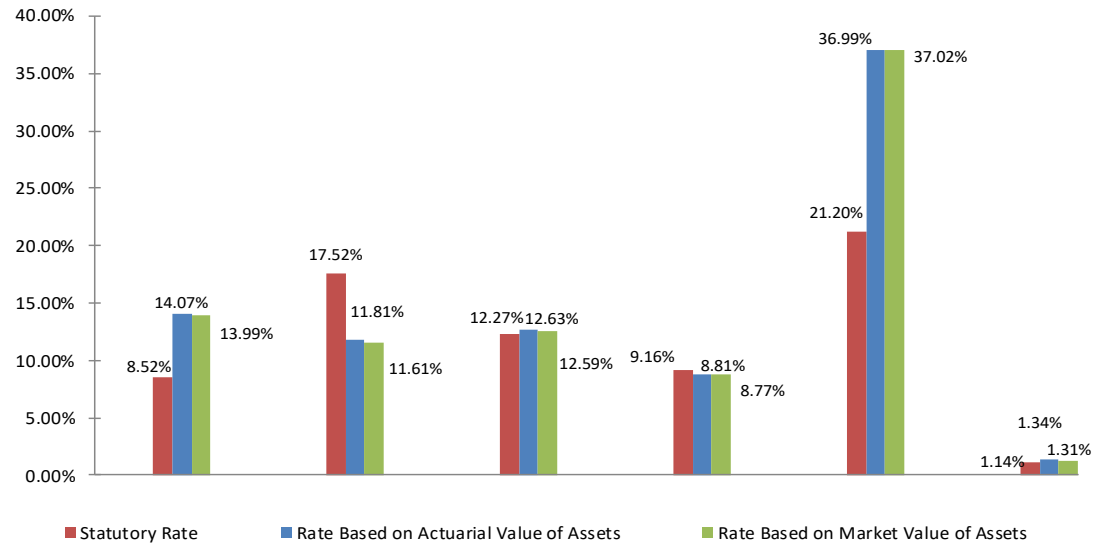
|   | Public Safety |        |                 |                    |            |                |
|---|---------------|--------|-----------------|--------------------|------------|----------------|
|   | Main System   | Judges | With Prior Main | Without Prior Main | Total PERS | Highway Patrol |
| <b>Total Normal Cost Rates</b>                  |               |        |                 |                    |            |                |
| FY 2025 (2024 Valuation)                        | 12.01%        | 24.94% | 13.45%          | 13.80%             | 12.23%     | 30.89%         |
| FY 2024 (2023 Valuation)                        | 12.10%        | 24.89% | 13.56%          | 13.99%             | 12.30%     | 31.01%         |
| <b>Amortization of Unfunded Liability Rates</b> |               |        |                 |                    |            |                |
| FY 2025 (2024 Valuation)                        | 9.06%         | -5.13% | 4.80%           | 0.51%              | 8.52%      | 20.90%         |
| FY 2024 (2023 Valuation)                        | 9.76%         | -5.63% | 4.34%           | 0.65%              | 9.20%      | 24.36%         |

Amount shown in graph for Judges and Public Safety without Prior Main is the total normal cost rate net of the unfunded liability contribution.  
 RHIC normal cost rate for FY 2024 is 0.43% and for FY 2025 is 0.40% and the amortization of the unfunded liability rate for FY 2024 is 0.95% and for FY 2025 is 0.94% of pay.



# Contribution Rate Results

## Comparison of Statutory and Actuarial Contribution Rates



| Valuation Results                  | Main System | Judges | Public Safety   |                    | Highway Patrol | RHIC   |
|------------------------------------|-------------|--------|-----------------|--------------------|----------------|--------|
|                                    |             |        | With Prior Main | Without Prior Main |                |        |
| Statutory Contribution Rate        | 15.52%      | 25.52% | 17.89%          | 14.66%             | 36.00%         | 1.14%  |
| Actuarial Contribution Rate (AVA)  | 21.07%      | 19.81% | 18.25%          | 14.31%             | 51.79%         | 1.34%  |
| Statutory Rate Excess/(Deficiency) | -5.55%      | 5.71%  | -0.36%          | 0.35%              | -15.79%        | -0.20% |
| Actuarial Contribution Rate (MVA)  | 20.99%      | 19.61% | 18.21%          | 14.27%             | 51.82%         | 1.31%  |
| Statutory Rate Excess/(Deficiency) | -5.47%      | 5.91%  | -0.32%          | 0.39%              | -15.82%        | -0.17% |

Contribution deficits do not reflect the future Actuarial contributions beginning in 2026 for the Main System, 1.00% increase in BCI member rate in 2025, and 0.50% increase in Highway Patrol member and employer rates in 2025.



# Reconciliation of Unfunded Liability, Actuarial Contribution Rate and Funded Ratio

# FY 2024 Experience

| System                       | Assets (AVA) | Salary <sup>^</sup> | Other (Demographic) | Statutory Contributions | Assumption Changes | Change in Funded Ratio | Change in ADEC Rate |
|------------------------------|--------------|---------------------|---------------------|-------------------------|--------------------|------------------------|---------------------|
| Main System**                | Gain         | Loss                | Loss                | Gain                    | No Change          | 1.4%                   | -0.79%              |
| Judges                       | Gain         | Loss                | Gain                | Gain                    | No Change          | -0.4%                  | 0.55%               |
| Public Safety with Prior*    | Gain         | Loss                | Loss                | Gain                    | No Change          | -0.7%                  | 0.26%               |
| Public Safety without Prior* | Gain         | Gain                | Gain                | Loss                    | No Change          | 1.9%                   | -0.33%              |
| Highway Patrol**             | Loss         | Loss                | Loss                | Gain                    | No Change          | 0.2%                   | -4.08%              |
| Job Service                  | Loss         | Loss                | Loss                | Gain                    | No Change          | -2.8%                  | NA                  |
| RHIC                         | Gain         | NA                  | Gain                | Loss                    | No Change          | 1.8%                   | -0.04%              |

<sup>^</sup> Salary gains reduce the unfunded liability. Lower than expected salary increases reduce the payroll base (in addition to decreases in the number of total active members) which increases the actuarial contribution rate.

\* Public Safety with prior Main System service and Public Safety without prior Main System service.

\*\* The Main and Highway Patrol systems received cash infusions of \$135 million and \$3 million, respectively, that resulted in Statutory contribution gains.



# Unfunded Liability Reconciliation

## Based on Actuarial Value of Assets – All Plans

|   | Main System        | Judges           | Public Safety     |                  | Highway Patrol   | Job Service    | RHIC              |
|---|--------------------|------------------|-------------------|------------------|------------------|----------------|-------------------|
|   |                    |                  | With Prior*       | Without Prior*   |                  |                |                   |
| Unfunded liability at previous valuation                | \$1,875,724,792    | \$ (7,468,985)   | \$ 58,752,407     | \$ 1,568,854     | \$ 46,285,129    | \$(16,346,454) | \$ 92,754,158     |
| <u>Expected unfunded liability at current valuation</u> |                    |                  |                   |                  |                  |                |                   |
| Normal cost for plan year                               | 155,369,073        | 2,295,496        | 12,263,403        | 2,259,506        | 3,935,138        | -              | 4,523,750         |
| Interest on unfunded liability and normal cost          | 126,892,115        | (412,055)        | 4,211,193         | 174,253          | 3,134,412        | (490,394)      | 5,461,604         |
| Contributions using ADEC with interest                  | <u>289,609,117</u> | <u>1,832,614</u> | <u>16,704,751</u> | <u>2,439,905</u> | <u>7,250,867</u> | <u>2,241</u>   | <u>15,091,563</u> |
| Total expected change in unfunded liability             | (7,347,929)        | 50,827           | (230,155)         | (6,146)          | (181,317)        | (492,635)      | (5,106,209)       |
| Total expected unfunded liability at current valuation  | 1,868,376,863      | (7,418,158)      | 58,522,252        | 1,562,708        | 46,103,812       | (16,839,089)   | 87,647,949        |
| Change due to:  |                    |                  |                   |                  |                  |                |                   |
| Amount of contributions and expenses**                  | (58,535,811)       | (732,809)        | (1,604,699)       | 130,791          | (234,677)        | (2,807)        | 2,413,050         |
| Recognition of asset (gains)/losses                     | (16,320,545)       | (256,863)        | (1,539,236)       | (96,378)         | 26,953           | 1,496,909      | (329,845)         |
| Salary experience                                       | 90,984,790         | 988,135          | 1,929,899         | (75,571)         | 2,385,150        | 27,386         | -                 |
| Demographic and other experience***                     | 4,516,050          | (170,623)        | 33,522,639        | (218,304)        | 837,802          | 1,322,665      | (93,781)          |
| Change in actuarial assumptions                         | -                  | -                | -                 | -                | -                | -              | -                 |
| Changes in plan provisions****                          | <u>(1,787,775)</u> | <u>-</u>         | <u>-</u>          | <u>-</u>         | <u>-</u>         | <u>-</u>       | <u>-</u>          |
| Total change  | 18,856,709         | (172,160)        | 32,308,603        | (259,462)        | 3,015,228        | 2,844,153      | 1,989,424         |
| Unfunded liability at current valuation                 | \$1,887,233,572    | \$ (7,590,318)   | \$ 90,830,855     | \$ 1,303,246     | \$ 49,119,040    | \$(13,994,936) | \$ 89,637,373     |

\* Public Safety with prior Main System service and Public Safety without prior Main System service.

\*\* Change due to difference between actual contributions based on statutory rate and contributions using actuarial rate. The Main System and Highway Patrol received cash infusions of \$135 million and \$3 million, respectively, that resulted in gains.

\*\*\* Includes the net impact of liability and asset transfers. For Job Service, actual COLA granted of 3.2% compared with expected COLA of 2.25% resulted in a loss and a decrease in the surplus.

\*\*\*\* For the Main System, the change in plan provisions is due to the change in the estimated impact of the DC transfer.



# Funded Ratio Reconciliation

## *Based on Actuarial Value of Assets – All Plans*

|  | Main System | Judges | Public Safety |                | Highway Patrol | Job Service | RHIC  |
|--|-------------|--------|---------------|----------------|----------------|-------------|-------|
|  |             |        | With Prior*   | Without Prior* |                |             |       |
| July 1, 2023 Funded Ratio (AVA)          | 66.3%       | 112.5% | 68.6%         | 93.0%          | 68.4%          | 122.7%      | 65.4% |
| Expected July 1, 2024 Funded Ratio (AVA) | 67.7%       | 112.0% | 71.7%         | 93.9%          | 69.9%          | 124.4%      | 67.9% |
| Change due to:                           |             |        |               |                |                |             |       |
| Amount of contributions and expenses**   | 1.0%        | 1.2%   | 0.7%          | -0.5%          | 0.2%           | 0.0%        | -0.9% |
| Recognition of asset (gains)/losses      | 0.3%        | 0.4%   | 0.7%          | 0.4%           | 0.0%           | -2.2%       | 0.1%  |
| Salary experience                        | -1.1%       | -1.8%  | -0.5%         | 0.3%           | -1.1%          | -0.1%       | 0.0%  |
| Demographic and other experience         | -0.5%       | 0.3%   | -4.7%         | 0.9%           | -0.4%          | -2.3%       | 0.1%  |
| Change in actuarial assumptions          | 0.0%        | 0.0%   | 0.0%          | 0.0%           | 0.0%           | 0.0%        | 0.0%  |
| Changes in plan provisions***            | 0.2%        | 0.0%   | 0.0%          | 0.0%           | 0.0%           | 0.0%        | 0.0%  |
| Total change                             | 0.0%        | 0.1%   | -3.8%         | 1.0%           | -1.3%          | -4.5%       | -0.7% |
| July 1, 2024 Funded Ratio (AVA)          | 67.7%       | 112.1% | 67.9%         | 94.9%          | 68.6%          | 119.9%      | 67.2% |

\* *Public Safety with prior Main System service and Public Safety without prior Main System service.*

\*\* *Expected funded ratio is based on contributions using the actuarial rate. The change due to amount and timing of contributions is based on the statutory contributions that were made compared to the actuarial contributions. The Main System and Highway Patrol received cash infusions of \$135 million and \$3 million, respectively, that resulted in gains.*

\*\*\* *For the Main System, the change in plan provisions is due to the change in the estimated impact of the DC transfer.*

Numbers may not add due to rounding.





# Actuarial Contribution Rate Reconciliation

## *Based on Actuarial Value of Assets – All Plans*

|   | Main System | Judges | Public Safety |                | Highway Patrol | RHIC  |
|---|-------------|--------|---------------|----------------|----------------|-------|
|   |             |        | With Prior*   | Without Prior* |                |       |
| FY 2024 ADEC                            | 14.86%      | 11.26% | 12.37%        | 9.14%          | 41.07%         | 1.38% |
| Expected FY 2025 ADEC                   | 14.49%      | 11.45% | 12.12%        | 9.12%          | 39.64%         | 1.38% |
| Expected FY 2025 ADEC with New Pay Base | 13.93%      | 11.73% | 11.91%        | 8.92%          | 35.63%         | 1.32% |
| Change due to:                          |             |        |               |                |                |       |
| Amount of contributions and expenses**  | -0.26%      | -0.32% | -0.06%        | 0.04%          | -0.04%         | 0.02% |
| Recognition of asset (gains)/losses     | -0.08%      | -0.17% | -0.08%        | -0.04%         | 0.02%          | 0.00% |
| Salary experience                       | 0.44%       | 0.67%  | 0.10%         | -0.03%         | 1.01%          | 0.00% |
| Demographic and other experience        | 0.06%       | -0.10% | 0.76%         | -0.08%         | 0.37%          | 0.00% |
| Change in actuarial assumptions         | 0.00%       | 0.00%  | 0.00%         | 0.00%          | 0.00%          | 0.00% |
| Changes in plan provisions***           | -0.01%      | 0.00%  | 0.00%         | 0.00%          | 0.00%          | 0.00% |
| Total change                            | 0.14%       | 0.08%  | 0.72%         | -0.11%         | 1.36%          | 0.02% |
| FY 2025 ADEC                            | 14.07%      | 11.81% | 12.63%        | 8.81%          | 36.99%         | 1.34% |

*Excludes Job Service due to Job Service being in a surplus position with no required contributions.*

\* *Public Safety with prior Main System service and Public Safety without prior Main System service.*

\*\* *Expected actuarial contribution rate is based on contributions using the actuarial rate. The change due to amount and timing of contributions is based on the statutory contributions that were made compared to the actuarial contributions. The Main System and Highway Patrol received cash infusions of \$135 million and \$3 million, respectively, that resulted in gains.*

\*\*\* *For the Main System, the change in plan provisions is due to the change in the estimated impact of the DC transfer.*

Numbers may not add due to rounding.



# Summary of Change in Results

## All Plans

|   | Main System     | Judges         | Public Safety |                | Highway Patrol | Job Service    | RHIC          |
|---|-----------------|----------------|---------------|----------------|----------------|----------------|---------------|
|   |                 |                | With Prior*   | Without Prior* |                |                |               |
| <b>Unfunded Liability</b>                       |                 |                |               |                |                |                |               |
| <b>Based on Actuarial Value of Assets (AVA)</b> |                 |                |               |                |                |                |               |
| Unfunded liability at previous valuation        | \$1,875,724,792 | \$ (7,468,985) | \$ 58,752,407 | \$ 1,568,854   | \$ 46,285,129  | \$(16,346,454) | \$ 92,754,158 |
| Unfunded liability at current valuation         | 1,887,233,572   | (7,590,318)    | 90,830,855    | 1,303,246      | 49,119,040     | (13,994,936)   | 89,637,373    |
| Change  | 11,508,780      | (121,333)      | 32,078,448    | (265,608)      | 2,833,911      | 2,351,518      | (3,116,785)   |
| <b>Based on Market Value of Assets (MVA)</b>    |                 |                |               |                |                |                |               |
| Unfunded liability at previous valuation        | \$1,928,252,351 | \$ (6,513,076) | \$ 60,581,588 | \$ 1,863,972   | \$ 48,471,033  | \$(11,331,656) | \$ 99,975,124 |
| Unfunded liability at current valuation         | 1,870,356,046   | (7,889,713)    | 90,013,989    | 1,200,897      | 49,189,748     | (12,512,517)   | 86,405,552    |
| Change  | (57,896,305)    | (1,376,637)    | 29,432,402    | (663,074)      | 718,715        | (1,180,860)    | (13,569,572)  |
| <b>Actuarial Employer Contribution Rate</b>     |                 |                |               |                |                |                |               |
| <b>Based on Actuarial Value of Assets (AVA)</b> |                 |                |               |                |                |                |               |
| FY 2024 ADEC                                    | 14.86%          | 11.26%         | 12.37%        | 9.14%          | 41.07%         | NA             | 1.38%         |
| FY 2025 ADEC                                    | 14.07%          | 11.81%         | 12.63%        | 8.81%          | 36.99%         | NA             | 1.34%         |
| Change in ADEC Rate                             | -0.79%          | 0.55%          | 0.26%         | -0.33%         | -4.08%         | NA             | -0.04%        |
| <b>Based on Market Value of Assets (MVA)</b>    |                 |                |               |                |                |                |               |
| FY 2024 ADEC                                    | 15.13%          | 11.98%         | 12.50%        | 9.26%          | 42.22%         | NA             | 1.46%         |
| FY 2025 ADEC                                    | 13.99%          | 11.61%         | 12.59%        | 8.77%          | 37.02%         | NA             | 1.31%         |
| Change in ADEC Rate                             | -1.14%          | -0.37%         | 0.09%         | -0.49%         | -5.20%         | NA             | -0.15%        |
| <b>Funded Ratio</b>                             |                 |                |               |                |                |                |               |
| <b>Based on Actuarial Value of Assets (AVA)</b> |                 |                |               |                |                |                |               |
| 2023 Funded Ratio                               | 66.3%           | 112.5%         | 68.6%         | 93.0%          | 68.4%          | 122.7%         | 65.4%         |
| 2024 Funded Ratio                               | 67.7%           | 112.1%         | 67.9%         | 94.9%          | 68.6%          | 119.9%         | 67.2%         |
| Change in Funded Ratio                          | 1.4%            | -0.4%          | -0.7%         | 1.9%           | 0.2%           | -2.8%          | 1.8%          |
| <b>Based on Market Value of Assets (MVA)</b>    |                 |                |               |                |                |                |               |
| 2023 Funded Ratio                               | 65.3%           | 110.9%         | 67.6%         | 91.6%          | 66.9%          | 115.7%         | 62.7%         |
| 2024 Funded Ratio                               | 68.0%           | 112.6%         | 68.1%         | 95.3%          | 68.6%          | 117.8%         | 68.3%         |
| Change in Funded Ratio                          | 2.7%            | 1.7%           | 0.5%          | 3.6%           | 1.6%           | 2.1%           | 5.6%          |

*Job Service is in a surplus position with no required contributions.*

*\*Public Safety with prior Main System service and Public Safety without prior Main System service.*

*Numbers may not add due to rounding.*

*Contribution deficits do not reflect the future ADEC contributions beginning in 2026 for the Main System, 1.00% increase in BCI member rate in 2025, and 0.50% increase in Highway Patrol member and employer rates in 2025.*

# Summary of Key Actuarial Valuation Results

## All Plans

|  | Main System                               | Judges       | Public Safety |                | Highway Patrol | Job Service** | RHIC            |
|--|---|--------------|---------------|----------------|----------------|---------------|-----------------|
|  |   |              | With Prior*   | Without Prior* |                |               |                 |
| <b>Membership Information</b>                      |   |              |               |                |                |               |                 |
| Active Members                                     | 23,839                                    | 60           | 1,649         | 251            | 167            | 1             | 16,283          |
| Retired Members                                    | 15,370                                    | 67           | 168           | 27             | 147            | 163           | 15,599          |
| Vested Former Members                              | 17,864                                    | 1            | 590           | 212            | 59             | 0             | 8,255           |
| Total Members                                      | 57,073                                    | 128          | 2,407         | 490            | 373            | 164           | 40,137          |
| Total Base Payroll                                 | \$1,311,798,089                           | \$9,990,447  | \$117,265,263 | \$15,868,015   | \$14,820,158   | \$65,088      | \$1,036,707,331 |
| <b>Employee Contribution Rate</b>                  | 7.00%                                     | 8.00%        | 5.62%         | 5.50%          | 14.80%         | 7.00%         | 0.00%           |
| <b>Statutory Employer Contribution Rate</b>        | 8.52%                                     | 17.52%       | 12.27%        | 9.16%          | 21.20%         | NA            | 1.14%           |
| <b>Actuarial Valuation Results (AVA)</b>           |   |              |               |                |                |               |                 |
|  | <b>Based on Actuarial Value of Assets</b> |              |               |                |                |               |                 |
| Actuarial Accrued Liability (AAL)                  | \$5,848,415,047                           | \$62,678,213 | \$282,550,656 | \$25,324,652   | \$156,411,208  | \$70,291,124  | \$272,981,552   |
| Actuarial Value of Assets                          | 3,961,181,475                             | 70,268,531   | 191,719,801   | 24,021,406     | 107,292,168    | 84,286,060    | 183,344,179     |
| Unfunded Actuarial Liability                       | 1,887,233,572                             | (7,590,318)  | 90,830,855    | 1,303,246      | 49,119,040     | (13,994,936)  | 89,637,373      |
| Funded Ratio                                       | 67.7%                                     | 112.1%       | 67.9%         | 94.9%          | 68.6%          | 119.9%        | 67.2%           |
| FY 2024 Estimated Investment Return (AVA)          | 6.96%                                     | 6.96%        | 6.96%         | 6.96%          | 6.47%          | 1.26%         | 5.94%           |
| Employer Normal Cost Rate                          | 5.01%                                     | 16.94%       | 7.83%         | 8.30%          | 16.09%         | NA            | 0.40%           |
| ADEC Rate  | 14.07%                                    | 11.81%       | 12.63%        | 8.81%          | 36.99%         | NA            | 1.34%           |
| Amortization Period from Statutory Rate (Years)*** | 100+                                      | None         | 22            | 10             | 100+           | NA            | 27              |
| Statutory Contribution Deficit/(Surplus)***        | 5.55%                                     | -5.71%       | 0.36%         | -0.35%         | 15.79%         | NA            | 0.20%           |
| <b>Actuarial Valuation Results (MVA)</b>           |   |              |               |                |                |               |                 |
|  | <b>Based on Market Value of Assets</b>    |              |               |                |                |               |                 |
| Market Value of Assets                             | \$3,978,059,001                           | \$70,567,926 | \$192,536,667 | \$24,123,755   | \$107,221,460  | \$82,803,641  | \$186,576,000   |
| Unfunded Actuarial Liability                       | 1,870,356,046                             | (7,889,713)  | 90,013,989    | 1,200,897      | 49,189,748     | (12,512,517)  | 86,405,552      |
| Funded Ratio                                       | 68.0%                                     | 112.6%       | 68.1%         | 95.3%          | 68.6%          | 117.8%        | 68.3%           |
| FY 2024 Estimated Investment Return (AVA)          | 8.96%                                     | 8.96%        | 8.96%         | 8.96%          | 8.77%          | 5.70%         | 12.45%          |
| ADEC Rate  | 13.99%                                    | 11.61%       | 12.59%        | 8.77%          | 37.02%         | NA            | 1.31%           |
| Amortization Period from Statutory Rate (Years)*** | 100+                                      | None         | 22            | 9              | 100+           | NA            | 23              |
| Statutory Contribution Deficit/(Surplus)***        | 5.47%                                     | -5.91%       | 0.32%         | -0.39%         | 15.82%         | NA            | 0.17%           |

\* Public Safety with prior Main System service and Public Safety without prior Main System service.

\*\* Job Service is in a surplus position with no required contributions. AAL shown for Job Service is equal to the Present Value of Future Benefits.

\*\*\* Contribution Deficits and Amortization Period from Statutory Rate are based on current normal cost and contribution rates.





A group of five business professionals in a modern office setting. A man in a dark suit stands with his back to the camera, addressing a group of four people seated around a white table. The group includes a woman in a beige vest, a man with a grey beard, a man in a blue suit, and a woman in a grey blazer. The office has large windows in the background, providing a view of an outdoor area with a fence and trees.

# Actuarial Valuation Results Key Takeaways

# Key Takeaways

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The statutory employer contribution rate is significantly lower than the actuarial employer contribution rate for the Highway Patrol System, and is not expected to ever amortize the unfunded liabilities.

Although the contribution rates for the Main System as of July 1, 2024 are not adequate to improve the funding status of the plan, actuarial contributions beginning in 2026 are expected to bring the plan to full funding in 30 years.

When the recent contribution increases are reflected in the Public Safety plans, contributions are expected to amortize the unfunded liability in approximately 10 to 20 years.

The Judges plan has a current funded ratio of over 112% and the statutory employer contribution rate is significantly higher than the actuarial rate.

The RHIC contribution rate is expected to amortize the unfunded liability in 27 years.

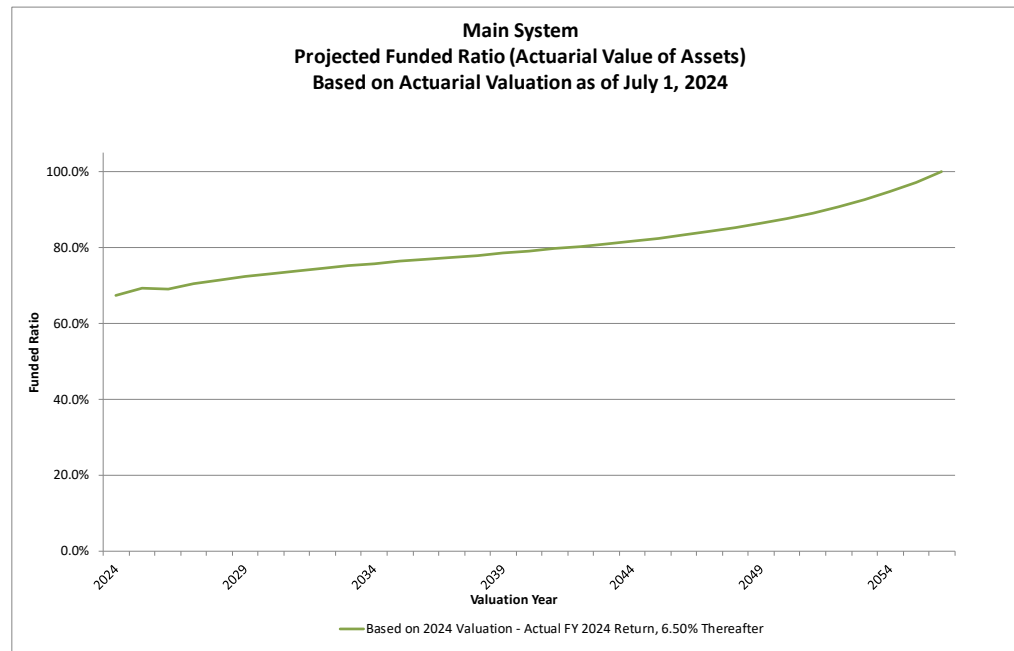


# Projections



# Actuarial Projections

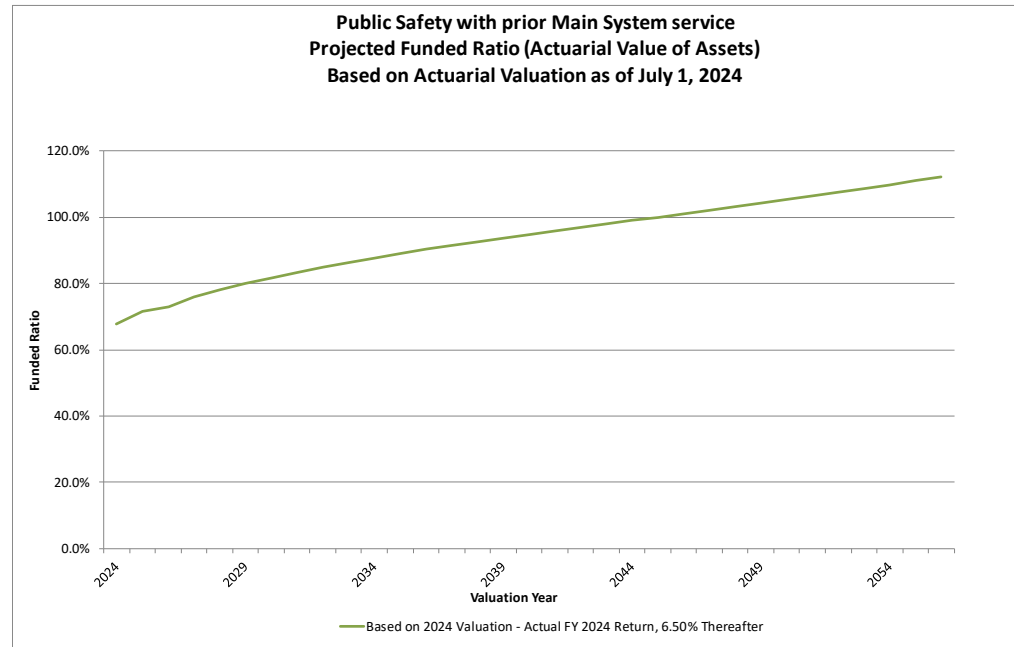
## PERS – Main System



*Reflects legislative changes described herein, including closure of plan to new hires in 2025 and change to Actuarial contribution policy in 2026.*

# Actuarial Projections

## *PERS – Public Safety with Prior Main System Service*

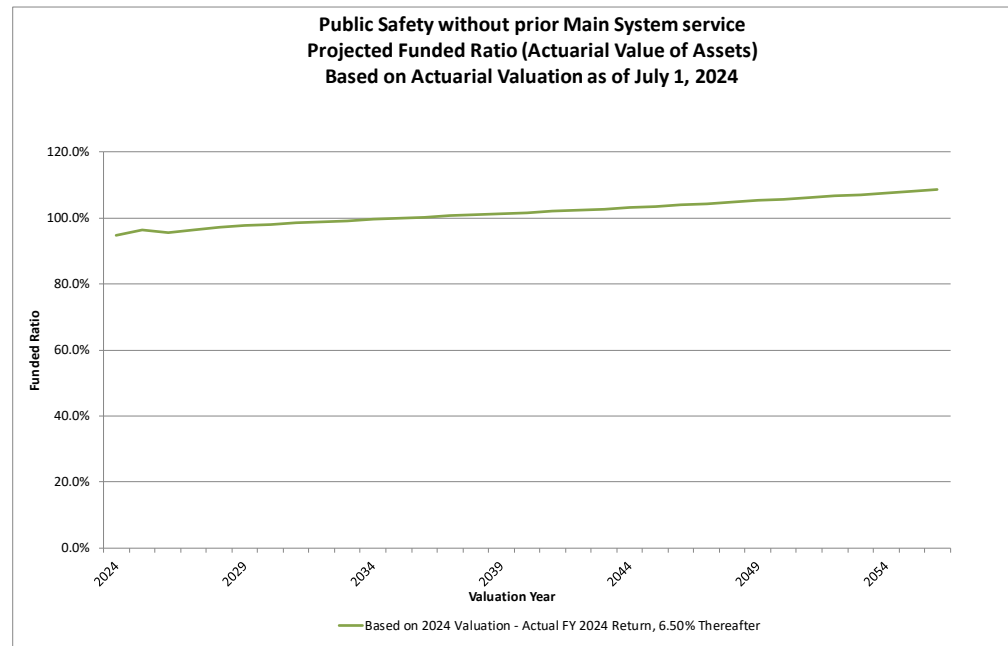




# Actuarial Projections

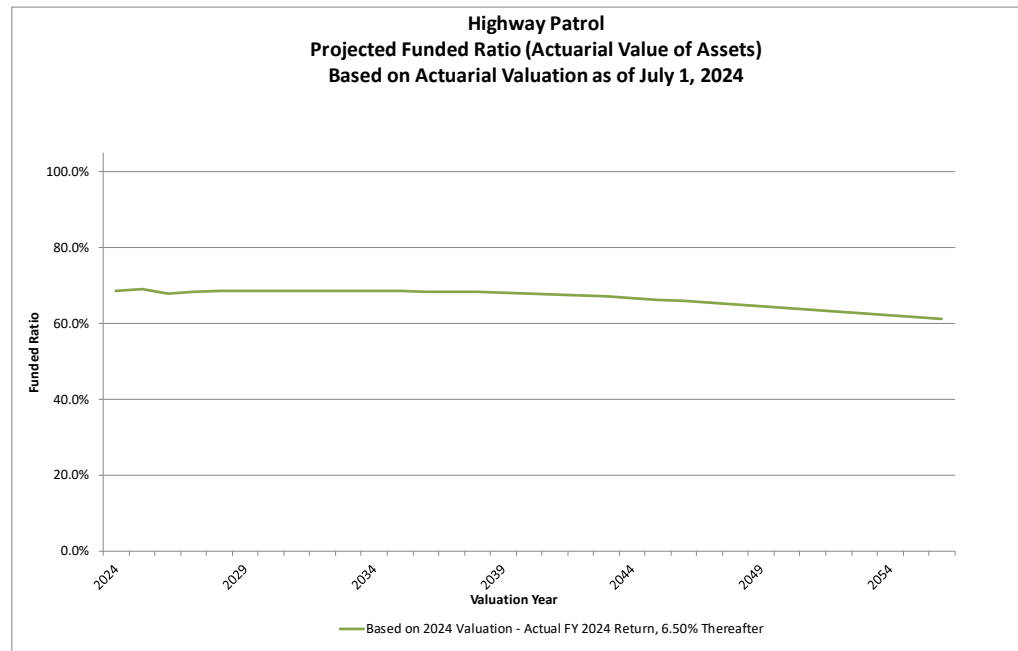
## *PERS – Public Safety without Prior Main System Service*

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# Actuarial Projections

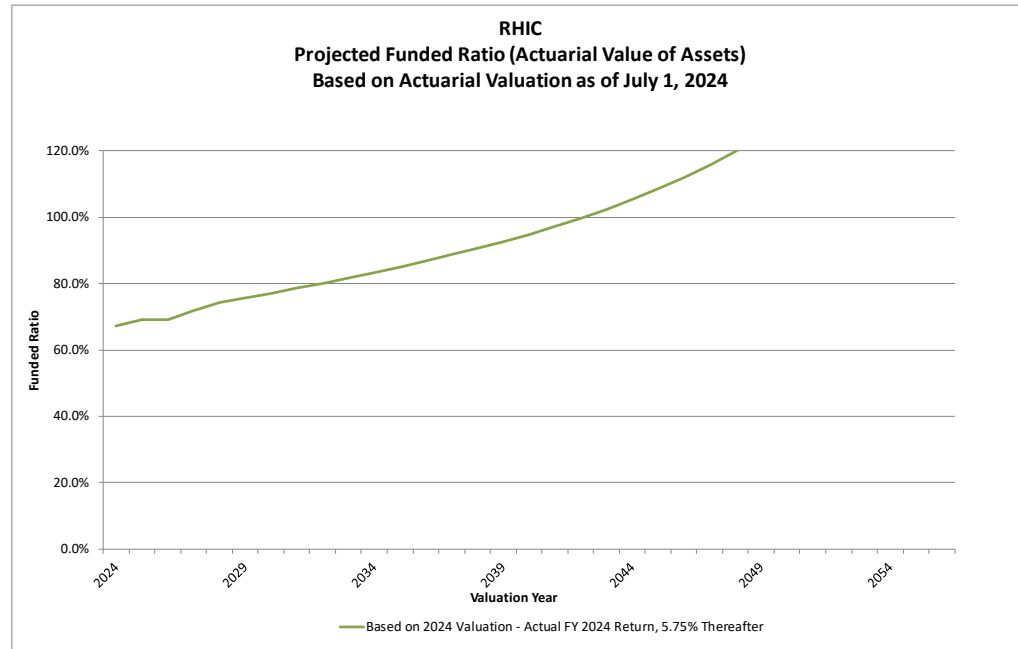
## Highway Patrol



\* The statutory employee and employer contributions will each increase by 0.5% in January 2025.

# Actuarial Projections

## RHIC



# Projection Results

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- The change to an actuarial funding policy for the Main System results in projected full funding in 2056.
- The projection does not reflect any changes in discount rate or investment returns due to potential de-risking of the assets of the Main Plan in the future. De-risking would increase required contributions.
- The funded ratios of the Public Safety and RHIC plans are projected to steadily improve.
- Statutory rates for the Highway Patrol plan are not sufficient to improve the funded ratio.
- For Public Safety and Highway Patrol Plans, projections assume stable active member population (i.e., terminating and retiring members are assumed to be replaced with new members).
- For Main Plan, projection assumes stable active member population until plan closes to new members on January 1, 2025.
- For RHIC, projections assume stable active member population for participating plans.

# Projection Results – GASB Accounting Purposes

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- Because the Highway Patrol Plan assets are projected to be depleted, GASB liabilities are based on a discount rate of 5.4% instead of 6.5%, resulting in higher GASB liabilities
- **GASB discount rates are extremely volatile**



# Summary of Board Actions on Actuarial-Related Issues

# Summary of Board Actions on Actuarial-Related Issues

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1

Updated assumptions first used in actuarial valuations as of July 1, 2017, July 1, 2019, July 1, 2020, July 1, 2021 and July 1, 2022

2

Adopted updated actuarial equivalence factors, most recently effective January 1, 2021 and January 1, 2023

3

Adopted updated service purchase methodology which incorporated updated assumptions

4

Adopted Return to Work methodology

5

Adopted Employer Withdrawal Liability methodology





**Questions?**

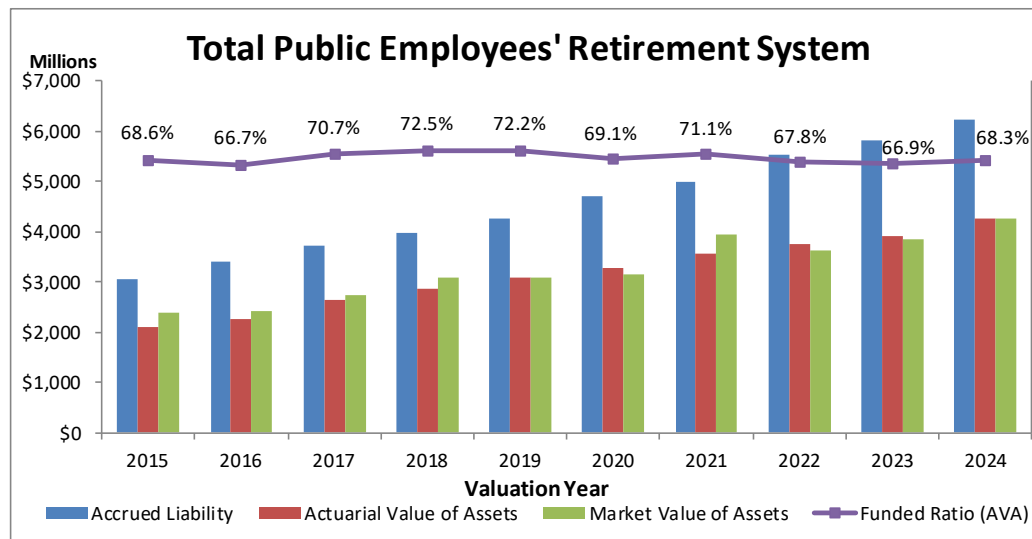


# APPENDIX

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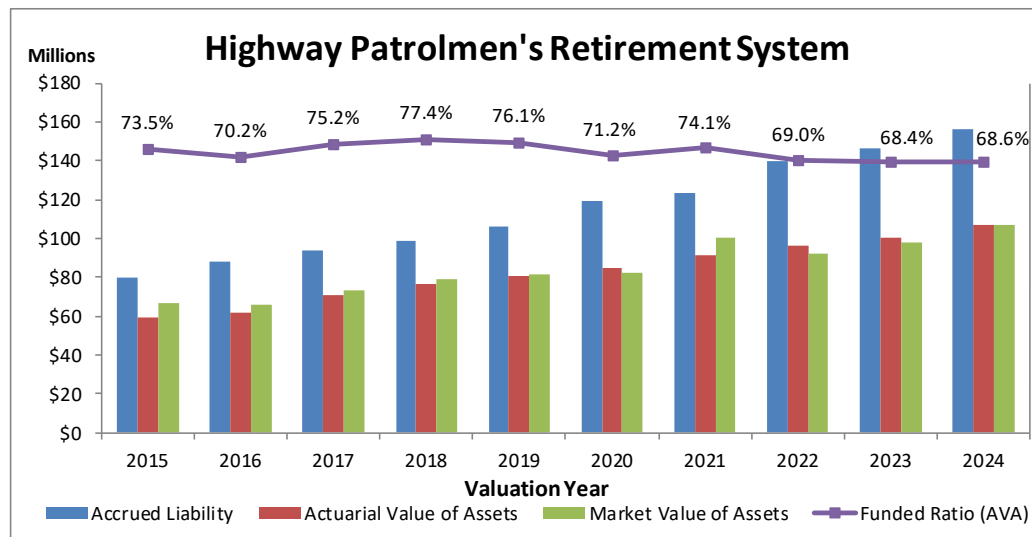
# Historical Trends

## *Change in Funded Status*



# Historical Trends

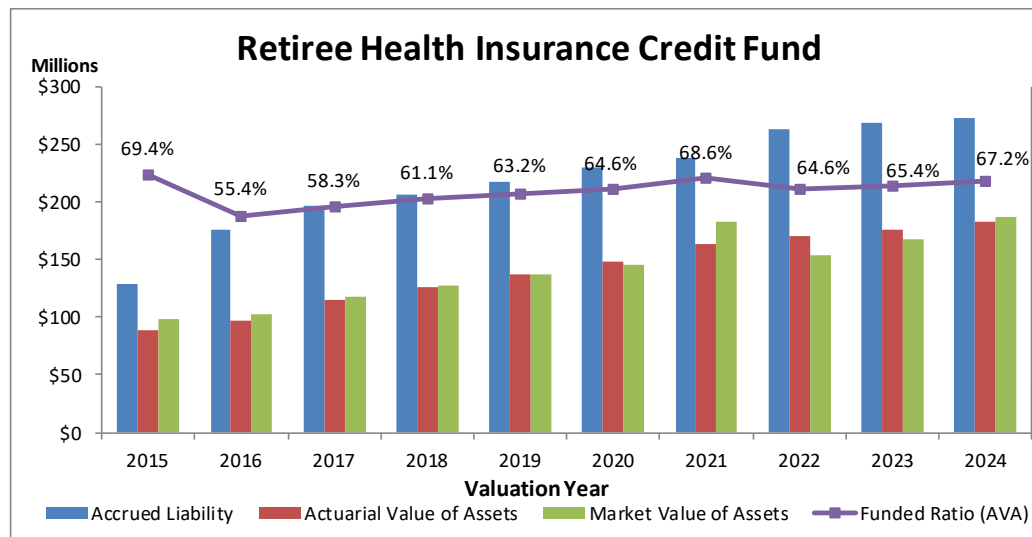
## *Change in Funded Status*



# Historical Trends

## *Change in Funded Status*

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# Disclosures

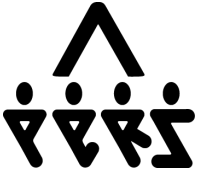
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- This presentation shall not be construed to provide tax advice, legal advice or investment advice.
- The actuaries submitting this presentation (Bonita Wurst and Abra Hill) are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.
- The purposes of the actuarial valuation are to measure the financial position of the North Dakota Public Employees Retirement System, calculate the actuarial employer contribution rates and provide actuarial reporting and disclosure information for financial reporting.
- The assumptions used in the calculation of the July 1, 2024 actuarial valuation results are based on an experience study for the five-year period ending June 30, 2019 as well as an analysis of investment return assumptions dated July 1, 2022, and were provided by, and are the responsibility of, the NDPERS Board.

# Disclosures

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- Future actuarial measurements may differ significantly from the current and projected measurements presented in this presentation due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.
- This is one of multiple documents comprising the actuarial reports for the NDPERS Plans. Additional information regarding actuarial assumptions and methods and important additional disclosures are provided in the Actuarial Valuation Reports as of July 1, 2024.
- If you need additional information to make an informed decision about the contents of this presentation, or if anything appears to be missing or incomplete, please contact us before relying on this presentation.



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# Memorandum

**TO:**                   NDPERS Board

**FROM:**               Shawna Piatz

**DATE:**               October 29, 2024

**SUBJECT:**           Special Election Window Policies

The following decisions will need to be made for the Special Election Window policies:

➤ Qualified Domestic Relations Orders (QDROs)

HB 1040 did not address whether defined benefit plan accounts with a QDRO are eligible for the special three month election window. As shown in Attachment A, in the previous special election legislation passed in 2015, members with a QDRO or other court order on their member account were specifically excluded from eligibility. The current QDRO model language does not prohibit the member from transferring; however, allowing the transfer would directly impact the alternate payee. The QDRO would no longer be valid and would require the member and alternate payee to draft a new DRO under the defined contribution plan.

There is currently one QDRO on file for a member who is eligible for the special election window. Because this circumstance is not addressed by law but may cause harm to the alternate payee, it is a policy decision for the NDPERS board. The possible options include:

- 1) Exclude defined benefit plan members with QDROs or other court orders on their accounts from being eligible for the special election window. In review of this option with our federal legal consultant, Ice Miller, they indicated NDPERS could reasonably create a rule similar to the 2015 legislation which prohibits any member who has a QDRO from electing to transfer to the DC Plan. (Attachment 2 Ice Miller email response added to Oct Board Memo folder).

- 2) Permit defined benefit plan members with QDROs or other court orders on their accounts to be eligible for the special election window, keeping the QDRO qualified. Current NDPERS system configuration is to maintain one account in the defined benefit plan under only the member for monthly interest accrual and account adjustments until either one or both parties are setup for payment at which time the account is split and a record is set up for the alternate payee. Reconfiguring PERSLink would take extensive system programming with a large cost and time commitment for the currently one eligible member. If a transfer to the defined contribution plan is elected, the member account balance would need to be divided at the time of the transfer. As a result, NDPERS would need to setup a process to maintain an account only in the alternate payee's name in the defined benefit plan and another account would be maintained in the member's name in the defined contribution plan.
- 3) Permit defined benefit plan members with QDROs or other court orders on their accounts to be eligible for the special election window, disqualify the QDRO and notify the alternate payee. This would require that a new DRO be drafted in the defined contribution plan at an additional cost to the member and alternate payee. In review of this option with our federal legal consultant, Ice Miller, they cautioned NDPERS on unilaterally amending the QDRO. (Attachment 2 Ice Miller email response added to Oct Board Memo folder).

➤ Application Due Date

The special three-month election window runs from January 1, 2025 through March 31, 2025. Policy will need to be set regarding the timing of the cut off period. There will need to be decisions made on both the forms received electronically or dropped off at the NDPERS office and those that are mailed in through the postal service. Completed forms must be submitted to NDPERS by fax, by mail, or as a scanned PDF. Digital signatures are not accepted by NDPERS. The possible options include:

Decision 1 – Electronic and NDPERS / Dropbox Submissions:

- 1) All electronic submissions and paper forms that are dropped off at the NDPERS office need to be submitted and date stamped by NDPERS by March 31, 2025, 5 pm Central Time Zone. NDPERS would check the drop box at 5 pm and review electronic submissions for those submitted prior to 5 pm central.

OR

- 2) All electronic submissions and paper forms that are dropped off at the NDPERS office need to be submitted and date stamped by NDPERS by March 31, 2025, midnight Central Time Zone. NDPERS would review electronic submissions for those submitted prior to midnight central time zone. The drop box would be checked at 7 am central on April 1, 2025 however this could allow forms to be dropped off in the early hours of April 1, 2025 without NDPERS being aware.

Decision 2 – US Postal Service Submissions:



- 1) All applications sent through the US Postal Service must be received and date stamped by NDPERS between January 1, 2025 and March 31, 2025, 5 pm or midnight Central Time Zone, depending on decision made above.

OR

- 2) All applications sent through the US Postal Service must be postmarked between January 1, 2025 and March 31, 2025.

In the previous special election legislation passed in 2015, the postmark date was used for applications sent through the mail. Postmarked envelopes were scanned into the member files in case there was an appeal. Forms that were dropped at the office or received electronically were date stamped on the day of receipt.

➤ Purchases

There currently is not a provision in the defined contribution plan allowing service purchases. Therefore, if there are any pending service purchase contracts or contracts in payment, the purchase would need to be completed in full or prorated and closed prior to an eligible member transferring to the defined contribution plan. There is currently one purchase that is in pending status. This topic is informational only.

# Attachment 1

- QDROs language from the 2015 legislation (allowed Defined Contribution Plan participants to transfer their accounts back into the Defined Benefit Plan)

## 54-52.6-03.1. Changes to election.

1. In this section the term "participating member" is limited in application to a participating member who elected to participate in the defined contribution retirement plan established under this chapter as an active employee of a participating employer, is an actively participating member of the defined contribution plan as of July 1, 2015, and is an active employee with a participating employer on the date an election is made under this section. The term does not include a participant who is not actively employed with a participating employer on the date of transfer of the funds under this section, has taken a distribution from the defined contribution plan, is retired, is no longer actively employed with a participating employer, or who is a member who has a qualified domestic relations order or other court order on the member's account.

Page No. 12

2. Notwithstanding any other provision of law, the board shall provide an opportunity for each participating member to elect in writing to terminate membership in the defined contribution retirement plan under this chapter and to elect to become a participating member in the public employees retirement system under chapter 54-52.

- Transfer language in 2023 legislation

**SECTION 18. AMENDMENT.** Section 54-52.6-03 of the North Dakota Century Code is amended and reenacted as follows:

## 54-52.6-03. Transfer of accumulated fund balances.

1. For an individual who elects under section 54-52.6-02 to terminate membership in the public employees retirement system under chapter 54-52, the board shall transfer a lump sum amount from the retirement fund to the participating member's account in the defined contribution retirement plan under this chapter. However, if the individual terminates employment ~~prior to~~before receiving the lump sum transfer under this section, the election made under section 54-52.6-02 is ineffective and the individual remains a member of the public employees retirement system under chapter 54-52 and retains all the rights and benefits provided under that chapter. The board shall calculate the amount to be transferred for persons employed before October 1, 2001, using the two following formulas, and shall transfer the greater of the two amounts obtained:
  - 1-a. The actuarial present value of the individual's accumulated benefit obligation under the public employees retirement system based on the assumption that the individual will retire under the earliest applicable normal retirement age, plus interest from January 1, 2001, to the date of transfer, at the rate of one-half of one percent less than the actuarial interest assumption at the time of the election; or
  - 2-b. The actual employer contribution made, less vested employer contributions made pursuant to section 54-52-11.1, plus compound interest at the rate of one-half of one percent less than the actuarial interest assumption at the time of the election plus the employee account balance.

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2. The board shall calculate the amount to be transferred for persons employed after September 30, 2001, and before January 1, 2025, using only the formula contained in subdivision b of subsection 21.

**Anderson, MaryJo V.**

---

**Subject:** FW: QDRO Question - Main to DC transfers in special window 2025

---

**From:** Piatz, Shawna L. <[spiatz@nd.gov](mailto:spiatz@nd.gov)>

**Sent:** Wednesday, September 25, 2024 4:43 PM

**To:** Ferguson, Audra <[Audra.Ferguson@icemiller.com](mailto:Audra.Ferguson@icemiller.com)>; Anderson, MaryJo V. <[msteffes@nd.gov](mailto:msteffes@nd.gov)>

**Cc:** Aldinger, Marcy D. <[mdaldinger@nd.gov](mailto:mdaldinger@nd.gov)>; Hohbein, Derrick L. <[dhohbein@nd.gov](mailto:dhohbein@nd.gov)>; Fricke, Rebecca D.

<[rfricke@nd.gov](mailto:rfricke@nd.gov)>; Gauss, Robert L. <[Robert.Gauss@icemiller.com](mailto:Robert.Gauss@icemiller.com)>; Worth, Cindy <[Cindy.Worth@icemiller.com](mailto:Cindy.Worth@icemiller.com)>

**Subject:** RE: QDRO Question - Main to DC transfers in special window 2025

Thanks Audra. We have a couple of follow up questions.

1. Can you clarify that for “We think that if desired, NDPERS could allow the member to transfer while continuing to pay the QDRO benefit pursuant to the QDRO (and paid out from the defined benefit plan).” you mean that the DRO would still be honored with the account being split before the transfer resulting in only the member’s share transferring to the DC plan while the AP’s share remains under the DB plan? **This is correct.**
2. We’ve passed the time where a rule can be passed prior to implementation. Are there concerns with prohibiting members with a QDRO on file from being eligible for the special election window at the Board policy only? **We do not have any concerns with a Board Policy, and not a Rule, which prohibits members with a QDRO from being eligible for the special election.**

Shawna Piatz, CPA, CIA, CEBS

Chief Audit Officer



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**From:** [Audra.Ferguson@icemiller.com](mailto:Audra.Ferguson@icemiller.com) <[Audra.Ferguson@icemiller.com](mailto:Audra.Ferguson@icemiller.com)>

**Sent:** Wednesday, September 25, 2024 3:10 PM

**To:** Piatz, Shawna L. <[spiatz@nd.gov](mailto:spiatz@nd.gov)>; Anderson, MaryJo V. <[msteffes@nd.gov](mailto:msteffes@nd.gov)>

**Cc:** Aldinger, Marcy D. <[mdaldinger@nd.gov](mailto:mdaldinger@nd.gov)>; Hohbein, Derrick L. <[dhohbein@nd.gov](mailto:dhohbein@nd.gov)>; Fricke, Rebecca D.

<[rfricke@nd.gov](mailto:rfricke@nd.gov)>; [Robert.Gauss@icemiller.com](mailto:Robert.Gauss@icemiller.com); [Cindy.Worth@icemiller.com](mailto:Cindy.Worth@icemiller.com)

**Subject:** RE: QDRO Question - Main to DC transfers in special window 2025

\*\*\*\*\* **CAUTION:** This email originated from an outside source. Do not click links or open attachments unless you know they are safe. \*\*\*\*\*

Hi Shawna –

In general, we caution NDPERS about unilaterally amending the QDRO. As we understand it, NDPERS allows an alternate payee to start a benefit before the member is in pay status. Thus, we assume that NDPERS does an actuarial calculation to divide the benefit for purposes of the QDRO. We think that if desired, NDPERS could allow the member to transfer while continuing to pay the QDRO benefit pursuant to the QDRO (and paid out from the defined benefit plan). Of course, this could prove administratively burdensome. Thus, we think it would be reasonable for NDPERS to take the position that the QDRO cannot be administered if the member is allowed to transfer to the DC Plan. Under this scenario, we think NDPERS could reasonably create a rule similar to the 2015 legislation which prohibits any member who has a QDRO from electing to transfer to the DC Plan.

We hope this addresses your questions. Of course, if you have any other questions, please do not hesitate to let us know.

Best regards,  
Audra and Rob

---

**From:** Anderson, MaryJo V. <[msteffes@nd.gov](mailto:msteffes@nd.gov)>

**Sent:** Tuesday, September 10, 2024 9:08 AM

**To:** [Audra.Ferguson@icemiller.com](mailto:Audra.Ferguson@icemiller.com); [Robert.Gauss@icemiller.com](mailto:Robert.Gauss@icemiller.com)

**Cc:** [Piatz, Shawna L. <spiatz@nd.gov>](mailto:spiatz@nd.gov); [Aldinger, Marcy D. <mdaldinger@nd.gov>](mailto:mdaldinger@nd.gov); [Hohbein, Derrick L. <dhohbein@nd.gov>](mailto:hohbein@nd.gov); [Fricke, Rebecca D. <rfricke@nd.gov>](mailto:rfricke@nd.gov)

**Subject:** QDRO Question - Main to DC transfers in special window 2025

Hi Audra / Robert,

With the 2023 HB 1040 legislation allowing Defined Benefit Plan participants to transfer their account to the Defined Contribution Plan (bill attached), this legislation did not address members with QDROs on their account.

- Can the board decide to follow the same process that was passed in the 2015 legislation and prohibit members with QDROs from being eligible for the DB to DC plan transfer?
  - [QDROs language from the 2015 legislation \(allowed Defined Contribution Plan participants to transfer their accounts back into the Defined Benefit Plan\)](#)

**54-52.6-03.1. Changes to election.**

1. In this section the term "participating member" is limited in application to a participating member who elected to participate in the defined contribution retirement plan established under this chapter as an active employee of a participating employer, is an actively participating member of the defined contribution plan as of July 1, 2015, and is an active employee with a participating employer on the date an election is made under this section. **The term does not include a participant who is not actively employed with a participating employer on the date of transfer of the funds under this section, has taken a distribution from the defined contribution plan, is retired, is no longer actively employed with a participating employer, or who is a member who has a qualified domestic relations order or other court order on the member's account.**

Page No. 12

2. Notwithstanding any other provision of law, the board shall provide an opportunity for each participating member to elect in writing to terminate membership in the defined contribution retirement plan under this chapter and to elect to become a participating member in the public employees retirement system under chapter 54-52.

o [Transfer language in 2023 legislation](#)

**SECTION 18. AMENDMENT.** Section 54-52.6-03 of the North Dakota Century Code is amended and reenacted as follows:

**54-52.6-03. Transfer of accumulated fund balances.**

1. For an individual who elects under section 54-52.6-02 to terminate membership in the public employees retirement system under chapter 54-52, the board shall transfer a lump sum amount from the retirement fund to the participating member's account in the defined contribution retirement plan under this chapter. However, if the individual terminates employment ~~prior to~~before receiving the lump sum transfer under this section, the election made under section 54-52.6-02 is ineffective and the individual remains a member of the public employees retirement system under chapter 54-52 and retains all the rights and benefits provided under that chapter. The board shall calculate the amount to be transferred for persons employed before October 1, 2001, using the two following formulas, and shall transfer the greater of the two amounts obtained:
  - 1-a. The actuarial present value of the individual's accumulated benefit obligation under the public employees retirement system based on the assumption that the individual will retire under the earliest applicable normal retirement age, plus interest from January 1, 2001, to the date of transfer, at the rate of one-half of one percent less than the actuarial interest assumption at the time of the election; or
  - 2-b. The actual employer contribution made, less vested employer contributions made pursuant to section 54-52-11.1, plus compound interest at the rate of one-half of one percent less than the actuarial interest assumption at the time of the election plus the employee account balance.

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H. B. NO. 1040 - PAGE 14

2. The board shall calculate the amount to be transferred for persons employed after September 30, 2001, and before January 1, 2025, using only the formula contained in subdivision b of subsection 21.

- Would the language in the current [NDPERS DB QDRO Model language](#) (link provided) prohibit the member from transferring?

If both answers to the above questions are “no” and a participating member must be allowed to transfer their account to the Defined Contribution Plan because legislation and the QDRO model are silent, this opens the door for more questions on how the Alternate Payee (AP) may be impacted.

- If the member transfer is not prohibited...
  - o Is this a transfer where AP is forced into a new plan and NDPERS would notify both parties that the current DB Plan QDRO is void and a new DC Plan QDRO must be drafted?
  - o Would this be treated similar to a withdrawal where each party would be allocated only their portion of the account balance with the AP only remaining in the DB Plan and only the member's share would transfer into the DC plan?

I have included below the ND Attorney General review and opinion on this matter. Please advise on options NDPERS has in respect to allowing or prohibiting the Defined Benefit to Defined Contribution Plan transfers for members with QDROs.

Thank you,  
MaryJo Anderson



**North Dakota Public Employees Retirement System**

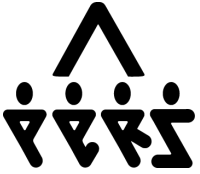
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# Memorandum

**TO:**                   NDPERS Board

**FROM:**               MaryJo Anderson

**DATE:**               October 29, 2024

**SUBJECT:**           Job Service COLA

According to Article VII(3) of the plan document for the Retirement Plan for Employees of Job Service North Dakota, “effective each December 1 of any year, the monthly amount of each retirement annuity, death benefit, or disability benefit then payable shall be increased by the percent increase, if any, in the Consumer Price Index.” It further states, “no increase in retirement allowance granted under the Plan, or the date for commencement of such increase, will become effective unless the same increase has been authorized for the Civil Service Retirement System, and unless the increase has been authorized by the NDPERS Board.” This provision for a COLA increase was authorized by the United States Department of Labor as part of a larger agreement reached with the USDOL in the late 1970’s. Since that time, the Plan practice has been to provide COLAs consistent with the Federal Civil Service Plan. The plan assumes a post-retirement COLA of 2.25%.

This year the COLA index for the Federal Civil Service Plan is 2.50%. Therefore, a 2.50% COLA increase is indicated for the Job Service retirees paid by NDPERS as well as for the Job Service retirees paid by MetLife/Brighthouse. The increase would be effective December 1, 2024. The last increase for annuitants in this system was 3.20% effective December 1, 2023.

The actuarial assumption used in the annual valuation for the COLA is 2.25% per year; therefore, the 2.50% increase represents a slight loss to the system.

## **Board Action Requested**

Determine whether to approve the 2.50% COLA increase for Job Service annuitants.





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# Memorandum

**TO:**                   NDPERS Board

**FROM:**               Rebecca

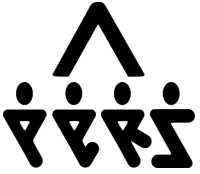
**DATE:**               October 29, 2024

**SUBJECT:**           Proposed Administrative Rules Update

The promulgation process is on track for consideration for formal adoption by the Legislative Administrative Rules Committee when they meet in December. NDPERS received approval as to their legality from the Attorney General's examination of the proposed rules. The rules packet has been forwarded to Legislative Council on October 11, 2024.

The new rules will take effect January 1, 2025, provided there are no holds placed on them by the Committee.

This topic is informational only.



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# Memorandum

**TO:** NDPERS Board

**FROM:** Rebecca

**DATE:** October 29, 2024

**SUBJECT:** Legislation

At the March Board meeting, the Board approved 6 bill drafts for submission and consideration by the Employee Benefits Programs Committee during the interim.

The following and attached are the submitted bill drafts, along with the Committee's recommendation:

| Bill Draft # | Attachment # | Subject                          | Description   | Recommendation |
|--------------|--------------|----------------------------------|---|----------------|
| 116          | 1            | 457 Plan Administrative Fees     | Provides authority for NDPERS to charge 457 Deferred Compensation Plan members administrative fees for services                                       | Favorable      |
| 117          | 2            | Final Average Salary Calculation | Revises the Final Average Salary calculation for the Highway Patrol and Defined Benefit Plan to remove the higher of component within the calculation | Favorable      |



|     |   |                                |  |           |
|-----|---|--------------------------------|--|-----------|
| 118 | 3 | Insulin & Diabetic Supplies    | SB 2140 requires NDPERS to submit a bill for consideration to roll the coverage out to the commercial insurance market   | Favorable |
| 119 | 4 | Disability Benefit Eligibility | Clarifies that a member cannot apply for a disability retirement benefit if they have reached their normal retirement age or date  | Favorable |
| 120 | 5 | Highway Patrol Cash Infusion   | Provides a cash infusion for the Highway Patrol Retirement Plan  | Favorable |
| 121 | 6 | Technical Corrections          | <ul style="list-style-type: none"> <li>- Clarifies temporary employee participation</li> <li>- Updates early retirement eligibility for BCI due to vesting schedule change (HB 1309)</li> <li>- Clarifies that judges disability retirement benefits are reduced by any social security benefit and workforce safety and insurance benefit</li> <li>- Adopts language related to Required Minimum Distributions due to federal law changes</li> <li>- Due to federal law, clarifies</li> </ul> | Favorable |

|  |  |  |   |  |
|--|--|--|---|--|
|  |  |  | <p>eligibility for district health units to participate in the health plan</p> <ul style="list-style-type: none"> <li>- Adds language specific to ROTH contributions in 457 plan due to federal law changes</li> <li>- Clarifies that bonuses do not need to be annualized in the defined contribution plan</li> <li>- Corrects an erroneous section of code passed in HB 1040</li> </ul> |  |
|--|--|--|---|--|

The deadline for executive branch agencies to pre-file bills is December 5, 2024. Therefore, staff need approval from the Board regarding which bills to pre-file, either at today’s meeting or the November meeting.

Regarding bill draft 117, staff continue to analyze the number of new retirees that retire under the old final average salary calculation or the new final average salary calculation. In 2024, the percentage continued to be near 10%. Based upon guidance from legal counsel, including Ice Miller, it was recommended that submitting this bill for consideration in the 2025 session was premature and that NDPERS should only submit the bill when it is confident that the removal of the old calculation would not result in a benefit reduction for members when they retire.

Regarding bill draft 121, while working with Legislative Council on a new bill draft being requested by a legislator, it was found that there are few additional modifications needed related to the passing of HB 1309 last session as it relates to references to the BCI Public Safety Plan vesting schedule. Staff request the Board allow these edits prepared by legal counsel (Attachment 7) for consideration and approval. Staff have discussed the process that can then be followed with legal counsel for the Employee Benefits Programs Committee. Once the Board approves, counsel will request that these changes be recognized by the Chair and Vice-Chair, which will then allow the submission of the revised bill draft 121 for submission by the pre-filing date.

In addition, if any legislators on the Board are interested in co-sponsoring a bill, this would be the time for this to be indicated so that the pre-filing form can properly reflect this.

**Board Action Requested:**

Staff request the following board action:

- 1) Approve the pre-filing of bill drafts 116, 118, 119 and 120 to Legislative Council as legislation for the upcoming 69<sup>th</sup> Legislative Assembly.
- 2) Approve the amended version of bill draft 121 (Attachment 7) to address additional clarifications needed related to the BCI Public Safety Plan.
- 3) If amended version is approved, direct staff to work with Legislative Council for submission of amended bill draft 121 and pre-file by deadline.

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Sixty-ninth  
Legislative Assembly  
of North Dakota

## BILL NO.

Introduced by

(North Dakota Public Employees Retirement System)

1 A BILL for an Act to create and enact a new section to chapter 54-52.2 of the North Dakota  
2 Century Code, relating to payment of administrative expenses for the public employees  
3 retirement system deferred compensation plan; and to provide a continuing appropriation.

### 4 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

5 **SECTION 1.** A new section to chapter 54-52.2 of the North Dakota Century Code is created  
6 and enacted as follows:

#### 7 **Administrative expenses - Continuing appropriation.**

- 8 1. A participating member shall pay the administrative expenses of the plan in a manner  
9 determined by the board. The board:
- 10 a. Or a vendor retained by the board, may charge reasonable administrative  
11 expenses and deduct those expenses from a participating member's account in  
12 the deferred compensation plan established under this chapter.
- 13 b. May pay the administrative expenses of the plan from fines and fees collected  
14 from a vendor in a manner determined by the board.
- 15 c. Shall deposit vendor fines and fees and any money deducted from a participating  
16 member's account in an administrative expenses account with the state treasurer.
- 17 d. May use funds from the payroll clearing account established under section  
18 54-52.3-03 and the administrative expenses account to pay for consulting  
19 expenses.
- 20 2. All money in the payroll clearing account and the administrative expenses account are  
21 appropriated to the board on a continuing basis for the purpose of retaining a  
22 consultant as required for the administration of this chapter.

Sixty-ninth  
Legislative Assembly  
of North Dakota

**BILL NO.**

Introduced by

(North Dakota Public Employees Retirement System)

1 A BILL for an Act to amend and reenact subsection 2 of section 39-03.1-11 and subsection 2 of  
2 section 54-52-17 of the North Dakota Century Code, relating to the computation of final average  
3 salary.

4 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

5 **SECTION 1. AMENDMENT.** Subsection 2 of section 39-03.1-11 of the North Dakota  
6 Century Code is amended and reenacted as follows:

7 2. Retirement benefits are based on the contributor's final average salary. Final average  
8 salary is the average of the highest salary received by the contributor for any thirty-six  
9 months employed during the last one hundred twenty months of employment. For  
10 contributors who terminate employment on or after August 1, 2010, final average  
11 salary is the average of the highest salary received by the contributor for any thirty-six  
12 months employed during the last one hundred eighty months of employment. For  
13 contributors who terminate employment between July 31, 2005, and August 1, 2010,  
14 final average salary is the average of the highest salary received by the member for  
15 any thirty-six months employed during the period for which the board has appropriate  
16 and accurate salary records on its electronic database, but that period may not be  
17 more than the last one hundred eighty months of employment. For members who  
18 terminate employment after December 31, 2019, final average salary is ~~the higher of~~  
19 ~~the final average salary calculated on December 31, 2019, or the average salary~~  
20 earned in the three highest periods of twelve consecutive months employed during the  
21 last one hundred eighty months of employment. Months without earnings are excluded  
22 for the purpose of computing an average. If the contributor has worked for less than  
23 thirty-six months at the postponed retirement date, the final average salary is the  
24 average salary for all months of employment.

1       **SECTION 2. AMENDMENT.** Subsection 2 of section 54-52-17 of the North Dakota Century  
2 Code is amended and reenacted as follows:

3       2. Retirement benefits are calculated from the participating member's final average  
4 salary, which is the average of the highest salary received by the member for any  
5 thirty-six months employed during the last one hundred twenty months of employment.  
6 For members who terminate employment on or after August 1, 2010, final average  
7 salary is the average of the highest salary received by the member for any thirty-six  
8 months employed during the last one hundred eighty months of employment. For  
9 members who terminate employment between July 31, 2005, and August 1, 2010, final  
10 average salary is the average of the highest salary received by the member for any  
11 thirty-six months employed during the period for which the board has appropriate and  
12 accurate salary records on the board's electronic database, but that period may not be  
13 more than the last one hundred eighty months of employment. For members who  
14 terminate employment after December 31, 2019, final average salary is ~~the higher of~~  
15 ~~the final average salary calculated on December 31, 2019, or~~ the average salary  
16 earned in the three highest periods of twelve consecutive months employed during the  
17 last one hundred eighty months of employment. Months without earnings are excluded  
18 for the purpose of computing an average. If the participating member has worked for  
19 less than thirty-six months at the normal retirement date, the final average salary is the  
20 average salary for the total months of employment.

Sixty-ninth  
Legislative Assembly  
of North Dakota

**BILL NO.**

Introduced by

(North Dakota Public Employees Retirement System)

1 A BILL for an Act to create and enact a new section to chapter 26.1-36 of the North Dakota  
2 Century Code, relating to individual and group health insurance coverage of insulin drugs and  
3 supplies; and to amend and reenact section 54-52.1-04.18 of the North Dakota Century Code,  
4 relating to health insurance benefits coverage of insulin drugs and supplies.

5 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

6 **SECTION 1.** A new section to chapter 26.1-36 of the North Dakota Century Code is created  
7 and enacted as follows:

8 **Health insurance benefits coverage - Insulin drug and supply out-of-pocket**  
9 **limitations.**

10 1. As used in this section:

11 a. "Insulin drug" means a prescription drug that contains insulin and is used to treat  
12 a form of diabetes mellitus. The term does not include an insulin pump, an  
13 electronic insulin-administering smart pen, or a continuous glucose monitor, or  
14 supplies needed specifically for the use of such electronic devices. The term  
15 includes insulin in the following categories:

16 (1) Rapid-acting insulin;

17 (2) Short-acting insulin;

18 (3) Intermediate-acting insulin;

19 (4) Long-acting insulin;

20 (5) Premixed insulin product;

21 (6) Premixed insulin/GLP-1 RA product; and

22 (7) Concentrated human regular insulin.

23 b. "Medical supplies for insulin dosing and administration" means supplies needed  
24 for proper insulin dosing, as well as supplies needed to detect or address medical

1 emergencies in an individual using insulin to manage diabetes mellitus. The term  
2 does not include an insulin pump, an electronic insulin-administering smart pen,  
3 or a continuous glucose monitor, or supplies needed specifically for the use of  
4 such electronic devices. The term includes:

5 (1) Blood glucose meters;

6 (2) Blood glucose test strips;

7 (3) Lancing devices and lancets;

8 (4) Ketone testing supplies, such as urine strips, blood ketone meters, and  
9 blood ketone strips;

10 (5) Glucagon, in injectable and nasal forms;

11 (6) Insulin pen needles; and

12 (7) Insulin syringes.

13 c. "Pharmacy or distributor" means a pharmacy or medical supply company, or  
14 other medication or medical supply distributor filling a prescription.

15 2. An insurance company, nonprofit health service corporation, or health maintenance  
16 organization may not deliver, issue, execute, or renew any health insurance policy,  
17 health service contract, or evidence of coverage on an individual, group, blanket,  
18 franchise, or association basis unless the policy, contract, or evidence of coverage  
19 provides benefits for insulin drug and medical supplies for insulin dosing and  
20 administration which complies with this section.

21 3. The health benefit plan must limit out-of-pocket costs for a thirty-day supply of:

22 a. Covered insulin drugs, which may not exceed twenty-five dollars per pharmacy or  
23 distributor, regardless of the quantity or type of insulin drug used to fill the  
24 covered individual's prescription needs.

25 b. Covered medical supplies for insulin dosing and administration, the total of which  
26 may not exceed twenty-five dollars per pharmacy or distributor, regardless of the  
27 quantity or manufacturer of supplies used to fill the covered individual's  
28 prescription needs.

29 4. The health benefit plan may not allow a pharmacy benefits manager or the pharmacy  
30 or distributor to charge, require the pharmacy or distributor to collect, or require a  
31 covered individual to make a payment for a covered insulin drug or medical supplies



1           for insulin dosing and administration in an amount exceeding the out-of-pocket limits  
2           under subsection 3.

3       5. The health benefit plan may not impose a deductible, copayment, coinsurance, or  
4       other cost-sharing requirement that causes out-of-pocket costs for prescribed insulin  
5       or medical supplies for insulin dosing and administration to exceed the amount under  
6       subsection 3.

7       6. Subsection 3 does not require the health benefit plan to implement a particular cost-  
8       sharing structure and does not prevent the limitation of out-of-pocket costs to less than  
9       the amount specified under subsection 3. This section does not limit whether the  
10       health benefit plan classifies an insulin pump, an electronic insulin-administering smart  
11       pen, or a continuous glucose monitor as a drug or as a medical device or supply.

12       7. If application of subsection 3 would result in the ineligibility of a health benefit plan that  
13       is a qualified high-deductible health plan to qualify as a health savings account under  
14       section 223 of the Internal Revenue Code [26 U.S.C. 223], the requirements of  
15       subsection 3 do not apply with respect to the deductible of the health benefit plan until  
16       after the enrollee has met the minimum deductible under section 26 U.S.C. 223.

17       8. This section does not apply to the Medicare part D prescription drug coverage plan.

18       **SECTION 2. AMENDMENT.** Section 54-52.1-04.18 of the North Dakota Century Code is  
19 amended and reenacted as follows:

20       **54-52.1-04.18. Health insurance benefits coverage - Insulin drug and supply out-of-**  
21 **pocket limitations. (Expired effective July 31, 2025)**

22       1. As used in this section:

23           a. "Insulin drug" means a prescription drug that contains insulin and is used to treat  
24           a form of diabetes mellitus. The term does not include an insulin pump, an  
25           electronic insulin-administering smart pen, or a continuous glucose monitor, or  
26           supplies needed specifically for the use of such electronic devices. The term  
27           includes insulin in the following categories:

- 28           (1) Rapid-acting insulin;
- 29           (2) Short-acting insulin;
- 30           (3) Intermediate-acting insulin;
- 31           (4) Long-acting insulin;

- 1                   (5) Premixed insulin product;
- 2                   (6) Premixed insulin/GLP-1 RA product; and
- 3                   (7) Concentrated human regular insulin.
- 4           b. ~~"Medical supplies for insulin dosing and administration" means supplies needed~~  
5                   ~~for proper insulin dosing, as well as supplies needed to detect or address medical~~  
6                   ~~emergencies in an individual using insulin to manage diabetes mellitus. The term~~  
7                   ~~does not include an insulin pump, an electronic insulin-administering smart pen,~~  
8                   ~~or a continuous glucose monitor, or supplies needed specifically for the use of~~  
9                   ~~such electronic devices. The term includes:~~
  - 10                   (1) Blood glucose meters;
  - 11                   (2) Blood glucose test strips;
  - 12                   (3) Lancing devices and lancets;
  - 13                   (4) Ketone testing supplies, such as urine strips, blood ketone meters, and
  - 14                    blood ketone strips;
  - 15                   (5) Glucagon, in injectable and nasal forms;
  - 16                   (6) Insulin pen needles; and
  - 17                   (7) Insulin syringes.
- 18           e. ~~"Pharmacy or distributor" means a pharmacy or medical supply company, or~~  
19                   ~~other medication or medical supply distributor filling a covered individual's~~  
20                   ~~prescriptions.~~
- 21           2. The board shall provide health insurance benefits coverage that provides for insulin drug  
22           and medical supplies for insulin dosing and administration which complies with this section as  
23           provided under section 1 of this Act.
- 24           3. ~~The coverage must limit out-of-pocket costs for a thirty-day supply of:~~
  - 25                   a. ~~Covered insulin drugs which may not exceed twenty-five dollars per pharmacy or~~  
26                   ~~distributor, regardless of the quantity or type of insulin drug used to fill the~~  
27                   ~~covered individual's prescription needs.~~
  - 28                   b. ~~Covered medical supplies for insulin dosing and administration, the total of which~~  
29                   ~~may not exceed twenty-five dollars per pharmacy or distributor, regardless of the~~  
30                   ~~quantity or manufacturer of supplies used to fill the covered individual's~~  
31                   ~~prescription needs.~~

- 1       4.   ~~The coverage may not allow a pharmacy benefits manager or the pharmacy or~~  
2       ~~distributor to charge, require the pharmacy or distributor to collect, or require a~~  
3       ~~covered individual to make a payment for a covered insulin drug or medical supplies~~  
4       ~~for insulin dosing and administration in an amount that exceeds the out-of-pocket limits~~  
5       ~~set forth under subsection 3.~~
- 6       5.   ~~The coverage may not impose a deductible, copayment, coinsurance, or other cost-~~  
7       ~~sharing requirement that causes out-of-pocket costs for prescribed insulin or medical~~  
8       ~~supplies for insulin dosing and administration to exceed the amount set forth under~~  
9       ~~subsection 3.~~
- 10      6.   ~~Subsection 3 does not require the coverage to implement a particular cost-sharing~~  
11      ~~structure and does not prevent the limitation of out-of-pocket costs to less than the~~  
12      ~~amount specified under subsection 3. Subsection 3 does not limit out-of-pocket costs~~  
13      ~~on an insulin pump, an electronic insulin-administering smart pen, or a continuous-~~  
14      ~~glucose monitor. This section does not limit whether coverage classifies an insulin-~~  
15      ~~pump, an electronic insulin-administering smart pen, or a continuous glucose monitor~~  
16      ~~as a drug or as a medical device or supply.~~
- 17      7.   ~~If application of subsection 3 would result in the ineligibility of a health benefit plan that~~  
18      ~~is a qualified high-deductible health plan to qualify as a health savings account under~~  
19      ~~section 223 of the Internal Revenue Code [26 U.S.C. 223], the requirements of~~  
20      ~~subsection 3 do not apply with respect to the deductible of the health benefit plan until~~  
21      ~~after the enrollee has satisfied the minimum deductible under section 26 U.S.C. 223.~~
- 22      8.   ~~This section does not apply to the Medicare part D prescription drug coverage plan.~~

Sixty-ninth  
Legislative Assembly  
of North Dakota

**BILL NO.**

Introduced by

(North Dakota Public Employees Retirement System)

1 A BILL for an Act to create and enact a new paragraph to subdivision h of subsection 3 of  
2 section 54-52-17 of the North Dakota Century Code, relating to disability retirement benefit  
3 eligibility.

4 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

5 **SECTION 1.** A new paragraph to subdivision h of subsection 3 of section 54-52-17 of the  
6 North Dakota Century Code is created and enacted as follows:

7 A member who has reached normal retirement age or normal retirement  
8 date and is eligible for unreduced retirement benefits may not apply for a  
9 disability retirement benefit.

Sixty-ninth  
Legislative Assembly  
of North Dakota

**BILL NO.**

Introduced by

(North Dakota Public Employees Retirement System)

1 A BILL for an Act to provide for a transfer to the highway patrol troopers' retirement system fund.

2 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

3 **SECTION 1. TRANSFER - STRATEGIC INVESTMENT AND IMPROVEMENTS FUND TO**  
4 **HIGHWAY PATROL TROOPERS' RETIREMENT SYSTEM FUND.** The office of management  
5 and budget shall transfer the sum of \$\_\_\_\_\_ from the strategic investment and improvements  
6 fund to the highway patrol troopers' retirement system fund, for the purpose of increasing the  
7 funded liability of the highway patrol troopers' retirement plan to ninety percent as of January 1,  
8 2026, during the biennium beginning July 1, 2025, and ending June 30, 2027.

9 **NOTE:** This bill draft contains blanks that must be filled in before introduction.

Sixty-ninth  
Legislative Assembly  
of North Dakota

**BILL NO.**

Introduced by

(North Dakota Public Employees Retirement System)

1 A BILL for an Act to amend and reenact subsection 23 of section 54-52-01, paragraph 4 of  
2 subdivision g of subsection 3 of section 54-52-17, subdivision g of subsection 4 of section  
3 54-52-17, subsection 2 of section 54-52-28, section 54-52.1-03.1, section 54-52.2-06,  
4 subsection 8 of section 54-52.6-01, and subsection 1 of section 54-52.6-02.2 of the North  
5 Dakota Century Code, relating to administering the public employees retirement system.

6 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

7 **SECTION 1. AMENDMENT.** Subsection 23 of section 54-52-01 of the North Dakota Century  
8 Code is amended and reenacted as follows:

9 23. "Temporary employee" means an employee who is not eligible to participate as a  
10 permanent employee, who is at least eighteen years old and not actively contributing  
11 to another employer-sponsored ~~pension~~retirement fund, and, if employed by a school  
12 district, occupies a noncertified teacher's position.

13 **SECTION 2. AMENDMENT.** Paragraph 4 of subdivision g of subsection 3 of section  
14 54-52-17 of the North Dakota Century Code is amended and reenacted as follows:

15 (4) For a peace officer employed by the bureau of criminal investigation, early  
16 retirement date is the first day of the month next following the month in  
17 which the peace officer attains the age of fifty years and has completed at  
18 ~~least three years of eligible employment;~~

19 (a) If hired before August 1, 2023, at least three years of eligible  
20 employment; or

21 (b) If hired on or after August 1, 2023, at least ten years of eligible  
22 employment.

23 **SECTION 3. AMENDMENT.** Subdivision g of subsection 4 of section 54-52-17 of the North  
24 Dakota Century Code is amended and reenacted as follows:

1           g. Except for supreme and district court judges, disability retirement benefits are  
2           twenty-five percent of the member's final average salary. Disability retirement  
3           benefits for supreme and district court judges are seventy percent of final  
4           average salary reduced by ~~the member's primary~~any social security benefits and  
5           by any workforce safety and insurance benefits paid to the member. The  
6           minimum monthly disability retirement benefit under this section is one hundred  
7           dollars.

8           **SECTION 4. AMENDMENT.** Subsection 2 of section 54-52-28 of the North Dakota Century  
9           Code is amended and reenacted as follows:

10          2. The minimum distribution rules under section 401(a)(9) of the Internal Revenue Code,  
11          including the incidental death benefit requirements under section 401(a)(9)(G), and the  
12          regulations issued under that provision to the extent applicable to governmental plans,  
13          as amended. Accordingly, benefits must be distributed or begin to be distributed no  
14          later than a member's required beginning date, and the required minimum distribution  
15          rules override any inconsistent provision of this chapter. ~~For a member who attains~~  
16          ~~age seventy and one-half before January 1, 2020, the member's required beginning~~  
17          ~~date is April first of the calendar year following the later of the calendar year in which~~  
18          ~~the member attains age seventy and one-half or terminates employment. For a~~  
19          ~~member who attains age seventy and one-half after December 31, 2019, the~~  
20          ~~member's required beginning date is April first of the calendar year following the later~~  
21          ~~of the calendar year in which the member attains age seventy-two or terminates~~  
22          ~~employment.~~

23          **SECTION 5. AMENDMENT.** Section 54-52.1-03.1 of the North Dakota Century Code is  
24          amended and reenacted as follows:

25          **54-52.1-03.1. Certain political subdivisions authorized to join uniform group**  
26          **insurance program - Employer contribution.**

27          If eligible under federal law, a political subdivision may extend the benefits of the uniform  
28          group insurance program under this chapter to its permanent employees, subject to minimum  
29          requirements established by the board and a minimum period of participation of sixty months. If  
30          the political subdivision withdraws from participation in the uniform group insurance program,  
31          before completing sixty months of participation, unless federal or state laws or rules are

1 modified or interpreted in a way that makes participation by the political subdivision in the  
2 uniform group insurance program no longer allowable or appropriate, the political subdivision  
3 shall make payment to the board in an amount equal to any expenses incurred in the uniform  
4 group insurance program that exceed income received on behalf of the political subdivision's  
5 employees as determined under rules adopted by the board. The Garrison Diversion  
6 Conservancy District, ~~and district~~ shall participate in the uniform group insurance program under  
7 the same terms and conditions as state agencies. District health units required to participate in  
8 the public employees retirement system under section 54-52-02, which were participating in the  
9 uniform group insurance program at the time the Affordable Care Act was enacted, shall  
10 participate in the uniform group insurance program under the same terms and conditions as  
11 state agencies. A retiree who has accepted a retirement allowance from a participating political  
12 subdivision's retirement plan may elect to participate in the uniform group under this chapter  
13 without meeting minimum requirements at age sixty-five, when the employee's spouse reaches  
14 age sixty-five, upon the receipt of a benefit, when the political subdivision joins the uniform  
15 group insurance plan if the retiree was a member of the former plan, or when the spouse  
16 terminates employment. If a retiree or surviving spouse does not elect to participate at the times  
17 specified in this section, the retiree or surviving spouse must meet the minimum requirements  
18 established by the board. Each retiree or surviving spouse shall pay directly to the board the  
19 premiums in effect for the coverage then being provided. The board may require documentation  
20 that the retiree has accepted a retirement allowance from an eligible retirement plan other than  
21 the public employees retirement system.

22 **SECTION 6. AMENDMENT.** Section 54-52.2-06 of the North Dakota Century Code is  
23 amended and reenacted as follows:

24 **54-52.2-06. Deferred compensation program - Benefits - Taxation - Exemption from**  
25 **judicial process - Assignment.**

26 The deferred compensation program established by this chapter shall exist and serve in  
27 addition to retirement, pension, or benefit systems established by the state, county, city, town, or  
28 other political subdivision, and no deferral of income under the deferred compensation program  
29 shall effect a reduction of any retirement, pension, or other benefit provided by law. However,  
30 with the exception of Roth contributions, any sum deferred under the deferred compensation  
31 program is not subject to taxation until distribution is actually made to the employee. Any unpaid



1 benefits under the deferred compensation program established by this chapter are not subject  
2 to execution, garnishment, attachment, the operation of bankruptcy or insolvency laws, or other  
3 process of law whatsoever, except as provided by section 54-52.2-03.3. Neither the employee,  
4 the employee's beneficiary, nor any designee of the employee or the employee's beneficiary  
5 has the right to commute, sell, assign, transfer, or otherwise convey the right to receive  
6 payments under this chapter.

7 **SECTION 7. AMENDMENT.** Subsection 8 of section 54-52.6-01 of the North Dakota  
8 Century Code is amended and reenacted as follows:

9 8. "Wages" and "salaries" means earnings in eligible employment under this chapter  
10 reported as salary on a federal income tax withholding statement plus any salary  
11 reduction or salary deferral amounts under 26 U.S.C. 125, 401(k), 403(b), 414(h), or  
12 457. "Salary" does not include fringe benefits such as payments for unused sick leave,  
13 personal leave, vacation leave paid in a lump sum, overtime, housing allowances,  
14 transportation expenses, early retirement, incentive pay, severance pay, medical  
15 insurance, workforce safety and insurance benefits, disability insurance premiums or  
16 benefits, or salary received by a member in lieu of previously employer-provided fringe  
17 benefits under an agreement between an employee and a participating employer.  
18 Bonuses may be considered as salary under this section if reported ~~and annualized~~  
19 pursuant to rules adopted by the board.

20 **SECTION 8. AMENDMENT.** Subsection 1 of section 54-52.6-02.2 of the North Dakota  
21 Century Code is amended and reenacted as follows:

22 1. As used in this section, "eligible employee" means a permanent state employee who  
23 on December 31, 2024, is a participating member of the public employees retirement  
24 system main system plan under chapter ~~54-42~~54-52, who has been a participating  
25 member under chapter 54-52 for no more than five years, and who is at least eighteen  
26 years of age.

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\_\_\_\_\_ Bill No. \_\_\_\_\_

Introduced by

North Dakota Public Employees Retirement System

A BILL for an Act to amend and reenact subsection 22 of section 54-52-01, subdivision g of subsection 3 of section 54-52-17, subdivision f of subsection 4 of section 54-52-17, subdivision g of subsection 4 of section 54-52-17, subsection 5 of section 54-52-17, subsection 6 of section 54-52-17, subsection 7 of section 54-52-17, subsection 2 of section 54-52-28, section 54-52.1-03.1, section 54-52.2-06, subsection 8 of section 54-52.6-01, and subsection 1 of section 54-52.6-02.2 of the North Dakota Century Code, relating to administering the public employees retirement system.

**BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

**SECTION 1. AMENDMENT.** Subsection 22 of section 54-52-01 of the North Dakota Century Code is amended and reenacted as follows:

- 23. "Temporary employee" means a governmental unit employee who is not eligible to participate as a permanent employee, who is at least eighteen years old and not actively contributing to another employer-sponsored ~~pension~~retirement fund, and, if employed by a school district, occupies a noncertified teacher's position.

**SECTION 2. AMENDMENT.** Paragraph 4 of subdivision g of subsection 3 of section 54 52-17 of the North Dakota Century Code is amended and reenacted as follows:

- (4) For a peace officer employed by the bureau of criminal investigation, early retirement date is the first day of the month next following the month in which the peace officer attains the age of fifty years and has completed ~~at least three years of eligible employment;~~

- (a) If hired before August 1, 2023, at least three years of eligible employment; or

(b) If hired on or after August 1, 2023, at least ten years of eligible employment.

**SECTION 3. AMENDMENT.** Subdivision f of subsection 4 of section 54-52-17 of the North Dakota Century Code is amended and reenacted as follows:

- f. Early retirement benefits are calculated as for single life benefits accrued to the date of termination of employment, but must be actuarially reduced to account for benefit payments beginning before the normal retirement date, as determined under subsection 3. Except for a national guard security officer or firefighter, a firefighter, peace officer, or correctional officer employed by a political subdivision, a peace officer employed by the state other than a peace officer employed by the bureau of criminal investigation, a peace officer employed by the bureau of criminal investigation, or a supreme court or district court judge, early retirement benefits for members first enrolled after December 31, 2015, are calculated for single life benefits accrued to the date of termination of employment, but must be reduced by fixed rate of eight percent per year to account for benefit payments beginning before the normal retirement date. A retiree, other than a supreme or district court judge or peace officer employed by the bureau of criminal investigation, is eligible for early retirement benefits only after having completed three years of eligible employment. A supreme or district court judge retiree is eligible for early retirement benefits only after having completed five years of eligible employment. A peace officer employed by the bureau of criminal investigation is eligible for early retirement benefits only if the peace officer has met the requirements set forth in paragraph 4 of subdivision g of subsection 3 of section 54-52-17.

**SECTION 4. AMENDMENT.** Subdivision g of subsection 4 of section 54-52-17 of the North Dakota Century Code is amended and reenacted as follows:

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- g. Except for supreme and district court judges, disability retirement benefits are twenty-five percent of the member's final average salary. Disability retirement benefits for supreme and district court judges are seventy percent of final average salary reduced by ~~the member's primary~~any social security benefits and by any workforce safety and insurance benefits paid to the member. The minimum monthly disability retirement benefit under this section is one hundred dollars.

**SECTION 5. AMENDMENT.** Subsection 5 of section 54-52-17 of the North Dakota Century Code is amended and reenacted as follows:

5. Upon termination of employment after completing three years of eligible employment, except for supreme and district court judges, who must complete five years of eligible employment, and peace officers employed by the bureau of criminal investigation, who must meet the requirements set forth in paragraph 4 of subdivision g of subsection 3 of section 54-52-17, but before normal retirement date, a member who does not elect to receive early retirement benefits is eligible to receive deferred vested retirement benefits payable commencing on the member's normal retirement date in one of the optional forms provided in subsection 9. Members who have delayed or inadvertently failed to apply for retirement benefits to commence on their normal retirement date may choose to receive either a lump sum payment equal to the amount of missed payments, or an actuarial increase to the form of benefit the member has selected, which increase must reflect the missed payments.

**SECTION 6. AMENDMENT.** Subsection 6 of section 54-52-17 of the North Dakota Century Code is amended and reenacted as follows:

6. If before retiring a member dies after completing three years of eligible employment, except for supreme and district court judges, who must have completed five years of eligible employment, and peace officers employed by the bureau of criminal investigation, who must

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meet the requirements set forth in paragraph 4 of subdivision g of subsection 3 of section 54-52-17, the board shall pay the member's account balance to the member's designated beneficiary as provided in this subsection. If the member has designated an alternate beneficiary with the surviving spouse's written consent, the board shall pay the member's account balance to the named beneficiary. If the member has named more than one primary beneficiary, the board shall pay the member's account balance to the named primary beneficiaries in the percentages designated by the member or, if the member has not designated a percentage for the beneficiaries, in equal percentages. If one or more of the primary beneficiaries has predeceased the member, the board shall pay the predeceased beneficiary's share to the remaining primary beneficiaries. If any beneficiary survives the member, yet dies before distribution of the beneficiary's share, the beneficiary must be treated as if the beneficiary predeceased the member. If there are no remaining primary beneficiaries, the board shall pay the member's account balance to the contingent beneficiaries in the same manner. If there are no remaining designated beneficiaries, the board shall pay the member's account balance to the member's estate. If the member has not designated an alternate beneficiary or the surviving spouse is the beneficiary, the surviving spouse of the member may select a form of payment as follows:

- a. If the member was a supreme or district court judge, the surviving spouse may select one of the following optional forms of payment:
  - (1) A lump sum payment of the member's retirement account as of the date of death.
  - (2) Payments as calculated for the deceased member as if the member was of normal retirement age at the date of death, payable until the spouse dies.
- b. The surviving spouse of all other members may select one of the following options:
  - (1) A lump sum payment of the member's retirement account as of the date of death.

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- (2) Payment of a monthly retirement benefit equal to fifty percent of the deceased member's accrued single life retirement benefits until the spouse dies.
- (3) If the member dies on or after the member's normal retirement date, the payment of a monthly retirement benefit equal to an amount that would have been paid to the surviving spouse if the member had retired on the day of the member's death and had selected a one hundred percent joint and survivor annuity, payable until the spouse dies. A surviving spouse who received a benefit under this subsection as of July 31, 1995, is entitled to the higher of that person's existing benefit or the equivalent of the accrued benefit available under the one hundred percent joint and survivor provision as if the deceased member were of normal retirement age, with the increase payable beginning August 1, 1995.

**SECTION 7. AMENDMENT.** Subsection 7 of section 54-52-17 of the North Dakota Century Code is amended and reenacted as follows:

7. If a member not coming under the provisions of subsection 6 terminates employment because of death, permanent and total disability, or any voluntary or involuntary reason prior to retirement, the member or the member's designated beneficiary is entitled to the member's account balance at termination. The board automatically shall refund a member's account balance if the member has completed less than three years of eligible employment, has an account balance of less than one thousand dollars, and was not a supreme or district court judge or peace officer employed by the bureau of criminal investigation. If the member was a supreme or district court judge, the board automatically shall refund a member's account balance if the member completed less than five years of eligible employment, and has an account balance of less than one thousand dollars. If the member was a peace officer employed by the bureau of criminal investigation and hired before August 1, 2023, the board automatically shall refund a member's account balance if the member completed less than three years of eligible employment and has an account balance of less than one thousand dollars. If the

member was a peace officer employed by the bureau of criminal investigation and hired on or after August 1, 2023, the board automatically shall refund a member's account balance if the member completed less than ten years of eligible employment and has an account balance of less than one thousand dollars. A member may waive the refund if the member submits a written statement to the board, within thirty days after termination, requesting that the member's account balance remain in the fund.

**SECTION 8. AMENDMENT.** Subsection 2 of section 54-52-28 of the North Dakota Century Code is amended and reenacted as follows:

2. The minimum distribution rules under section 401(a)(9) of the Internal Revenue Code, including the incidental death benefit requirements under section 401(a)(9)(G), and the regulations issued under that provision to the extent applicable to governmental plans, as amended. Accordingly, benefits must be distributed or begin to be distributed no later than a member's required beginning date, and the required minimum distribution rules override any inconsistent provision of this chapter. ~~For a member who attains age seventy and one half before January 1, 2020, the member's required beginning date is April first of the calendar year following the later of the calendar year in which the member attains age seventy and one half or terminates employment. For a member who attains age seventy and one half after December 31, 2019, the member's required beginning date is April first of the calendar year following the later of the calendar year in which the member attains age seventy two or terminates employment.~~

**SECTION 9. AMENDMENT.** Section 54-52.1-03.1 of the North Dakota Century Code is amended and reenacted as follows:

**54-52.1-03.1. Certain political subdivisions authorized to join uniform group insurance program - Employer contribution.**

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If eligible under federal law, a political subdivision may extend the benefits of the uniform group insurance program under this chapter to its permanent employees, subject to minimum requirements established by the board and a minimum period of participation of sixty months. If the political subdivision withdraws from participation in the uniform group insurance program, before completing sixty months of participation, unless federal or state laws or rules are modified or interpreted in a way that makes participation by the political subdivision in the uniform group insurance program no longer allowable or appropriate, the political subdivision shall make payment to the board in an amount equal to any expenses incurred in the uniform group insurance program that exceed income received on behalf of the political subdivision's employees as determined under rules adopted by the board. The Garrison Diversion Conservancy District, ~~and district~~ shall participate in the uniform group insurance program under the same terms and conditions as state agencies. District health units required to participate in the public employees retirement system under section 54-52-02, which were participating in the uniform group insurance program at the time the Affordable Care Act was enacted, shall participate in the uniform group insurance program under the same terms and conditions as state agencies. A retiree who has accepted a retirement allowance from a participating political subdivision's retirement plan may elect to participate in the uniform group under this chapter without meeting minimum requirements at age sixty-five, when the employee's spouse reaches age sixty-five, upon the receipt of a benefit, when the political subdivision joins the uniform group insurance plan if the retiree was a member of the former plan, or when the spouse terminates employment. If a retiree or surviving spouse does not elect to participate at the times specified in this section, the retiree or surviving spouse must meet the minimum requirements established by the board. Each retiree or surviving spouse shall pay directly to the board the premiums in effect for the coverage then being provided. The board may require documentation



that the retiree has accepted a retirement allowance from an eligible retirement plan other than the public employees retirement system.

**SECTION 10. AMENDMENT.** Section 54-52.2-06 of the North Dakota Century Code is amended and reenacted as follows:

**54-52.2-06. Deferred compensation program - Benefits - Taxation – Exemption from judicial process - Assignment.**

The deferred compensation program established by this chapter shall exist and serve in addition to retirement, pension, or benefit systems established by the state, county, city, town, or other political subdivision, and no deferral of income under the deferred compensation program shall effect a reduction of any retirement, pension, or other benefit provided by law. However, with the exception of Roth contributions, any sum deferred under the deferred compensation program is not subject to taxation until distribution is actually made to the employee. Any unpaid benefits under the deferred compensation program established by this chapter are not subject to execution, garnishment, attachment, the operation of bankruptcy or insolvency laws, or other process of law whatsoever, except as provided by section 54-52.2-03.3. Neither the employee, the employee's beneficiary, nor any designee of the employee or the employee's beneficiary has the right to commute, sell, assign, transfer, or otherwise convey the right to receive payments under this chapter.

**SECTION 11. AMENDMENT.** Subsection 8 of section 54-52.6-01 of the North Dakota Century Code is amended and reenacted as follows:

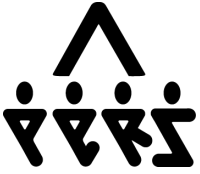
8. "Wages" and "salaries" means earnings in eligible employment under this chapter reported as salary on a federal income tax withholding statement plus any salary reduction or salary deferral amounts under 26 U.S.C. 125, 401(k), 403(b), 414(h), or 457. "Salary" does not include fringe benefits such as payments for unused sick leave, personal leave, vacation leave paid in a lump sum, overtime, housing

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allowances, transportation expenses, early retirement, incentive pay, severance pay, medical insurance, workforce safety and insurance benefits, disability insurance premiums or benefits, or salary received by a member in lieu of previously employer-provided fringe benefits under an agreement between an employee and a participating employer. Bonuses may be considered as salary under this section if reported and annualized pursuant to rules adopted by the board.

**SECTION 12. AMENDMENT.** Subsection 1 of section 54-52.6-02.2 of the North Dakota Century Code is amended and reenacted as follows:

1. As used in this section, "eligible employee" means a permanent state employee who on December 31, 2024, is a participating member of the public employees retirement system main system plan under chapter ~~54-42~~54-52, who has been a participating member under chapter 54-52 for no more than five years, and who is at least eighteen years of age.



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# Memorandum

**TO:**                   NDPERS Board

**FROM:**               Marcy Aldinger

**DATE:**               October 29, 2024

**SUBJECT:**           Deferred Compensation Hardship Case #888

The participant is requesting a withdrawal from the State of ND 457 Plan in the amount of \$30,000 to assist the participant's daughter during her pregnancy. The daughter is single, pregnant, and living on her own. She has been unable to work due to unexpected complications with her pregnancy. There is a possibility of hospitalization or early delivery requiring extended stay in the hospital. The participant's daughter had intended to work until her due date, but due to unexpected issues with her health and the size of the baby, she is unable to work and may be unable to work for an extended period after the birth of her child.

Due to other events the participant has consolidated debt in the amount of \$44,471.11. The participant is managing that debt at this time; however, the participant will not have disposable income to assist their daughter. Staff's understanding is that the participant is requesting the withdrawal to pay down the consolidated debt to increase disposable income such that the participant has funds available to assist the daughter financially if she requires such assistance in the future.

As of October 8, 2024, the amount in the State of ND 457 plan is \$29,614.92. The participant is requesting \$30,000.00 (at the time of the request the balance of the 457 was larger). The participant is requesting liquidation of the account.

The participant's financial status is provided in the income and expense statement in Part L, M and N on the application (Attachment #1). Documentation compiled and verified has been listed on the supplemental spreadsheet (Attachment #1). The participant provided a written and emailed explanation of events and expenses (Attachment #1). Statements substantiating income and expenses have been provided (Attachment #2). The medical debt the participant paid on behalf of his mother-in-law totals \$8,439.05 (Attachment #3) and was rolled into the debt relief program.

According to IRC 457 guidelines, the amount requested must be less than or equal to the financial need. According to the IRC section 457 regulations, financial hardship is defined as an unforeseeable emergency resulting from a sudden and unexpected illness or accident occurring to you or one of your dependents, loss of your property due to casualty, or other similar extraordinary and unforeseeable

circumstances arising as a result of events beyond your control. A reference guide is included in the materials (Attachment #4).

Below you will find the relevant authority.

**N.D.A.C. 71-04-03-05. Unforeseeable emergency.**

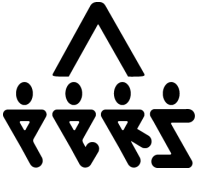
A participant who, prior to separation from service, experiences an unforeseeable emergency as defined in section 71-04-01-01 may apply for a distribution of the participant's deferred compensation account to the extent reasonably needed to satisfy the financial need. The participant may make application by completing a financial hardship form and delivering it to the retirement board offices.

**N.D.A.C. 71-04-01-01(13)**

"Unforeseeable emergency" means a severe financial hardship to the participant resulting from a sudden and unexpected illness or accident of the participant, the participant's spouse or dependent of the participant, loss of the participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the participant.

**Board Action Requested**

Approve or deny applicant's request for a hardship withdrawal from their 457 account.



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# Memorandum

**TO:** NDPERS Board

**FROM:** Lindsay Schaf

**DATE:** October 29, 2024

**SUBJECT:** Insurance Benefit Appeal Case # 892

Member is appealing the denial of the new hire health, dental, and vision insurance enrollment that NDPERS received after the new hire 31-day enrollment window. The effective date would have been 7/01/2024.

Member's start date of employment was 6/17/2024, which we received from the employer on 6/14/2024. A welcome letter was sent to the member on 6/17/2024 (*Attachment A*), stating the member has 31 days from date of hire to submit benefit enrollment requests. The letter includes step by step instructions on how to register on Member Self Service (MSS) and the enrollment window for each individual benefit.

Records show that the member completed the MSS registration process on 7/25/2024, which NDPERS affirmed by a letter sent to the member (*Attachment B*).

On 9/25/2024, the employer reached out to NDPERS asking if there's anything that could be done since the member's attempts to enroll at that time displayed an error stating it was outside the 31 days. NDPERS provided instruction on submitting a late enrollment request (*Attachment C*).

NDPERS received the member's late enrollment requests on 09/30/2024 (*Attachments D and E*). *Attachment E* includes the member's explanation. Member stated technical issues with enrolling online; however, research conducted by NDPERS IT staff indicated no action attempted with MSS until after the 31-day eligibility window had passed (*Attachment F*).

The employer stated their new hire process includes meeting with new employees on the first day, providing information to their new hire regarding the enrollment process and deadlines (*Attachment G*). The employer also generated a welcome letter (same content as *Attachment*

A) through Employer Self Service (ESS) on 6/17/24. The employer confirmed this was provided to the member (*Attachment H*).

*Attachment I* provides any contacts made to our office by the member. Records show that member did not contact our office since date of hire.

Based on the above information, NDPERS denied the member's late new hire enrollment requests for health, dental, and vision insurances due to evidence that the member was aware of the 31-day enrollment window and no outreach was made by the member to report any technical issues. The employer was notified of the denial on 10/01/2024 along with notice of the member's right to appeal to the NDPERS Board (*Attachment G*).

NDPERS received the Board appeal request on 10/09/2024 (*Attachment J*).

N.D. Admin. Code § 71-03-03-01 states that an eligible employee has 31 days to submit an application for coverage (*Attachment K*).

**N.D. Admin. Code § 71-03-05-05- Appeal process.** If a member's benefits have been denied in whole or in part by the board or its agent, the member will be notified in writing of the denial and the reasons. Within sixty days of the date shown on the denial notice, the member may file a petition for review. The petition must be in writing, the reasons stated for disputing the denial and be accompanied by any documentation. Should the member filing a petition for review, or should the board or its agent desire information which cannot be presented satisfactorily by correspondence, the board or its designated appeals committee may schedule a hearing. The member filing the appeal will be notified in writing at least fifteen days prior to hearing of the time, date, and place.

The board or its agent will render a decision as soon as possible, but not later than one hundred twenty days after the receipt of the petition for review. The decision will be in writing.

### **Board Action Requested**

Affirm or reverse NDPERS's denial for health, dental, and vision insurances as a new hire with an effective date of July 1, 2024.