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SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2050

2007 SENATE GOVERNMENT AND VETERANS AFFAIRS

SB 2050

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2050

Senate Government and Veterans Affairs Committee

☐ Check here for Conference Committee

Hearing Date: 1/11/07

Recorder Job Number: 956, 960

Committee Clerk Signature

Veronica Spaulding

Minutes:

Roll was taken and all members were present.

Sen. Dever, Chairman, opened the hearing on SB 2050.

Sparb Collins, Executive Director of the Public Employees Retirement System, introduced the bill. See attachment #1.

Sen. Oehlke asked whether there was a bill introduced 2 years ago to accomplish this increase.

Sparb said there was a bill that attempted to increase it by 0.5% and it was defeated. This bill is requesting an increase of 0.15% in employer contribution.

Sen. Oehlke asked what Sparb's dream-come-true number would actually be.

Sparb said that rather than the \$5.00 he would like to see 30-40%. He explained how difficult it is for retirees who are facing increased costs with a fixed benefit.

Sen. Dever questioned whether someone could get more than the premium amount and Sparb said it never exceeds the premium amount.

Support: Lieutenant Governor Jack Dalrymple expressed the need to take care of our state employees. Health insurance has increased and we haven't kept pace with that over the last 14 years. He feels we need to catch up. He feels to keep pace going forward we could

establish an index. There was a comment that if we were to establish an index that would have to go into the next session. Without an index, it needs to be brought before the legislature each time. With an index, it would have to be brought before the legislature to stop it if funds ran low.

Support: Bill Kalanek representing the Association of Former Public Employees spoke in favor of SB 2050. See attachment #2.

Support: Jodee Buhr, Executive Director of ND Public Employees Association spoke in support of SB 2050. She mentioned NDPEA office often gets calls from retirees who are concerned about health care costs. The NDPEA office recently did a survey of retirees and found that the issues addressed in this bill are at the top of their list of concerns.

Support: Bob Evans Human Resources Director at ND Dept. of Transportation representing Francis Zeigler, the Director of NDDOT mentioned that the NDDOT participated with Sparb and his staff in developing the ideas in this bill. He feels SB 2050 takes a very modest, cautious approach to the enhancement of benefits.

Sen. Nelson asked Bob to fill in the new senators as to how the PERS board operates.

Bob explained who makes up the board: the governor appoints the chairperson, the Attorney General has a representative on the board, three elected employees are on the board, one elected retiree. The board has a reputation of advancing a conservative, sound benefits program.

Support: -

Opposition: -

Neutral: -

Chairman Dever closed the hearing on SB 2050.

Chairman Dever opened discussion on SB 2050.

Sparb Collins proposed an amendment to SB 2050.

There was discussion on the pros and cons of establishing an index.

There was a motion by Sen. Nelson to accept the amendment proposed by Sparb Collins that would include temporary employees.

The motion was seconded by Sen. Horne.

Roll Call Vote Yes 6 No 0 Absent 0

Motion was made by Sen. Nelson for do pass and rerefer to Appropriations.

Seconded by Sen. Oehlke.

Roll Call Vote: Yes 6 No 0 Absent 0

Carrier: Sen. Horne.

FISCAL NOTE
Requested by Legislative Council
01/16/2007

Amendment to: SB 2050

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.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$381,000	\$616,000	\$381,000	\$616,000
Appropriations						

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

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
			\$285,000	\$54,000	\$247,000	\$285,000	\$54,000	\$247,000

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

The proposed legislation would increase the monthly contribution to the Retiree Health Benefit Fund by .15% of monthly salary and increase the monthly retiree health credit by .50 cents per year of credited service.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 3 of the bill authorizes an increase in employer contributions to the retiree health fund from 1% to 1.15%. This increase in contributions by participating employers causes the above increase in expenditures. No increase in appropriations is shown since this was included in the executive recommendation.

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.*

Expenditures shown is the additional employer contributions to fund the increase in the health credit from \$4.50 to \$5.

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

No increase in appropriations is shown since it is included in the Governors Executive Recommendation

Name:	Sparb Collins	Agency:	NDPERS
Phone Number:	328-3901	Date Prepared:	01/16/2007

FISCAL NOTE
Requested by Legislative Council
12/26/2006

Bill/Resolution No.: SB 2050

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.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$381,000	\$616,000	\$381,000	\$616,000
Appropriations						

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

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
			\$285,000	\$54,000	\$247,000	\$285,000	\$54,000	\$247,000

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

The proposed legislation would increase the monthly contribution to the Retiree Health Benefit Fund by .15% of monthly salary and increase the monthly retiree health credit by .50 cents per year of credited service.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of the bill authorizes an increase in employer contributions to the Retiree Health Benefits fund. This increase in contributions by participating employers causes the increase in expenditures. No increase in appropriations is shown since the Executive Recommendation included this in the Governors Recommendation.

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.*

Expenditures shown is the additional employer contributions to fund the increase in the health credit from \$4.50 to \$5.

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

No increase in appropriations is shown since it is included in the Governors Executive Recommendation

Name:	Sparb Collins	Agency:	NDPERS
Phone Number:	328-3901	Date Prepared:	12/29/2006

Date : 1-11-07
Roll Call Vote # : 1

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2050 *Amendment*

Senate Government and Veteran Affairs Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken amended, do pass

Motion Made By Nelson Seconded By Horne

Senators	Yes	No	Senators	Yes	No
Senator Dick Dever - Chairman	✓		Senator Robert Horne	✓	
Senator Dave Oehlke - VC	✓		Senator Richard Marcellais	✓	
Senator Judy Lee	✓		Senator Carolyn Nelson	✓	

Total (Yes) 6 No 0

Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Include temporary employees.

Date : 1-11-07
Roll Call Vote # : 2

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2050

as amended.

Senate Government and Veteran Affairs Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 700 A.0101

Action Taken Do pass, refer to appropriations
as amended

Motion Made By Nelson Seconded By Schlke

Senators	Yes	No	Senators	Yes	No
Senator Dick Dever - Chairman	✓		Senator Robert Horne	✓	
Senator Dave Oehike - VC	✓		Senator Richard Marcellais	✓	
Senator Judy Lee	✓		Senator Carolyn Nelson	✓	

Total (Yes) 6 No 0

Absent 0

Floor Assignment Horne

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2050: Government and Veterans Affairs Committee (Sen. Dever, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2050 was placed on the Sixth order on the calendar.

Page 1, line 1, after "reenact" insert "sections 54-52-02.9 and 54-52-27," and after "54-52.1-03.2" insert a comma

Page 1, after line 4, insert:

"SECTION 1. AMENDMENT. Section 54-52-02.9 of the North Dakota Century Code is amended and reenacted as follows:

54-52-02.9. Participation by temporary employees. A temporary employee may elect, within one hundred eighty days of beginning employment, to participate in the public employees retirement system and receive credit for service after enrollment. The temporary employee shall pay monthly to the fund an amount equal to eight and twelve-hundredths percent times the temporary employee's present monthly salary. The temporary employee shall also pay the required monthly contribution to the retiree health benefit fund established under section 54-52.1-03.2 ~~one percent times the temporary employee's present monthly salary~~. This contribution must be recorded as a member contribution pursuant to section 54-52.1-03.2. An employer may not pay the temporary employee's contributions. A temporary employee may continue to participate as a temporary employee in the public employees retirement system until termination of employment or reclassification of the temporary employee as a permanent employee. A temporary employee may not purchase additional credit under section 54-52-17.4.

SECTION 2. AMENDMENT. Section 54-52-27 of the North Dakota Century Code is amended and reenacted as follows:

54-52-27. Purchase of sick leave credit. At termination of eligible employment a member is entitled to credit in the retirement system for each month of unused sick leave, as certified by the member's employer, if the member or the member's employer pays an amount equal to the member's final average salary, times the number of months of sick leave converted, times the percent of employer and employee contributions to the retirement program of the member, plus one percent the required contribution for the retiree health benefits program. Hours of sick leave equal to a fraction of a month are deemed to be a full month for purposes of conversion to service credit. A member may convert all of the member's certified sick leave or a part of the member's certified sick leave. All conversion payments must be made within sixty days of termination of employment and before the member receives a retirement annuity unless the member has submitted an approved payment plan to the board."

Renumber accordingly

2007 SENATE APPROPRIATIONS

SB 2050

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2050

Senate Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: 01-22-07

Recorder Job Number: 1578

Committee Clerk Signature

Sant Pinks ad

Minutes:

Chairman Holmberg opened the hearing on SB 2050.

Sparb Collins, Executive Director of the ND PERS, presented written testimony and testified in support of SB 2050 indicating the bill would increase the monthly contribution to the Retiree Health Benefit Fund from 1% to 1.15% of monthly salary and increase the monthly retiree health credit from \$4.50 per year to \$5 per year of credited service.

Senator Mathern questioned why the employee commission did not recommend this adjustment.

Senator Krebsbach indicated the fact that the governor included this in the recommendation sheds new light on this bill.

Senator Mathern indicated elected members of the executive and judiciary branch benefit from this credit and the members of the legislature do not. What would it cost if the legislative branch was included? The response was at the present this includes everyone on the retirement plan and she did not have the actuarials at this time.

Chairman Holmberg indicated in 1989 that proposal was referred to the people and this received 20% of the vote in Grand Forks. The fatal flaw was it was retroactive.

Senator Krebsbach indicated if we did this, it would need an employee benefits meeting because it would impact the fund. She stated she would support this.

Jodee Buhr, NDPEA, testified in support of SB 2050 indicating she was happy that the message the Legislature spread is that state employees are important. Over the years the Legislature has asked state employees to be patient regarding wages. Retirees also are a part of those years of service. Don't forget them.

Bill Kalanek, representing former public employees, presented written testimony and testified in support of SB 2050.

Nancy Sand, ND Education Association, testified in support of SB 2050 indicating there are a number of employees who participate in the system and she encouraged a do pass.

Chairman Holmberg closed the hearing on SB 2050.

Senator Tallackson moved a do pass on SB 2050, Senator Wardner seconded. A roll call vote was taken resulting in 13 yes, 0 no, 1 absent. The motion passed and Senator Horne will carry the bill. (meter 18.18)

The hearing on SB 2050 closed.

Date: 1/22/07
Roll Call Vote #: 1

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2050

Senate Appropriations

Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken

Do Pass

Motion Made By

Tallackson

Seconded By

Wardner

Senators	Yes	No	Senators	Yes	No
Senator Ray Holmberg, Chrm	✓		Senator Aaron Krauter	✓	
Senator Bill Bowman, V Chrm			Senator Elroy N. Lindaas	✓	
Senator Tony Grindberg, V Chrm	✓		Senator Tim Mathern	✓	
Senator Randel Christmann			Senator Larry J. Robinson	✓	
Senator Tom Fischer	✓		Senator Tom Seymour	✓	
Senator Ralph L. Kilzer	✓		Senator Harvey Tallackson	✓	
Senator Karen K. Krebsbach	✓				
Senator Rich Wardner	✓				

Total (Yes) 13 No 0

Absent 1

Floor Assignment

Senator ~~Horne~~ ^{contact} GUA for carrier

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
January 22, 2007 3:05 p.m.

Module No: SR-14-0985
Carrier: Horne
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2050, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman)
recommends **DO PASS** (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING).
Engrossed SB 2050 was placed on the Eleventh order on the calendar.

2007 HOUSE GOVERNMENT AND VETERANS AFFAIRS

SB 2050

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2050

House Government and Veterans Affairs Committee

☐ Check here for Conference Committee

Hearing Date: March 1, 2007

Recorder Job Number: 4229

Committee Clerk Signature

Morgan Powell

Minutes:

Sparb Collins: Testimony attached.

Rep. Amerman: On the fiscal note under counties, cities, and school districts, they have the number. Is that with the \$616,000 up top is?

Sparb Collins: The \$616,000 up top is what the effect is for the state. Since we have cities, counties, and school districts in our plan basically this would be the addition. The top is just for states. That is what is in the budget. The other one is for the counties, and school districts that are part of PERS. They make an election whether they participate or not.

Rep. Amerman: Who in the school districts?

Sparb Collins: That is a difference between us and TFFR in the school districts. TFFR covers the certified staff which is the teaching staff and maybe some administrators. We cover the non certified staff which would be the support staff in the schools.

Rep. Kasper: I know you survey employers in ND about comparable benefits to what we provide for state employees. I'm wondering if you are aware of any private sector employer in ND that provides this type of a retirement health insurance benefit.

Sparb Collins: We haven't surveyed employers in awhile. I don't have the current information. This identical type of program, probably not. What some larger employers used to do is they

would have their own. This is a pre-funded way of funding a health benefit. Now as you probably read over the last few years, employers used to make these commitments without funding. In the private sector the large appropriations used to say when you retire we will pay for your health insurance. They used to do that from a year to year basis. Now of course all that has to be recognized. Those weren't pre-funded. All of those had to be recognized as liabilities that were showing up on the financial statements. Now that is coming up in the public sector as well. The other thing they say is that you would end up getting your health insurance at the same rate as the active employees would get it. Now that is being recognized as an implicit liability for a private sector employer. That is showing up on the financial statement. They used to do it more directly to larger employers. When all these county changes came into effect we already recognized that. We didn't have any changes on our financial statement.

Rep. Kasper: So the answer is that you're not aware of any private sector employees in ND?

Sparb Collins: No.

Dave Zentner: Testimony attached.

Rep. Wolf: If this was raised to \$5 that goes to the active employees? Would all retired employees get some?

Dave Zentner: This is designed for the retirees. It will affect active employees once they retire. What this amounts to is another 50 cents per year of credit. I have 28 years of service with the Department of Human Services. We pay our own insurance because I'm not 65. I would be paying 150% of the normal rate that gets paid. I will get another \$14 offset to that premium that I need to pay.

Rep. Wolf: People who are already retired are being paid \$4.50. This will raise their's as well as everyone who retires here on in?

Dave Zentner: Yes.

Rep. Weiler: It has been 14 years since this has been raised. I'm wondering if you have come before this committee in the past and asked for a raise or has it been that long since you've asked for that? Or have you asked for it and not gotten it?

Dave Zentner: I believe last session there was a bill and I don't think it passed.

Sparb Collins: There as a bill last session to increase the credit. That bill wasn't included in the governor's budget. This session there is a bill and it is Included in the governor's budget. It wasn't successful last time.

Rep. Meier: How much was the increase for last session, do you recall?

Dave Zentner: The same.

Giselle Thorson: *I'm here to support SB 2050 on behalf of our retiree's as mentioned earlier today. These retirees are a vital part of our community. They have not received an increase since 1993. Even with this increase we aren't keeping up with inflation. It is actuarially sound and the governor has included this in his budget. The Lt. Governor testified in support of this bill and reminded the committee that employers and the retiree's that when times are good we would remember you. We believe that the time is now and we do urge a do pass on SB 2050.*

Sparb Collins: I have just one other comment for Rep. Weiler's question. Last session, when a bill was submitted it got an unfavorable recommendation from the employee benefits committee.

Rep. Froseth: On the fiscal note, the only thing that is included in the Governor's budget is the state chair. So the counties, cities, and school districts are going to do what?

Sparb Collins: We have an employee benefits committee that starts to meet before the actual employee benefits committee to help us clean up ideas.

Rep. Haas: So they are represented in your discussions?

Sparb Collins: Yes.

Rep. Froseth: It would just be interesting to know because I don't see anything here about counties, cities, and school districts. Did they testify in the Senate or are they dissatisfied with this?

Sparb Collins: I don't know but I do want to say they are satisfied with this. No they didn't testify in the Senate.

Rep. Kasper: I just want to clarify the amount of expenditures. It would be the 381 plus the 616?

Sparb Collins: Yes. The expenditures are estimates. About 381,000 general employees and 616,000 others. That is the estimate for the state.

Rep. Kasper: And the other funds come from where?

Sparb Collins: The other ones come from the category of budgeting like PERS, Workforce Safety, etc. The Department of Human Services is funded by certain general funds and a lot of their budget is other funds which is a combination of federal funds and other revenue sources that they have that comes in. Other funds are all other funding sources besides general funds that pay support the operations.

Rep. Kasper: What is the source of these other funds?

Sparb Collins: It would be those in each of the agencies budgets.

Rep. Kasper: So it is still general fund dollars coming from the other agencies?

Sparb Collins: No because for example, Workforce Safety has no general fund dollars in their area of the budget. This would be in their other funds that will be used to pay for this. I only use them because they are 100% other funds agency. Another agency that may have some federal funds in may be charged back to that.

Rep. Haas: But that is still included in the other fund category?

Sparb Collins: Yes. It is that full combination of any source.

Dave Zentner: If I may give you an example in the Department of Human Services. I work in the Medicaid side. We had some of the federal dollars, depending on what type of staff they were, they were getting 75% federal funds. I was matched at 50%. Those dollars would be included in them when that payroll tax is paid. Some is with the federal dollars along with the matching the department does.

Rep. Froseth: How much was the increase in the employee's health insurance this next biennium?

Sparb Collins: The amount that is budgeted is approximately 18%.

Rep. Froseth: So how much per person?

Sparb Collins: I am going off the top of my head now but it's about \$100 per policy per month. That is the active increase. The retired pre Medicare and those are different.

Rep. Froseth: The 18% increase is how many dollars.

Sparb Collins: Our bill rate right now for the state is \$553.94. The bill rate in the government budget is \$658. That is \$104 per month.

Rep. Froseth: What is the total dollar increase for 18%.

Sparb Collins: For all of the states? If I recall correctly between general funds and other funds, the total is about \$21 million. About half in general funds and half in other funds.

Rep. Haas: That is an increase?

Sparb Collins: Yes increase. The governor's budget as you know, on the health insurance funded design is less than the plan design that we all currently have. So what you will be seeing if that is the one that goes through, your deductible will go from \$250 to \$100 next biennium. You will have a \$150 increase for your deductible. Your co-pay, office visits, etc will go up by about \$5. Your co pays for your prescription drugs will go up by about \$5. It's a combination of increases and out of pocket expenses.

Rep. Haas: Are those fees permanent this time or does that have to be negotiated finally with Blue Cross Blue Shield.

Sparb Collins: We wait for your final action at the conclusion of the session. If it is as funded today in the budget, it would be that increase and that increase in the amount. Also the other variable that we had right now is PPO's around the state where you can go into those and instead of having the \$250 deductible, its \$100 deductible. We are just in the process for Blue Cross to update their negotiations with them. There is one in Grand Forks, two in Fargo, two in Bismarck, one in Williston. If they don't renew for us, then that option isn't available. Here in Bismarck I could join the EPO and get \$100 deductible plan. Or I could be in the PPO and have a \$250 deductible plan. We have about 35% of the employees that are in the EPO. If they don't renew with us then they all go into the PPO.

Rep. Haas: So what would have the percent of increase been if these modifications of these deductibles and co-pays hadn't fallen into place?

Sparb Collins: About \$20 more. If you were to maintain the existing plan design, instead of \$668 it would have been about \$681. When you multiply that by about 12,000 times 24, that's a good number.

Rep. Potter: I'm still not clear on this committee report of no recommendation. I don't understand that.

Rep. Grande: The employee benefits committee is required through session to hear any bills that are going to be affected by these plans. They ask for them to be done by July 1 so we can get the actuary reports. They are extensive and time consuming. The committee then takes on the bill. When they do that, that bill has to have a recommendation. They don't vote them out do pass or do not pass, they give them a recommendation of yes this is something that we can afford, its good policy, etc. The vote doesn't tag on it. If it gets an unfavorable recommendation

that means the committee chooses not to take it. When it is under advisement, or the vote is equal it comes out as no recommendation.

Rep. Potter: So it could be a tie vote?

Rep. Grande: Or they may not have voted on it. All they did was heard it. It doesn't have a big actuary effect on anything so they may have just let it go.

Rep. Weiler: What is the makeup of that committee?

Rep. Grande: It's all legislators, it's an interim committee.

Rep. Wolf: When the interim committee meets, do they look at all the bills at once? Or do they do it one at a time?

Rep. Grande: The committee meets on a quarterly basis. Every quarter they will continue the discussion of all these bills. New actuary report information might come in. Each of these bills will have maybe two hearings. On the third hearing or at the end of the actuary report, they will spend one day where they kick them all out.

Rep. Haas: Each one is essentially evaluated on its own.

Rep. Amerman: I sat on that committee my first interim. I didn't rush back to get to it because it's very involved because you deal with these type of bills. It's an interim committee and they have to hear anything that has to do with PERS or TFFR before they can be brought before the legislators. It is kind of like any other interim committee that you hear these studies and you don't act on them. This committee never dissolves.

Rep. Grande: Correct, there are three standing committees. IT, Administrative Rules, and Employee Benefits is standing also. They can be called in at any given time.

Rep. Haas: Is there any more testimony on SB 2050? If not we will close the hearing on SB 2050.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2050

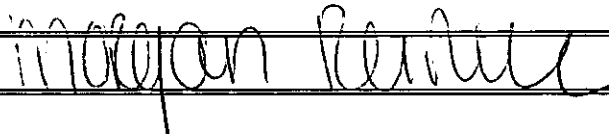
House Government and Veterans Affairs Committee

☐ Check here for Conference Committee

Hearing Date: March 2, 2007

Recorder Job Number: 4252

Committee Clerk Signature



Minutes:

Rep. Haas: This is the bill that would increase the monthly health insurance credit from \$4.50 to \$5.00 per year. The Employee Benefits Committee had no recommendation. The cost would be \$381,000 in general funds. This would have a significant cost to counties and cities. I would like to draw the attention to Sparb Collin's testimony on page 2 where he showed us the table. I'm not being critical of Mr. Collins when I'm doing this but I want you to know that from 1989 to January 1 of this year, percentage wise there was a decrease in the amount of coverage that would benefit them as health insurance premiums have gone up. However, if you look at the premium costs on 2005, the premium for a family medical program was \$427. If you subtract \$112.50, they would have paid \$314. 74. In 2006, because of the reserve in the PERS program in relationship to the healthcare coverage, there was a huge by down of premiums. The premium costs went from \$427 to \$329. That person on retirement paid \$98 less per month in 2006 than they did in 2005. They were still getting \$112. 50 as their health insurance credit. It did go back up on January 1 of this year to \$341. It is still \$85 less than what they would pay in 2005. So the question in my mind is when we are trying to work with appropriations and so forth is that this is a hefty appropriation and fiscal note. I don't think we can afford to do it. That is my opinion and I wanted to point that out to you.

Rep. Weiler: I am going to oppose this bill primarily because of the fiscal note that deals with the cities and counties and school districts. Those are basically an unfunded mandate to them. They are going to have to come up with that money. Given the light of whether it may or may not happen and the caps that we have put on them. This would be like us passing this and then having them pick up the tab of the bill.

Rep. Haas: Is there any further pre motion discussions? If not the chair will entertain a motion.

Rep. Weiler: I move a do not pass.

Rep. Boehning: I second that.

Rep. Haas: Is there any further discussion on SB 2050? If not we will take a roll call vote. The do not pass motion on SB 2050 passes with a vote of 11-2-0. Is there a volunteer to carry this bill?

Rep. Haas: I will do it.

Roll Call Vote #: 1

BILL/RESOLUTION NO. "Click here to type Bill/Resolution No."

Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number SB 2050

Action Taken DD not pass

Motion Made By Rep Weiler Seconded By Rep Boehning

[illegible]

Total (Yes) 1 No 2

Absent

Floor Assignment Rep. HHS

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
March 2, 2007 11:16 a.m.

Module No: HR-40-4300
Carrier: Haas
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2050, as engrossed: Government and Veterans Affairs Committee (Rep. Haas, Chairman) recommends DO NOT PASS (11 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2050 was placed on the Fourteenth order on the calendar.

2007 TESTIMONY

SB 2050

TESTIMONY OF
SPARB COLLINS
ON
SENATE BILL 2050

Mr. Chairman, members of the committee, good morning. My name is Sparb Collins and I am Executive Director of the North Dakota Public Employees Retirement System or PERS. I appear before you today on behalf of the PERS Board and in support of this bill.

SB 2050 would make the following important changes:

- Section 1 increases the required monthly contribution to the Retiree Health Benefit Fund from 1.00% of monthly salary to 1.15% of monthly salary; and
- Section 2 increases the monthly retiree health credit from \$4.50 per year of credited service to \$5.00 per year of credited service.

By way of background, in 1989 the North Dakota Legislature started the Retiree Health Credit Program. The purpose of this program was to help retirees pay the cost of health insurance. It was recognized at that time the cost of health insurance was becoming increasingly unaffordable for many

retirees. The solution was the creation of this program which provides the following benefit to PERS retirees:

BENEFIT FORMULA:

\$4.50 for each year of credited service

Example: $\$4.50 \times 25 = \112.50

During the last year the program paid out the following benefits:

BENEFITS PAID

Avg benefit - \$97 per month to 3,838 members

The dilemma is the retiree health credit has diminished in value over the years in terms of offsetting the cost of health insurance. The reason this has occurred is the result of the credit remaining fairly constant over time but the cost of insurance continuing to escalate resulting in the out pocket expense to our retirees getting larger both in terms of percent paid and in absolute dollar amount paid. The following table illustrates this dilemma by showing the diminishing percentage of premiums being paid by the retiree health credit over time for an employee with 25 years of service:

Year	Credit	Credit with 25 Years of Service	NonMedicare Family Premium	%	Medicare Family Premium	%
1989	\$3.00	\$ 75.00	\$360.07	21%	\$190.50	39%
1991	\$4.00	\$100.00	\$321.00	31%	\$230.00	43%
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2001	\$4.50	\$112.50	\$570.00	20%	\$339.30	33%
2003	\$4.50	\$112.50	\$702.47	16%	\$415.18	27%
2005	\$4.50	\$112.50	\$781.86	14%	\$427.24	26%
2006	\$4.50	\$112.50	\$781.86	14%	\$329.24	34%

As noted above, when the program started, the credit offset was approximately 39% of the Medicare family premium. As the credit was increased in the early 90's it offset as much as 49% of the premium. Today, it is around 34%. The family Medicare premium is projected to increase to \$418.28 next biennium based upon the plan design proposed in the Governors Budget. This means, based upon the present credit, the offset would decrease to about 27%. If this bill was passed, the offset would increase next biennium from 27 to 30%. You will note that as helpful as this increase would be, it is still not keeping up with the inflation of medical cost. For the premedicare retiree there is a similar situation. You will also note on the above table that the offset increased from 2005 to 2006. The reason for this change was the implementation of Medicare Part D which provided a federal subsidy for prescription drug coverage.

Specifically the above provisions are implemented in sections 1 and 2 of this bill.

Section 1 of the bill increases the required employer contribution by .15% to pay for the increase in benefit in section 2. You will note this has a fiscal impact as identified in the fiscal note which shows the following:

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$381,000	\$616,000	\$381,000	\$616,000
Appropriations						

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

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
			\$285,000	\$54,000	\$247,000	\$285,000	\$54,000	\$247,000

The fiscal note also shows no effect on appropriations because this proposal was part of the Governors executive budget recommendation and is included in the budget that was submitted.

Section 2 of the bill authorizes the increase in benefit from \$4.50 to \$5.00 per year of service.

The provisions of this bill have been reviewed by the actuary for the Legislative Employee Benefits Committee and the proposal was determined to be actuarially sound. The bill was reviewed by the interim Legislative Employee Benefits Committee and given no recommendation.

Mr. Chairman I would also like to offer a technical amendment to the bill. As we did our final review of this proposal in the last couple of weeks, we noticed we did not include a corresponding increase in

contributions for temporary employees and those purchasing service. We are therefore asking that the bill be amended to include this provision so if passed it is equitable to all members.

Mr. Chairman, members of the committee, this concludes my testimony and thank you for your consideration of this important provision.

PROPOSED AMENDMENTS TO SENATE BILL NO. 2050

Page 1, line 1, after "reenact" insert "sections 54-52-02.9, 54-52-27,"

Page 1, after line 4, insert:

SECTION 1. AMENDMENT. Section 54-52-02.9 of the North Dakota Century Code is amended and reenacted as follows:

54-52-02.9 Participation by temporary employees. A temporary employee may elect, within one hundred eighty days of beginning employment, to participate in the public employees retirement system and receive credit for service after enrollment. The temporary employee shall pay monthly to the fund an amount equal to eight and twelve-hundredths percent times the temporary employee's present monthly salary. The temporary employee shall also pay the required monthly contribution to the retiree health benefit fund established under section 54-52.1-03.2 ~~one percent times the temporary employee's present monthly salary~~. This contribution must be recorded as a member contribution pursuant to section 54-52.1-03.2. An employer may not pay the temporary employee's contributions. A temporary employee may continue to participate as a temporary employee in the public employees retirement system until termination of employment or reclassification of the temporary employee as a permanent employee. A temporary employee may not purchase additional credit under section 54-52-17.4.

SECTION 2. AMENDMENT. Section 54-52-27 of the North Dakota Century Code is amended and reenacted as follows:

54-52-27 Purchase of sick leave credit. At termination of eligible employment a member is entitled to credit in the retirement system for each month of unused sick leave, as certified by the member's employer, if the member or the member's employer pays an amount equal to the member's final average salary, times the number of months of sick leave converted, times the percent of employer and employee contributions to the retirement program of the member, plus ~~one percent~~ the required contribution for the retiree health benefits program. Hours of sick leave equal to a fraction of a month are deemed to be a full month for purposes of conversion to service credit. A member may convert all of the member's certified sick leave or a part of the member's certified sick leave. All conversion payments must be made within sixty days of termination of employment and before the member receives a retirement annuity unless the member has submitted an approved payment plan to the board.

Renumber accordingly

Attachment #2

Association of Former
Public Employees

The Non-Union Organization
Representing Only Retirees

P.O. Box 1141 Bismarck, ND 58502-1141
(701) 224-1815

Testimony on SB 2050
Bill Kalanek
January 11, 2007

Chairman Dever and members of the Senate Government and Veterans Affairs Committee my name is Bill Kalanek and I represent the Association of Former Public Employees, an independent association representing only retirees of North Dakota state government.

AFPE would like to voice support for Senate Bill 2050 which as you know provides a small but important adjustment to the retiree health credit which is designed to help retirees of the PERS system defray the cost of health insurance coverage. The staff and board members of AFPE have been working diligently over the past 2 sessions and the interim, meeting with PERS staff, visiting with legislators and working with the Governor's office to affect an increase in this benefit for retirees.

Although our membership would have preferred a more substantial increase than the proposed \$.50 adjustment per year of service, we would encourage this committee to give this bill a do pass recommendation as an adjustment to this benefit is long overdue. While the cost of health insurance has more than doubled during the same period, this benefit has remained at the same level since 1993. As a result, over the past 13 years the ability of this benefit to assist fixed-income retirees in defraying healthcare costs has been drastically diminished making it more and more difficult for PERS retirees to make ends meet.

We would once again encourage you to give a do pass recommendation to SB 2050 and thank you for your time and efforts.

given
to
Senate
Approps -

TESTIMONY OF
SPARB COLLINS
ON
ENGROSSED SENATE BILL 2050

Mr. Chairman, members of the committee, good morning. My name is Sparb Collins and I am Executive Director of the North Dakota Public Employees Retirement System or PERS. I appear before you today on behalf of the PERS Board and in support of this bill.

SB 2050 would make the following important changes:

- increases the required monthly contribution to the Retiree Health Benefit Fund from 1.00% of monthly salary to 1.15% of monthly salary; and
- increases the monthly retiree health credit from \$4.50 per year of credited service to \$5.00 per year of credited service.

By way of background, in 1989 the North Dakota Legislature started the Retiree Health Credit Program. The purpose of this program was to help retirees pay the cost of health insurance. It was recognized at that time the cost of health insurance was becoming increasingly unaffordable for many retirees. The solution was the creation of this program which provides the following benefit to PERS retirees:

BENEFIT FORMULA:*\$4.50 for each year of credited service***Example:** $\$4.50 \times 25 = \112.50

During the last year the program paid out the following benefits:

BENEFITS PAID**Avg benefit - \$97 per month to 3,838 members**

The dilemma is the retiree health credit has diminished in value over the years in terms of offsetting the cost of health insurance. The reason this has occurred is the result of the credit remaining fairly constant over time but the cost of insurance continuing to escalate resulting in the out pocket expense to our retirees getting larger both in terms of percent paid and in absolute dollar amount paid. The following table illustrates this dilemma by showing the diminishing percentage of premiums being paid by the retiree health credit over time for an employee with 25 years of service:

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2006	\$4.50	\$112.50	\$781.86	14%	\$329.24	34%

As noted above, when the program started, the credit offset was approximately 39% of the Medicare family premium. As the credit was increased in the early 90's it offset as much as 49% of the premium. Today, it is around 34%. The family Medicare premium is projected to increase to \$418.28 next biennium based upon the plan design proposed in the Governors Budget. This means, based upon the present credit, the offset would decrease to about 27%. If this bill was passed, the offset would increase next biennium from 27 to 30%. You will note that as helpful as this increase would be, it is still not keeping up with the inflation of medical cost. For the premedicare retiree there is a similar situation. You will also note on the above table that the offset increased from 2005 to 2006. The reason for this change was the implementation of Medicare Part D which provided a federal subsidy for prescription drug coverage.

Specifically the above provisions are implemented in sections 1 and 2 of this bill.

Section 1 of the bill implements the increase in contributions for temporary employees who may elect to participate in the retirement plan. If they so elect they pay the contribution to the plan at the same rate as is paid for full time active employees. This change is to maintain that equity.

Section 2 of the bill is similar to section 1 except it is for employees that elect to purchase credit in the retirement system for each month of unused sick leave. Similar to the temporary employees they pay the

same rate for this purchases as is paid for a month of active service. This change is to also maintain that equity.

Section 3 of the bill increases the required employer contribution by .15% to pay for the increase in benefit in section 2. You will note this has a fiscal impact as identified in the fiscal note which shows the following:

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
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Expenditures			\$381,000	\$616,000	\$381,000	\$616,000
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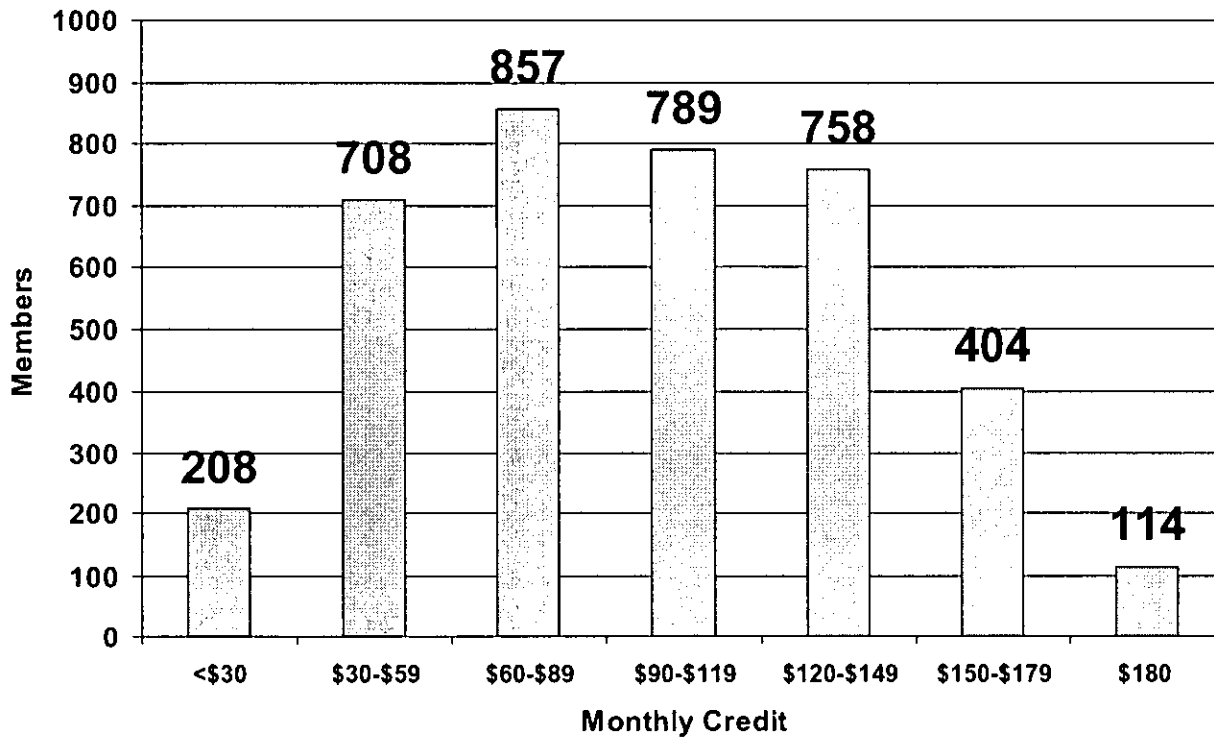
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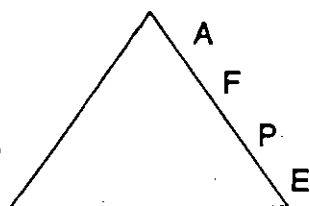
Section 4 of the bill authorizes the increase in benefit from \$4.50 to \$5.00 per year of service.

The provisions of this bill have been reviewed by the actuary for the Legislative Employee Benefits Committee and the proposal was determined to be actuarially sound. The bill was reviewed by the interim Legislative Employee Benefits Committee and given no recommendation.

NDPERS Retiree Health Credit

July 1, 2006





The Non-Union Organization
Representing Only Retirees

Association of Former Public Employees

P.O. Box 1141 Bismarck, ND 58502-1141
(701) 224-1815

Testimony on SB 2050

Bill Kalanek
January 22, 2007

Chairman and committee members, my name is Bill Kalanek and I represent the Association of Former Public Employees, an independent association representing only retirees of North Dakota state government.

AFPE would like to voice it's support for Senate Bill 2050 which as you know provides a small but important adjustment to the retiree health credit which was designed to help retirees of the PERS system defray the cost of health insurance coverage. The staff and board members of AFPE have been working diligently over the past two sessions and the interim, meeting with PERS staff, visiting with legislators and working with the Governor's office to affect an increase in this benefit for retirees.

Although our membership would have preferred a more substantial increase than the proposed \$.50 adjustment per year of service, we would encourage this committee to give this bill a do pass recommendation as an adjustment to this benefit is long overdue. While the cost of health insurance has more than doubled during the same period, this benefit has remained at the same level since 1993. As a result, over the past 14 years the ability of this benefit to assist fixed-income retirees in defraying health care costs has been drastically diminished, making it more and more difficult for PERS retirees to make ends meet.

We would once again encourage you to give a do pass recommendation to SB 2050 and thank you for your time and efforts.

TESTIMONY OF
SPARB COLLINS
ON
ENGROSSED SENATE BILL 2050

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25 Year Employee

Year	Credit	Credit with 25 Years of Service	NonMedicare Family Premium	%	Medicare Family Premium	%
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1991	\$4.00	\$100.00	\$321.00	31%	\$230.00	43%
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1/2007	\$4.50	\$112.50	\$781.86	14%	\$341.88	33%

As noted above, when the program started, the credit offset approximately 39% of the Medicare family premium. As the credit was increased in the early 90's it offset as much as 49% of the premium. Today, it is around 33%. Looking ahead the family Medicare premium is projected to increase to approximately \$418 next biennium based upon the plan design proposed in the Governors Budget. This means, based upon the present credit, the offset would decrease to about 27%. If this bill was passed, the offset would decrease to 30%. You will note that as helpful as this increase would be, it is still not keeping up with the inflation of medical cost and our hypothetical retiree above will still have an out of pocket increase of over 25%.

	Family Medicare Rate	Health Credit	Billed Rate
2005-2007	\$341.88	\$112.50	\$229.38
2007-2009	\$418.29	\$125.00	\$293.29
% Increase	27%	11%	27%

For the pre Medicare retiree there is a similar situation.

Specifically, sections 1, 2, and 3 of the bill implement the increase in contributions to pay for the added benefit.

Section 1 of the bill implements the increase in contributions for temporary employees who may elect to participate in the retirement plan. If they so elect, they pay the contribution to the plan at the same rate as is paid for full time active employees. This change is to maintain that equity.

Section 2 of the bill is similar to section 1 except it is for employees that elect to purchase credit in the retirement system for each month of unused

sick leave. Similar to the temporary employees, they pay the same rate for this purchase as is paid for a month of active service. This change is to also to maintain that equity.

Section 3 of the bill increases the required employer contribution by .15% to pay for the increase in benefit in section 4. You will note this has a fiscal impact as identified in the fiscal note which shows the following:

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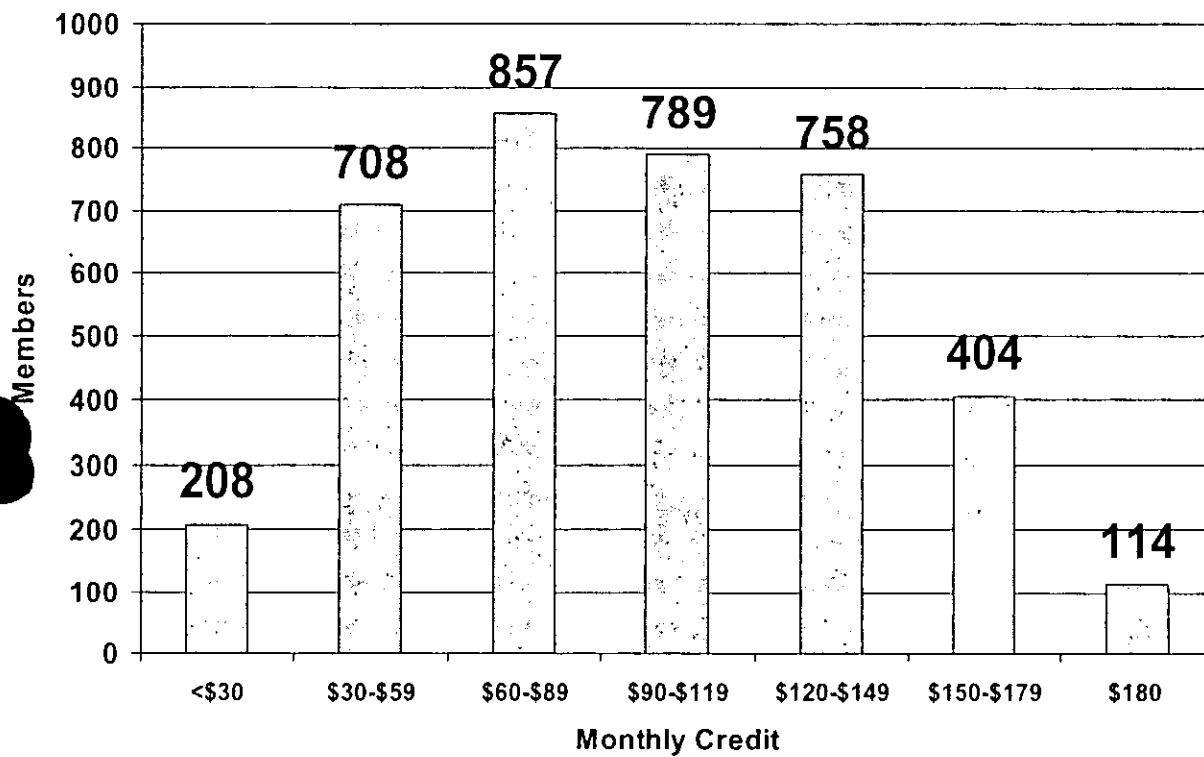
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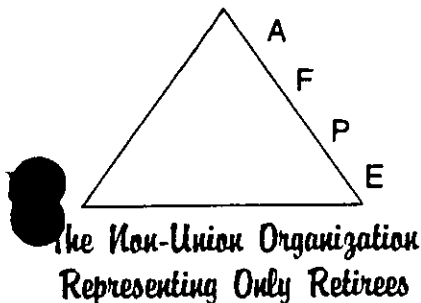
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NDPERS Retiree Health Credit

July 1, 2006





Association of Former Public Employees

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Testimony on SB 2050
Dave Zentner
March 1, 2007

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