
AGENCY OVERVIEW

192 PUBLIC EMPLOYEES RETIREMENT SYSTEM

Date: 12/14/2006

Time: 07:50:25

STATUTORY AUTHORITY

Agency Statutory Authority

North Dakota Century Code Chapters 39-03.1, 52-09, 52-11-01, 54-52, 54-52.1, 54-52.2, 54-52.3 and 54-52.6

AGENCY DESCRIPTION

Agency Description

The Public Employees Retirement System is the administrator of several employee benefit plans for state employees and employees of participating political subdivisions. The plans include the following:

- Seven Defined Benefit Retirement Plans
- Defined Contribution Retirement Plan
- Deferred Compensation Program
- Retiree Health Insurance Credit Program
- Group Health Insurance Plan
- Group Life Insurance Plan
- Voluntary Insurance Products (Dental, Vision, Long-term Care)
- Employee Assistance Program
- Pretax Benefits Program (FlexComp)

AGENCY MISSION

Agency Mission Statement

The mission of the Agency is to design, communicate and efficiently administer a viable employee benefits program within a framework of prudent risk taking, applicable state and federal laws, and professional and ethical standards so as to provide an employee benefits package to North Dakota public employees that is among the best available from public and private employers in the upper Midwest, the most affordable for our participating employers and beneficial to the taxpayers of North Dakota.

AGENCY PERFORMANCE MEASURES

Agency Performance Measures

NDPERS is audited annually by an independent audit firm. This year, as has been in past years, the agency has received a clean, unqualified financial audit opinion.

NDPERS has been awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association (GFOA) for our comprehensive annual financial report (CAFR). The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting. The agency has prepared a CAFR and received this award for the last ten consecutive years.

NDPERS conducted an actuarial audit of its defined benefit retirement plans to ensure the annual calculations accurately reflect the funded status of each plan. The audit validated current procedures.

MAJOR ACCOMPLISHMENTS

Agency Major Accomplishments

- Prepared annual Business Plans
- Hired an actuarial firm to conduct an actuarial audit of the defined benefit plans
- Developed an expedited enrollment form for the NDPERS Companion Plan to encourage participation in this voluntary savings program
- Rebid the group life insurance program and Employee Assistance Program; completed the transition to a new life insurance carrier
- Developed an employer based wellness plan that results in lower health insurance premiums for participating employers
- Initiated a Worksite Wellness program at 4 pilot worksites
- Hired an actuarial firm to determine the affect of GASB 45 on the System's Other Post-Employment Benefits
- Implemented the Medicare Part D program
- Conducted an asset/liability study for the defined benefits retirement plans and updated the investment policies accordingly
- Conducted a review of our existing business system, identified options and determined the agency should move forward with a replacement
- Rebid the group dental and long term care voluntary insurance plans; will be transitioning the dental plan to a new carrier
- Implemented a disease management program as part of the group health insurance plan
- Completed an experience study of the retirement plans as specified in the NDCC
- Converted the agency's financial reporting from Great Plains to PeopleSoft Financials

FUTURE CRITICAL ISSUES

Continuation of the 4% legislative salary increase from the 05-07 biennium.

REQUEST SUMMARY

192 PUBLIC EMPLOYEES RETIREMENT SYSTEM

Bill#: SB2022

Date: 12/14/2006

Biennium: 2007-2009

Time: 07:50:25

Description	Expenditures 2003-2005 Biennium	Present Budget 2005-2007	Budget Request Change	Requested Budget 2007-2009 Biennium	Optional Budget Request
BY MAJOR PROGRAM					
PERS	3,908,429	4,719,237	31,420	4,750,657	9,554,980
TOTAL MAJOR PROGRAMS	3,908,429	4,719,237	31,420	4,750,657	9,554,980
BY LINE ITEM					
SALARIES AND WAGES	2,542,981	2,885,526	104,520	2,990,046	513,072
OPERATING EXPENSES	1,365,448	1,583,711	-73,100	1,510,611	9,041,908
CONTINGENCY	0	250,000	0	250,000	0
TOTAL LINE ITEMS	3,908,429	4,719,237	31,420	4,750,657	9,554,980
BY FUNDING SOURCE					
GENERAL FUND	0	19,000	-16,500	2,500	0
FEDERAL FUNDS	0	0	0	0	0
SPECIAL FUNDS	3,908,429	4,700,237	47,920	4,748,157	9,554,980
TOTAL FUNDING SOURCE	3,908,429	4,719,237	31,420	4,750,657	9,554,980
TOTAL FTE	.00	29.00	.00	29.00	4.00

REQUEST DETAIL

Date: 12/14/2006

192 PUBLIC EMPLOYEES RETIREMENT SYSTEM

Bill#: SB2022

Time: 07:50:25

Biennium: 2007-2009

Description	Expenditures 2003-2005 Biennium	Present Budget 2005-2007	Budget Request Change	Requested Budget 2007-2009 Biennium	Optional Budget Request
SALARIES AND WAGES					
SALARIES - PERMANENT	1,889,201	2,124,800	82,304	2,207,104	181,992
SALARIES - OTHER	12,068	9,874	-9,874	0	240,678
OVERTIME	0	0	5,382	5,382	5,382
FRINGE BENEFITS	641,712	750,852	26,708	777,560	85,020
SALARY INCREASE	0	0	0	0	0
BENEFIT INCREASE	0	0	0	0	0
TOTAL	2,542,981	2,885,526	104,520	2,990,046	513,072
SALARIES AND WAGES					
GENERAL FUND	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0
SPECIAL FUNDS	2,542,981	2,885,526	104,520	2,990,046	513,072
TOTAL	2,542,981	2,885,526	104,520	2,990,046	513,072
OPERATING EXPENSES					
FRINGE BENEFITS	2,270	0	0	0	0
TRAVEL	49,376	66,700	6,400	73,100	0
SUPPLIES - IT SOFTWARE	10,715	26,200	-13,200	13,000	2,400
SUPPLY/MATERIAL-PROFESSIONAL	5,839	11,550	0	11,550	0
MISCELLANEOUS SUPPLIES	4,168	0	0	0	0
OFFICE SUPPLIES	25,094	33,191	1,660	34,851	8,400
POSTAGE	246,963	207,600	-31,368	176,232	0
PRINTING	67,563	106,356	-28,648	77,708	0
IT EQUIP UNDER \$5,000	43,271	17,937	-17,937	0	6,400
OFFICE EQUIP & FURN SUPPLIES	5,972	30,078	-30,078	0	21,700
INSURANCE	6,801	4,800	0	4,800	0
RENTALS/LEASES-EQUIP & OTHER	59,988	58,374	-3,574	54,800	0
RENTALS/LEASES - BLDG/LAND	165,032	172,700	9,200	181,900	84,768
REPAIRS	3,433	9,000	0	9,000	0
IT - DATA PROCESSING	523,159	577,552	-163	577,389	12,192
IT-COMMUNICATIONS	34,963	43,148	6,435	49,583	6,048
IT CONTRACTUAL SERVICES AND RE	20,623	0	0	0	8,900,000
PROFESSIONAL DEVELOPMENT	37,584	43,444	2,172	45,616	0
OPERATING FEES AND SERVICES	28,397	45,866	2,293	48,159	0
FEES - PROFESSIONAL SERVICES	24,237	129,215	23,708	152,923	0
BENEFITS PAID TO PARTICIPANTS	0	0	0	0	0
TRANSFERS OUT	0	0	0	0	0
TOTAL	1,365,448	1,583,711	-73,100	1,510,611	9,041,908

REQUEST DETAIL

192 PUBLIC EMPLOYEES RETIREMENT SYSTEM

Bill#: SB2022

Date: 12/14/2006

Biennium: 2007-2009

Time: 07:50:25

Description	Expenditures 2003-2005 Biennium	Present Budget 2005-2007	Budget Request Change	Requested Budget 2007-2009 Biennium	Optional Budget Request
OPERATING EXPENSES					
GENERAL FUND	0	19,000	-16,500	2,500	0
FEDERAL FUNDS	0	0	0	0	0
SPECIAL FUNDS	1,365,448	1,564,711	-56,600	1,508,111	9,041,908
TOTAL	1,365,448	1,583,711	-73,100	1,510,611	9,041,908
SPECIAL LINES					
CONTINGENCY	0	250,000	0	250,000	0
TOTAL	0	250,000	0	250,000	0
SPECIAL LINES					
GENERAL FUND	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0
SPECIAL FUNDS	0	250,000	0	250,000	0
TOTAL	0	250,000	0	250,000	0
FUNDING SOURCES					
GENERAL FUND	0	19,000	-16,500	2,500	0
FEDERAL FUNDS	0	0	0	0	0
SPECIAL FUNDS	3,908,429	4,700,237	47,920	4,748,157	9,554,980
TOTAL FUNDING SOURCES	3,908,429	4,719,237	31,420	4,750,657	9,554,980

CHANGE PACKAGE SUMMARY

192 PUBLIC EMPLOYEES RETIREMENT SYSTEM

Biennium: 2007-2009

Bill#: SB2022

Date: 12/14/2006

Time: 07:50:25

Description	FTE	General Fund	Federal Funds	Special Funds	Total Funds
AGENCY BUDGET CHANGES					
Cost To Continue	.00	0	0	104,520	104,520
1 Costs to Continue	.00	-16,500	0	-56,600	-73,100
Agency Total	.00	-16,500	0	47,920	31,420
OPTIONAL REQUEST					
2 Salary Equity Adjustment	.00	0	0	202,760	202,760
3 IT - Legacy Application System Replacement	4.00	0	0	9,352,220	9,352,220
Optional Total	4.00	0	0	9,554,980	9,554,980

BUDGET CHANGES NARRATIVE

192 PUBLIC EMPLOYEES RETIREMENT SYSTEM

Date: 12/14/2006

Time: 07:50:25

Change Group: A	Change Type: A	Change No: 1	Priority: 1
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Costs to Continue -

Cost to continue operations

The 2007-09 base budget request includes funding for NDPERS to continue to provide services at their current level. The request includes increases for motor pool, out of state airfare and lodging, office supplies, telephone, professional development, and operating fees as a result of inflation. An increase in professional services has been included to provide funding for the biennium for two temporary staff positions in the accounting division. The request also includes decreases for IT equipment and software, postage and printing, office equipment and equipment lease/rental. The agency will have lower hardware and software costs this biennium since we follow a 4 year replacement cycle. These costs will be incurred every other biennium. Postage and printing costs were reduced as a result of increased use of the website and email for providing forms, publications and communications to employers and employees. Expenditures for office equipment will decrease since the agency replaced some office equipment in the current biennium which will not be required in the 07-09 biennium. Equipment lease/rental decreased as the agency completed the lease payments on a piece of office equipment.

There is also a decrease in transfers out. NDPERS requested a general fund appropriation for the 05-07 biennium in order to pay retirement benefits to the 3 beneficiaries under the OASIS retirement program. NDPERS will not need to use the \$19,000 appropriation in the 05-07 biennium as 2 of the beneficiaries have since deceased. However, NDPERS will require a \$2,500 general fund appropriation to continue the payments throughout the 07-09 biennium.

Change Group: A	Change Type: A	Change No: 100	Priority:
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OMB Salary Equity -

Equity increases to increase comp ratio from agency average of .89 closer to state employee average of .96.

Change Group: A	Change Type: A	Change No: 101	Priority:
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OMB Legacy Application System Replacement -

Funding for a new application to replace the current legacy system.

Change Group: A	Change Type: A	Change No: 102	Priority:
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OASIS Retirement -

JSND will no longer be using the OASIS funding, therefore the fund balance will be sufficient to fund the remaining retiree's benefit.

Change Group: O	Change Type: A	Change No: 2	Priority: 2
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Salary Equity Adjustment -

Equity Adjustments

Since 1999, PERS has been working to provide increases to PERS staff whose salaries are less than the statewide or national average for the respective pay grade or position, by years of service. Currently, the statewide average comp ratio for all state agencies is .96 and for PERS it is .896. This option includes funding for salary equity increases which would move staff to an average comp ratio of .959.

Also, the NDPERS Board has included funding to set the Executive Director's salary at a level equal to the average for public fund administrators, as measured by a survey of 71 statewide retirement plans.

Change Group: O	Change Type: A	Change No: 3	Priority: 3
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IT - Legacy Application System Replacement -

Legacy Application System Replacement (LASR) project

At its October 2005 planning meeting, the NDPERS Board reviewed the agency's IT system and decided to move forward with an additional study of the system. In January 2006, NDPERS issued a request for proposal (RFP) to hire a consulting company to conduct a feasibility study and cost benefit analysis for updating/replacing the IT system. In April 2006, NDPERS contracted with L.R. Wechsler, LTD, a consulting firm that specializes in IT projects for public retirement systems. In June 2006, the feasibility study was completed and presented to the NDPERS Board. The decision was made to move forward with developing and issuing an RFP for a software system to replace the current business application systems. At this time, NDPERS staff is working with L.R. Wechsler on developing an RFP which is scheduled to be released in November 2006.

This optional funding request includes the system replacement costs (\$8.9, as estimated by Wechsler), funding for 4 additional FTE, funding to lease and furnish additional office space for the project team, computer and phone connections, and additional salary for overtime and workload adjustments. The system replacement cost of \$8.9 million will be spent over a 3 year period from July 2007 – June 2010; we are requesting that the balance of this appropriation authority be carried over into the 2009-2011 biennium. The remaining \$452,200 represents the 4 new FTE and project team costs for the 2007-09 biennium. The funding for the 3rd year of these project costs will be requested in the 2009-11 biennium budget.