Legislative Council
600 East Boulevard Avenue, Bismarck, ND 58505

North Dakota Legislative Management
Meeting Minutes
27.5035.03000

EMPLOYEE BENEFITS PROGRAMS COMMITTEE

Thursday, October 30, 2025
Roughrider Room, State Capitol
Bismarck, North Dakota

Senator Sean Cleary, Chairman, called the meeting to order at 10:00 a.m.

Members present: Senators Sean Cleary, Brad Bekkedahl, Josh Boschee, Claire Cory, Kyle Davison, Kristin Roers; Representatives Landon Bahl, Jorin Johnson, Mitch Ostlie, Steve Vetter, Jonathan Warrey*

Members absent: Representatives Karen Grindberg, Austen Schauer

Others present: Chrystal Bartuska, Insurance and Securities Department; Nathan Svihovec, Essentia Health; Paul Wood, Gabriel, Roeder, Smith & Company Holdings, Inc.
See Appendix A for additional persons present.
**Attended remotely*

COMMITTEE RESPONSIBILITIES

Ms. Beth Dittus, Assistant Legal Division Director, Legislative Council, presented a memorandum entitled *Supplementary Rules of Operation and Procedure of the North Dakota Legislative Management*.

Ms. Dittus presented a memorandum entitled *Employee Benefits Programs Committee - Statutory Responsibilities - Background Memorandum*.

It was moved by Senator Davison, seconded by Senator Bekkedahl, and carried on a voice vote that the committee adopt the committee plan proposed in the background memorandum, including adoption of an April 1, 2026, deadline for legislators, Legislative Management interim committees, and state agencies with bill introduction privileges to submit to the Legislative Council legislative proposals that affect retirement system and health benefits programs.

PUBLIC EMPLOYEES RETIREMENT SYSTEM PRIOR AUTHORIZATION STUDY

Ms. Dittus presented a memorandum entitled *Uniform Group Insurance Program - Prior Authorization Requirements Study - Background Memorandum* regarding the committee's study of prior authorization requirements imposed by the Public Employees Retirement System (PERS) Uniform Group Insurance Program health plans.

Ms. Chrystal Bartuska, Life and Health/Medicare Division Director, Insurance and Securities Department, and Mr. Dylan Wheeler, Head of Government Affairs, Sanford Health Plan, introduced Ms. Julie Smith, Chief Clinical Officer, Sanford Health Plan, to present information (Appendix B) regarding a report of Uniform Group Insurance Program prior authorization data. Ms. Smith noted:

- Approximately 3 percent of the 612,211 claims processed by Sanford Health Plan in 2024 required prior authorization.
- 10 percent of medical and 58 percent of prescription drug prior authorization requests were denied in 2024.

- Approximately 91 percent of medical and 4 percent of prescription drug prior authorization denials were appealed. Of those appealed, approximately 70 percent of medical and 73 percent of prescription drug denials were overturned.
- GLP-1 medication prior authorization requests received by Sanford Health Plan related to weight loss are denied as administrative benefits denials.

In response to questions from committee members, Ms. Smith noted:

- Appeals are most often successful when additional documentation is provided.
- Denial letters are sent to patients and providers and include Sanford Health Plan assistance center phone numbers. Providers often assist in appeals on behalf of patients.

STATE EMPLOYEE COMPENSATION STUDY

Levi Kinnischtzke, Senior Fiscal Analyst, Legislative Council, presented a memorandum entitled *State Employee Compensation Study - Background Memorandum* regarding the committee's study of state employee compensation.

Molly Herrington, Chief People Officer, Human Resource Management Services Division, Office of Management and Budget, presented information (Appendix C) regarding the history of changes to classification and pay grade levels and recent use of equity funding and bonuses to retain employees. She noted:

- As of October 1, 2025, there were 8,506 permanent state employees and 1,159 temporary employees, including classified and unclassified employees but excluding higher education employees.
- 10 percent of state employees are currently eligible for retirement and 25 percent will be eligible within 5 years.
- The state employee turnover rate in 2024 was 12 percent, a decrease from 13 percent in 2023 and 14 percent in 2022.
- Based on responses to a total rewards survey, employees indicated that health insurance, increased salary, and retirement plans are the most important benefits for state employees, while competitive pay, more time off, and more opportunity to earn performance bonuses were cited as the top benefit changes desired.

In response to questions from committee members, Ms. Herrington noted:

- Turnover data includes employees who have left state employment and does not include employee transfers between agencies.
- The state does not track regrettable and nonregrettable attrition.
- The Human Resource Management Services Division is considering creating a standardized exit interview process for state agencies to use.

Mr. Lynn Hart, Total Rewards Manager, Human Resource Management Services Division, Office of Management and Budget, presented a report (Appendix D), as required under North Dakota Century Code Section 54-06-31, on the implementation, progress, and bonuses provided by state agency programs to provide bonuses to recruit or retain employees in hard-to-fill positions; and biennial reports, as required under Sections 54-06-32, 54-06-33, and 54-06-34, summarizing reports of state agencies providing service awards to employees in classified service, providing employer-paid costs of training or educational courses to employees in classified service, and paying employee membership dues for professional organizations and membership dues for service clubs when required to do business or if the membership is primarily for the benefit of the state.

HEALTH INSURANCE MANDATES

Ms. Dittus reviewed Section 54-03-08 and North Dakota Legislative Rules 2025-26, Joint Rule 211 (Appendix E), relating to the committee's directive under Section 54-03-28(1) to adopt a procedure for identifying measures and proposed measures mandating health insurance coverage of services or payment for specified providers of services.

It was moved by Senator Roers, seconded by Senator Davison, and carried on a voice vote that the Legislative Council staff prepare a draft amendment to Joint Rule 211 to make clarifying changes related to the procedure for submission and introduction of measures providing for health insurance mandates.

PUBLIC EMPLOYEES RETIREMENT SYSTEM

Rebecca Fricke, Executive Director, Public Employees Retirement System, presented an overview (Appendix F) of PERS. She noted:

- PERS renewed its agreement with Sanford Health Plan for the Uniform Group Insurance Program for the 2023-25 and 2025-27 bienniums and will issue a request for proposal for bids for the 2027-29 biennium in the fall of 2026.
- In 2024, PERS paid more than $239 million in retirement benefits to retirees residing in North Dakota. When including retirees residing outside of this state, the total retirement benefit payments amounted to approximately $279 million.

In response to questions from committee members, Ms. Fricke noted:

- The requirements in House Bill No. 1216 (2025) relating to out-of-pocket expenses for prescription drugs are projected to increase premiums by 0.62 percent for the grandfathered plan, beginning January 1, 2026. The nongrandfathered and high-deductible plans are not affected by the legislation.
- The increase in premiums will be paid from the Health Insurance Reserve Fund during the 2025-27 biennium and will be included in the negotiated premium cost with the health plan carrier in future bienniums.

Derrick Hohbein, Chief Operating and Financial Officer, Public Employees Retirement System, presented information (Appendix G) regarding the status of the defined contribution retirement plan as required under Section 54-52.6-22. He noted:

- 144 state employees, accounting for approximately 3.6 percent of eligible employees, elected to transfer from the main system defined benefit retirement plan to the new defined contribution retirement plan.
- From January 1, 2025, through September 30, 2025, 2,485 new employees have enrolled in the defined contribution retirement plan.
- 74.3 percent of new employees enrolled in the defined contribution retirement plan have elected to contribute more than the default 4 percent employee contribution rate.

Ms. Bonnie Wurst, Senior Consultant, Gabriel, Roeder, Smith & Company Holdings, Inc., presented information (Appendix H) regarding the PERS valuation process and the July 1, 2025, actuarial valuations of the PERS Fund, the Highway Patrol Troopers' Retirement System Fund, public safety funds, the Job Service North Dakota Retirement System Fund, and the Retiree Health Insurance Credit Program Fund. She noted:

- The main system defined benefit retirement plan was 71.3 percent funded on July 1, 2025, compared to 67.7 percent funded on July 1, 2024.
- The main system defined benefit retirement plan had an unfunded liability of $1.731 billion at the end of fiscal year 2025, a decrease of $155 million from the unfunded liability of $1.887 billion at the end of fiscal year 2024.

- The $25 million transferred from the Strategic Investment and Improvements Fund to the PERS Fund pursuant to House Bill No. 1234 (2025), and the $65 million of oil and gas tax revenue collections projected to be deposited in the PERS Fund pursuant to Section 57-51.1-07.5, are not included in the July 1, 2025, valuation of the main system defined benefit retirement plan but are included in future projections for the plan.
- The Highway Patrol Retirement Plan was 69.2 percent funded on July 1, 2025, compared to 68.6 percent funded on July 1, 2024. The current actuarial valuations project the plan will not reach fully funded status without additional plan changes.

In response to a question from a committee member, Ms. Wurst noted reducing the employer contribution rate for the judges retirement plan could be considered due to the plan being overfunded and increasing the employer contribution rate to the Highway Patrol Retirement Plan could be considered due to the plan being underfunded.

REQUEST TO APPROVE TERMINOLOGY

Ms. Fricke requested (Appendix I) approval of terminology adopted by the PERS Board to comply with federal requirements pursuant to Section 54-52-23. She noted:

- Sections 54-52-02.11 and 54-52.6-02.1(3) allow elected county officials to enroll in PERS retirement programs at their individual election at the start of a new term. These provisions conflict with the Internal Revenue Code.
- To resolve this conflict, the PERS Board adopted polices governing county elected officials' participation in PERS retirement plans, directed staff to enact emergency administrative rules codifying the board's adopted policies, and directed staff to request the approval of the Employee Benefits Programs Committee of the language in the rules.

It was moved by Senator Bekkedahl, seconded by Senator Davison, and carried on a roll call vote to approve the requested terminology change adopted by the PERS Board. Senators Cleary, Bekkedahl, Boschee, Cory, Davison, and Roers and Representatives Johnson, Ostlie, Vetter, and Warrey voted "aye." No negative votes were cast.

RETIREMENT AND INVESTMENT OFFICE

Ms. Jodi Smith, Executive Director, Retirement and Investment Office, presented an overview (Appendix J) of the Retirement and Investment Office.

Mr. Scott Anderson, Chief Investment Officer, Retirement and Investment Office, presented information (Appendix K) regarding the status of the State Investment Board's investments for the Legacy Fund, PERS funds, and the Teachers' Fund for Retirement (TFFR) Fund.

Mr. Paul Wood, Senior Consultant and Team Leader, Gabriel, Roeder, Smith & Company Holdings, Inc., presented an overview (Appendix L) of the TFFR valuation process and the July 1, 2025, actuarial valuation of TFFR. He noted:

- The State Investment Board reduced TFFR plan investment return assumptions from 7.25 to 7.15 percent during fiscal year 2025, which increased the TFFR unfunded liability by $44 million and increased the actuarially determined employer contribution rate by 0.11 percent.
- The TFFR plan was 73.4 percent funded on July 1, 2025, compared to 71.6 percent funded on July 1, 2024.
- The TFFR plan had an unfunded liability of $1.31 billion at the end of fiscal year 2025 compared to an unfunded liability of $1.35 billion at the end of fiscal year 2024.
- The TFFR plan is projected to reach fully funded status by 2042 with the current investment return assumptions.

No further business appearing, Chairman Cleary adjourned the meeting at 4:00 p.m.

Beth Dittus
Assistant Legal Division Director

Levi Kinnischtzke
Senior Fiscal Analyst

ATTACH:12