

Sixty-first  
Legislative Assembly  
of North Dakota

## ENGROSSED HOUSE BILL NO. 1575

Introduced by

Representatives Grande, Wald

Senators Krebsbach, Lyson

1 A BILL for an Act to create and enact a new section to chapter 39-03.1, a new section to  
2 chapter 54-52, and chapter 54-52.7 of the North Dakota Century Code, relating to public  
3 employee supplemental retiree benefit payments and a supplemental defined contribution  
4 retirement plan for certain employees of the bureau of criminal investigation; to amend and  
5 reenact sections 54-52-14.3 and 54-52-26 of the North Dakota Century Code, relating to use  
6 and investment of public employee retirement funds and confidentiality of records of the public  
7 employees retirement system; to provide a penalty; to provide an appropriation; and to provide  
8 a continuing appropriation.

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

10 **SECTION 1.** A new section to chapter 39-03.1 of the North Dakota Century Code is  
11 created and enacted as follows:

12 **Supplemental retiree benefit payment.** The board shall authorize an additional  
13 payment equal to seventy-five percent of the August retirement allowance to each eligible  
14 retiree in pay status as of August 1, 2009, including joint and survivor and term certain  
15 beneficiaries, under this chapter. The board may make only one payment to each retiree under  
16 this section.

17 **SECTION 2. AMENDMENT.** Section 54-52-14.3 of the North Dakota Century Code is  
18 amended and reenacted as follows:

19 **54-52-14.3. Public employee retirement funds - Use and investment.** Any Except  
20 for a supplemental defined contribution retirement plan for state correctional and peace officers  
21 under chapter 54-52.7, any provision of law relating to the use and investment of public  
22 employee retirement funds must be deemed a part of the employment contracts of the  
23 employees participating in any public employee retirement system. All moneys from any  
24 source paid into any public employee retirement system fund created by the laws of this state

1 must be used and invested only for the exclusive benefit of the members, retirees, and  
2 beneficiaries of that system, including the payment of system administrative costs.

3 **SECTION 3.** A new section to chapter 54-52 of the North Dakota Century Code is  
4 created and enacted as follows:

5 **Supplemental retiree benefit payment.** The board shall authorize an additional  
6 payment equal to seventy-five percent of the August retirement allowance to each eligible  
7 retiree in pay status as of August 1, 2009, including judicial retirees and beneficiaries and  
8 including joint and survivor and term certain beneficiaries, under this chapter. The board may  
9 make only one payment to each retiree under this section.

10 **SECTION 4. AMENDMENT.** Section 54-52-26 of the North Dakota Century Code is  
11 amended and reenacted as follows:

12 **54-52-26. Confidentiality of records.** All records relating to the retirement benefits of  
13 a member or a beneficiary under this chapter, chapter 54-52.2, ~~and~~ chapter 54-52.6, and  
14 chapter 54-52.7 are confidential and are not public records. Information and records may be  
15 disclosed, under rules adopted by the board, only to:

- 16 1. A person to whom the member has given written consent to have the information  
17 disclosed.
- 18 2. A person legally representing the member, upon proper proof of representation,  
19 and unless the member specifically withholds consent.
- 20 3. A person authorized by a court order.
- 21 4. A member's participating employer, limited to information concerning the member's  
22 years of service credit and years of age. The board may share other types of  
23 information as needed by the employer to validate the employer's compliance with  
24 existing state or federal laws. Any information provided to the member's  
25 participating employer under this subsection must remain confidential except as  
26 provided under subsection 6.
- 27 5. The administrative staff of the retirement and investment office for purposes  
28 relating to membership and benefits determination.
- 29 6. State or federal agencies for purposes of reporting on a service provider's  
30 provision of services or when the employer must supply information to an agency  
31 to validate the employer's compliance with existing state or federal laws.

- 1           7.    Member interest groups approved by the board on a third-party blind list basis,  
2                    limited to information concerning the member's participation, name, and address.
- 3           8.    The member's spouse or former spouse, that individual's legal representative, and  
4                    the judge presiding over the member's dissolution proceeding for purposes of  
5                    aiding the parties in drafting a qualified domestic relations order under section  
6                    54-52-17.6. The information disclosed under this subsection must be limited to  
7                    information necessary for drafting the order.
- 8           9.    Beneficiaries designated by a participating member or a former participating  
9                    member to receive benefits after the member's death, but only after the member's  
10                   death. Information relating to beneficiaries may be disclosed to other beneficiaries  
11                   of the same member.
- 12          10.   The general public, but only after the board has been unable to locate the member  
13                   for a period in excess of two years, and limited to the member's name and the fact  
14                   that the board has been unable to locate the member.
- 15          11.   Any person if the board determines disclosure is necessary for treatment,  
16                   operational, or payment purposes, including the completion of necessary  
17                   documents.
- 18          12.   A government child support enforcement agency for purposes of establishing  
19                   paternity or establishing, modifying, or enforcing a child support obligation of the  
20                   member.
- 21          13.   A person if the information relates to an employer service purchase, but the  
22                   information must be limited to the member's name and employer, the retirement  
23                   program in which the member participates, the amount of service credit purchased  
24                   by the employer, and the total amount expended by the employer for that service  
25                   credit purchase, and that information may only be obtained from the member's  
26                   employer.

27           **SECTION 5.** Chapter 54-52.7 of the North Dakota Century Code is created and  
28    enacted as follows:

29           **54-52.7-01. Definition of terms.** As used in this chapter, unless the context otherwise  
30    requires:

- 31           1.    "Board" means the public employees retirement system board.

- 1           2. "Eligible employee" means a member who is a peace officer as defined in section  
2                   12-63-01 and is employed as a peace officer by the bureau of criminal  
3                   investigation.
- 4           3. "Employee" means any individual employed by the state, whose compensation is  
5                   paid out of state funds, or funds controlled or administered by the state or paid by  
6                   the federal government through any of its executive or administrative officials.
- 7           4. "Employer" means the state of North Dakota.
- 8           5. "Governmental unit" means the state of North Dakota.
- 9           6. "Participating member" means an eligible employee who participates in the  
10                   supplemental defined contribution retirement plan established under this chapter.
- 11          7. "Permanent employee" means a state employee whose services are not limited in  
12                   duration and who is filling an approved and regularly funded position and is  
13                   employed twenty hours or more per week and at least five months each year.
- 14          8. "Salary" means earnings in eligible employment under this chapter reported as  
15                   salary on a federal income tax withholding statement plus any salary reduction or  
16                   salary deferral amounts under 26 U.S.C. 125, 401(k), 403(b), 414(h), or 457.  
17                   "Salary" does not include fringe benefits such as payments for unused sick leave,  
18                   personal leave, vacation leave paid in a lump sum, overtime, housing allowances,  
19                   transportation expenses, early retirement, incentive pay, severance pay, medical  
20                   insurance, workforce safety and insurance benefits, disability insurance premiums  
21                   or benefits, or salary received by a member in lieu of previously employer-provided  
22                   fringe benefits under an agreement between an employee and a participating  
23                   employer. Bonuses may be considered as salary under this section if reported and  
24                   annualized pursuant to rules adopted by the board.

25           **54-52.7-02. Election.** The board shall provide an opportunity for each eligible  
26 employee to elect to become a participating member under this chapter and for each  
27 participating member under this chapter to cease to be a participating member under this  
28 chapter.

29           **54-52.7-03. Administration.** The board shall administer the defined contribution  
30 retirement plan established under this chapter and the board or vendors contracted for by the  
31 board shall invest the assets of the plan. The board is the fiduciary and the trustee of the plan.

1 The board has the exclusive authority and responsibility to employ or contract with personnel  
2 and for services that the board determines necessary for the proper administration of and  
3 investment of assets of the plan, including managerial, professional, legal, clerical, technical,  
4 and administrative personnel or services.

5 **54-52.7-04. Direction of investments.** Each participating member shall direct the  
6 investment of the individual's accumulated employer and employee contributions and earnings  
7 to one or more investment choices within available categories of investment provided by the  
8 board.

9 **54-52.7-05. Administrative expenses - Continuing appropriation.** The  
10 administrative expenses of the plan must be paid by the participating members in a manner  
11 determined by the board. The board or vendors contracted for by the board may charge  
12 reasonable administrative expenses and deduct those expenses from a participating member's  
13 account in the defined contribution retirement plan established under this chapter. The board  
14 shall place any money deducted in an administrative expenses account with the state treasurer.  
15 The board may also use funds from the payroll clearing account established pursuant to section  
16 54-52.3-03 to pay for consulting expenses. All moneys in the payroll clearing account, not  
17 otherwise appropriated, or so much of the moneys as may be necessary, are appropriated to  
18 the board on a continuing basis for the purpose of retaining a consultant as required for the  
19 administration of this chapter.

20 **54-52.7-06. Participation in other plans.** A participating member may participate in  
21 another public sector retirement benefits plan for simultaneous service rendered to the same  
22 public sector employer.

23 **54-52.7-07. Contributions - Penalty.**

24 1. Except as otherwise provided in this subsection, each participating member shall  
25 contribute monthly two percent of the monthly salary paid to the participant, and  
26 this assessment must be deducted from the participant's salary in equal monthly  
27 installments commencing with the first month of participation in the supplemental  
28 defined contribution retirement plan established under this chapter. However, a  
29 member's contributions to the deferred compensation plan for public employees  
30 under chapter 54-52.2 or other participating employer supplemental Internal  
31 Revenue Code section 457 or 403(b) retirement programs as approved by the

1           board must be credited, to the extent made, as the member's contribution under  
2           this subsection.

3           2. The employer shall contribute an amount equal to three percent of the monthly  
4           salary of a participating member. The employer shall pay monthly such  
5           contribution into the participating member's account from its funds appropriated for  
6           payroll and salary or any other funds available for such purposes. If the employer  
7           fails to pay the contributions monthly, the employer is subject to a civil penalty of  
8           fifty dollars and, as interest, one percent of the amount due for each month of  
9           delay or fraction thereof after the payment became due.

10          3. The employer contribution under this chapter ceases:

11           a. The first day of the month next following the month in which the participating  
12           member attains the age of sixty-five; or

13           b. When the participating member has a combined total of years of service  
14           credit and years of age equal to eighty-five.

15          **54-52.7-08. Acceptance of rollovers.** The plan may allow a participating member to  
16          transfer or roll over funds from other qualified plans into the member's account under rules  
17          adopted by the board.

18          **54-52.7-09. Vesting.** A participating member is immediately one hundred percent  
19          vested in that member's contributions made to that member's account under this chapter. A  
20          participating member vests in the employer contributions made on that member's behalf to an  
21          account under this chapter according to the following schedule:

22           1. Upon completion of two years of service, fifty percent.

23           2. Upon completion of three years of service, seventy-five percent.

24           3. Upon completion of four years of service, one hundred percent.

25          A participating member also becomes one hundred percent vested in the employer  
26          contributions upon reaching age sixty-five or when the member has a combined total of years  
27          of service credit and years of age equal to eighty-five.

28          **54-52.7-10. Refund beneficiaries.** A participating or former participating member may  
29          nominate one or more individuals as a refund beneficiary by filing written notice of nomination  
30          with the board. If the participating member or former participating member is married at the  
31          time of the nomination and the participant's spouse is not the refund beneficiary for one

1 hundred percent of the account, the nomination is not effective unless the nomination is signed  
2 by the participant's spouse. However, the board may waive this requirement if the spouse's  
3 signature cannot be obtained because of extenuating circumstances.

4 **54-52.7-11. Qualified domestic relations orders.**

- 5 1. The board or a vendor contracted for by the board shall apportion a participating  
6 member's account in the supplemental defined contribution retirement plan under  
7 this chapter in accordance with the applicable requirements of any qualified  
8 domestic relations order. The board shall review a domestic relations order  
9 submitted to it to determine if the domestic relations order is qualified under this  
10 section and under rules adopted by the board for determining the qualified status  
11 of domestic relations orders, administering distributions, and apportioning accounts  
12 under the qualified orders. Upon determination of the domestic relations order as  
13 qualified, the board shall notify the participating member, the named alternate  
14 payee, and the vendor, if applicable, of its receipt of the qualified domestic  
15 relations order.
- 16 2. A "qualified domestic relations order" for purposes of this section means any  
17 judgment, decree, or order, including approval of a property settlement agreement,  
18 which relates to the provision of child support, spousal support, or marital property  
19 rights to a spouse, former spouse, child, or other dependent of a participating  
20 member, is made pursuant to a North Dakota domestic relations law, which  
21 creates or recognizes the existence of an alternate payee's right to, or assigns to  
22 an alternate payee the right to, receive all or a part of a participating member's  
23 account in the supplemental defined contribution retirement plan under this  
24 chapter. A qualified domestic relations order may not require the board to provide  
25 any type or form of benefit, or any option, not otherwise allowed under this chapter.  
26 However, a qualified domestic relations order may require distribution from an  
27 account in the supplemental defined contribution retirement plan under this chapter  
28 notwithstanding that the participating member has not terminated eligible  
29 employment. A qualified domestic relations order must specify:

- 1           a. The name and last-known mailing address of the participating member and
- 2                     the name and the mailing address of each alternate payee covered by the
- 3                     order;
- 4           b. The amount or percentage of the participating member's account to be paid to
- 5                     each alternate payee;
- 6           c. The number of payments or period to which the order applies; and
- 7           d. Each retirement plan to which the order applies.

8           **54-52.7-12. Distributions.**

- 9           1. A participating member is eligible to receive distribution of that person's
- 10                    accumulated balance in the plan upon becoming a former participating member.
- 11           2. Upon the death of a participating member or former participating member, the
- 12                    accumulated balance of that deceased participant is considered to belong to the
- 13                    refund beneficiary, if any, of that deceased participant. If a valid nomination of
- 14                    refund beneficiary is not on file with the board, the board, in a lump sum
- 15                    distribution, shall distribute the accumulated balance to a legal representative, if
- 16                    any, of the deceased participant or, if there is no legal representative, to the
- 17                    deceased participant's estate.
- 18           3. A former participating member may elect one or a combination of several of the
- 19                    following methods of distribution of the accumulated balance:
  - 20                    a. A lump sum distribution to the recipient.
  - 21                    b. A lump sum direct rollover to another qualified plan, to the extent allowed by
  - 22                            federal law.
  - 23                    c. Periodic distributions, as authorized by the board.
  - 24                    d. No current distribution, in which case the accumulated balance must remain
  - 25                            in the plan until the former participating member or refund beneficiary elects a
  - 26                            method or methods of distribution under this section, to the extent allowed by
  - 27                            federal law.
- 28                    A surviving spouse beneficiary may elect one or a combination of several of the
- 29                    methods of distribution provided in subdivision a, b, or c. A beneficiary who is not
- 30                    the surviving spouse may only choose a lump sum distribution of the accumulated
- 31                    balance.



1           4. If the former participating member's vested account balance is less than one  
2           thousand dollars, the board shall automatically refund the member's vested  
3           account balance upon termination of employment. The member may waive the  
4           refund if the member submits a written statement to the board, within one hundred  
5           twenty days after termination, requesting that the member's vested account  
6           balance remain in the plan.

7           **54-52.7-13. Disability benefits.** The board shall allow distribution of the participating  
8           member's vested account balance if the board determines that the participating member has  
9           become totally and permanently disabled. If approved, the disabled member has the same  
10          distribution options as provided in subdivisions a and c of subsection 3 of section 54-52.7-12.  
11          However, if the member chooses the periodic distribution option, the member may receive  
12          distributions only for as long as the disability continues and the member submits the necessary  
13          documentation and undergoes medical testing required by the board, or for as long as the  
14          member participates in a rehabilitation program required by the board, or both. If the board  
15          determines that a member no longer meets the eligibility definition, the board shall discontinue  
16          the disability retirement benefit.

17          **54-52.7-14. Board to provide information.** The board shall provide information to  
18          employees who are eligible to elect to become participating members under this chapter. The  
19          information must include at a minimum the employee's current account balance, the  
20          assumption of investment risk under a defined contribution retirement plan, administrative and  
21          investment costs, and coordination of benefits information. Notwithstanding any other provision  
22          of law, the board is not liable for any election or investment decision made by an employee  
23          based upon information provided to an employee under this chapter.

24          **54-52.7-15. State income tax deductions.** For the purposes of state income tax, the  
25          assessment imposed by this chapter on the employee must be treated in accordance with  
26          existing state statutes on state income tax.

27          **54-52.7-16. Exemption from state premium tax.** Premiums, consideration for  
28          annuities, and membership fees are exempt from premium taxes payable pursuant to section  
29          26.1-03-17.

30          **54-52.7-17. Savings clause.** If the board determines that any section of this chapter  
31          does not comply with applicable federal statutes or rules, the board shall adopt appropriate

1 terminology with respect to that section as will comply with those federal statutes or rules. Any  
2 plan modifications made by the board pursuant to this section are effective until the effective  
3 date of any measure enacted by the legislative assembly providing the necessary amendments  
4 to this chapter to ensure compliance with the federal statutes or rules.

5 **54-52.7-18. Overpayments.** The board has the right of setoff to recover  
6 overpayments made under this chapter and to satisfy any claims arising from embezzlement or  
7 fraud committed by a participating member, deferred member, refund beneficiary, or other  
8 person who has a claim to a distribution or any other benefit from a plan governed by this  
9 chapter.

10 **54-52.7-19. Correction of records.** The board shall correct errors in the records and  
11 actions in plans under this chapter and shall seek to recover overpayments and shall seek to  
12 collect underpayments.

13 **SECTION 6. APPROPRIATION.** There is appropriated out of any moneys in the  
14 general fund in the state treasury, not otherwise appropriated, the sum of \$227,000, or so much  
15 of the sum as may be necessary, to the highway patrolmen's retirement fund for the purpose of  
16 funding benefit enhancements contained under section 1 of this Act, for the biennium beginning  
17 July 1, 2009, and ending June 30, 2011.

18 **SECTION 7. APPROPRIATION.** There is appropriated out of any moneys in the  
19 general fund in the state treasury, not otherwise appropriated, the sum of \$5,354,000, or so  
20 much of the sum as may be necessary, to the public employees retirement fund for the purpose  
21 of funding benefit enhancements contained under section 3 of this Act, for the biennium  
22 beginning July 1, 2009, and ending June 30, 2011.

23 **SECTION 8. APPROPRIATION.** The funds provided in this section, or so much of the  
24 funds as may be necessary, are appropriated out of any moneys in the general fund in the state  
25 treasury, not otherwise appropriated, and from special funds derived from federal funds and  
26 other income, to the following agency for the purpose of funding benefit enhancements  
27 contained under section 5 of this Act, for the biennium beginning July 1, 2009, and ending  
28 June 30, 2011, as follows:

29 <u>Agency</u>	<u>General Fund</u>	<u>Special Funds</u>	<u>Total</u>
30 Attorney general	\$77,995	\$24,630	\$102,625
31 Total	\$77,995	\$24,630	\$102,625