

FISCAL NOTE

Requested by Legislative Council

01/24/2005

Bill/Resolution No.: HB 1307

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

WORKFORCE SAFETY & INSURANCE

2005 LEGISLATION

SUMMARY OF ACTUARIAL INFORMATION

BILL DESCRIPTION: Eliminating Social Security Retirement Offset

BILL NO: HB 1307

SUMMARY OF ACTUARIAL INFORMATION: Workforce Safety & Insurance, together with its actuary, Glenn Evans of Pacific Actuarial Consultants, has reviewed the legislation proposed in this bill in conformance with Section 54-03-25 of the North Dakota Century Code.

The proposed legislation would eliminate the workers compensation social security retirement offset for pre- August 1, 1995 injured workers that became eligible for social security retirement benefits between June 30, 1989 and August 1, 1995.

FISCAL IMPACT:

Reserve Level Impact: The changes proposed under the legislation are similar to those presented as SB 2351 two years ago. At that time, we pointed out that ultimate costs associated with SB 2351 could be substantial - possibly exceeding \$4 million on an undiscounted basis. These reserve estimates didn't contemplate the elimination of social security offsets for pre-August 1, 1995 injured workers that achieve retirement eligibility on or after August 1, 1995.

In our 2003 evaluation of SB 2351 we also noted that the cost of the legislation would be higher if the social security retirement off-set is eliminated for all claims arising out of injuries occurring prior to August 1, 1995, regardless the date of retirement eligibility. At that time and under these circumstances, the indicated aggregate reserve adjustment for known claims would have exceeded \$29 million on an undiscounted basis.

Rate Level Impact: The proposed legislation should not increase future premium levels as it applies to pre-August 1, 1995 injuries. However, we will need to consider a prospective rate surcharge or develop an alternative funding plan to fund the reserve increase that will result from the retroactive benefit increase to prior year claims.

We did not attempt to update our estimates for HB 1307 because of the tight timeframe associated with the current request for a cost estimate. Recent changes in the way permanent total disability (PTD) claims are identified and resolved would likely increase the anticipated maximum costs by a material amount from our prior estimates. We have increased our estimates regarding the number of PTD claims from the levels assumed in our prior law evaluation. Thus, the potential costs of the legislation will increase accordingly.

DATE: January 27, 2005

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name: John Halvorson
Phone Number: 328-3760

Agency: WSI
Date Prepared: 01/28/2005