

# NORTH DAKOTA LEGISLATIVE COUNCIL

## Minutes of the

### EMPLOYEE BENEFITS PROGRAMS COMMITTEE

Friday, February 2, 2007  
Medora Room, State Capitol  
Bismarck, North Dakota

Representative Matthew M. Klein, Chairman, called the meeting to order at 2:45 p.m.

**Members present:** Representatives Matthew M. Klein, Al Carlson, Joe Kroeber, Ken Svedjan, Francis J. Wald; Senators Karen K. Krebsbach, Carolyn Nelson

**Members absent:** Senators Ray Holmberg, Ralph L. Kilzer

**Others present:** See attached appendix

The committee received information and testimony on bills introduced into the 2007 legislative session which affect retirement or health insurance programs and were not presented to the committee during the interim.

#### HOUSE BILL NO. 1432

Representative Price presented information on House Bill No. 1432. Representative Price said House Bill No. 1432 authorizes the Public Employees Retirement System to establish a collaborative drug therapy program under the uniform group insurance program. She said the program would involve physicians and pharmacists in the coordination of health care for individuals. The program would allow pharmacists to be reimbursed for providing these services and incentives may be provided to encourage participation by individuals covered by the program.

Representative Price said the program is designed to reduce claims and improve the health of state employees. A copy of the testimony is on file in the Legislative Council office.

Mr. Sparb Collins, Executive Director, Public Employees Retirement System, provided the technical and actuarial comments on the bill. Mr. Collins said the bill does not require state appropriations for the program but allows the Public Employees Retirement System to accept private contributions to finance the program. He said the actuarial analysis indicates the bill has no actuarial impact. A copy of the actuarial report is on file in the Legislative Council office.

#### HOUSE BILL NO. 1433

Representative Price reviewed the provisions of House Bill No. 1433. She said the bill requires the Public Employees Retirement System to establish a collaborative drug therapy program to improve the health of individuals with diabetes and to manage health care expenditures. She said the bill authorizes

pharmacists to be reimbursed for providing services to covered persons with diabetes and allows incentives to be used to encourage participation by individuals covered by the program.

Representative Price said the appropriations section of the bill has been removed by the House Human Services Committee. She said the estimated cost of implementing this program is \$2 per month per contract. Over the long term, she said, health care claims by diabetics covered by the program will be reduced. A copy of the testimony is on file in the Legislative Council office.

Representative Carlson asked for the total cost of the program. Mr. Collins said that based on the 18,000 active contracts in the uniform group insurance program, the additional premium costs will be \$864,000 for the biennium, approximately 50 percent of which is from the general fund.

Representative Carlson said that premiums should decrease if the program results in cost-savings. Representative Robin Weisz said the premium charged for the 2007-09 biennium is based on past experience; therefore, the potential savings of this program will not be realized for two to four years.

Mr. Collins reviewed the actuarial analysis of the bill prior to the amendment discussed by Representative Price and said the cost of the program includes two basic components--the cost of paying the pharmacist and the incentives provided to the persons with diabetes covered under the health plan. With the appropriation included in the original bill, he said, the bill has no actuarial impact to the plan. As amended, he said, it is anticipated that health insurance premiums will increase by \$2 per month per contract which is estimated to cost a total of \$864,000, approximately 50 percent of which would be from the general fund. A copy of the actuarial report is on file in the Legislative Council office.

**It was moved by Representative Carlson, seconded by Representative Svedjan, and carried on a voice vote that the committee assume jurisdiction over House Bill Nos. 1432 and 1433.**

**It was moved by Representative Carlson, seconded by Representative Svedjan, and carried on a roll call vote to give House Bill Nos. 1432 and 1433 favorable recommendations.** Representatives Klein, Carlson, Kroeber, and Svedjan and Senators Krebsbach and Nelson voted "aye." Representative Wald voted "nay."

**HOUSE BILL NO. 1486**

Representative Skarphol presented information on House Bill No. 1486. Representative Skarphol said the bill allows a legislator or former legislator, whose service in the Legislative Assembly terminated within the last five years, to pay the state employee rate for health insurance under the uniform group insurance program.

Representative Skarphol said the bill may be amended to provide a minimum years of service requirement in order to qualify for the lower health insurance rate and to clarify that it applies only to pre-Medicare health insurance policies since Medicare supplemental policies for retirees are already at a lower rate than the state employee rate.

Mr. Collins reviewed the actuarial analysis of the bill. He said the actuarial analysis indicates that because the bill is anticipated to affect a maximum of nine current retirees and dependents, the actuarial impact is immaterial.

In response to a question from Representative Kroeber, Mr. Collins said under this bill, legislators would pay a different pre-Medicare health insurance premium rate than retired state employees.

Mr. Collins suggested the Legislative Assembly amend the bill to provide that the individuals pay the separate single or family rate rather than the composite rate which would be higher for those legislators paying a single health policy premium. A copy of the actuarial analysis is on file in the Legislative Council office.

**It was moved by Senator Nelson, seconded by Representative Wald, and carried on a voice vote that the committee assume jurisdiction over House Bill No. 1486.**

**It was moved by Representative Carlson, seconded by Representative Wald, and carried on a roll call vote to give House Bill No. 1486 a favorable recommendation.** Representatives Klein, Carlson, Svedjan, and Wald and Senators Krebsbach and Nelson voted "aye." Representative Kroeber voted "nay."

**HOUSE BILL NO. 1510**

Senator Tim Mathern reviewed provisions of House Bill No. 1510. Senator Mathern said provisions of the bill draft expand the uniform group insurance program to allow participation by members of the North Dakota National Guard.

Mr. Collins reviewed the actuarial analysis for this bill. He said the actuarial concerns are with expanding eligibility which could result in adverse selection that may increase plan costs. A second concern, he said, is that a governmental plan could lose its governmental status if nongovernmental employers are allowed.

Mr. Collins said the bill is not anticipated to have any state fiscal effect since it is anticipated that the National Guard member would pay the premium cost; however, if it is interpreted that the state is to provide

the coverage at no cost to a member of the National Guard, there would be significant financial impact to the state. A copy of the actuarial analysis is on file in the Legislative Council office.

**It was moved by Senator Nelson, seconded by Representative Kroeber, and carried on a voice vote that the committee assume jurisdiction over House Bill No. 1510.**

**It was moved by Representative Carlson, seconded by Representative Svedjan, and carried on a roll call vote to give House Bill No. 1510 an unfavorable recommendation.** Representatives Klein, Carlson, Svedjan, and Wald and Senator Krebsbach voted "aye." Representative Kroeber and Senator Nelson voted "nay."

**SENATE BILL NO. 2166**

Senate Bill No. 2166 provides that overtime earned by employees of the Mill and Elevator are included as salaries and wages for purposes of the retirement program.

**It was moved by Senator Krebsbach, seconded by Representative Svedjan, and carried on a voice vote that the committee assume jurisdiction over Senate Bill No. 2166.**

Mr. Collins reviewed the actuarial analysis and said the actuarial report indicates the employer contribution rate for all employers would need to increase by .04 percent, from 4.12 to 4.16 percent, to pay for this increased benefit for Mill and Elevator employees or alternatively the employer rate for the Mill and Elevator would need to increase by 3.06 percent, from 4.12 to 7.18 percent. In addition, Mr. Collins said the Public Employees Retirement System would need to modify its computer system to adjust the employer contributions as well as to annualize overtime earnings for Mill and Elevator employees. He said these changes are estimated to cost \$38,000.

**It was moved by Representative Carlson, seconded by Representative Wald, and carried on a roll call vote to give Senate Bill No. 2166 an unfavorable recommendation.** Representatives Klein, Carlson, Kroeber, Svedjan, and Wald and Senators Krebsbach and Nelson voted "aye." No negative votes were cast.

**SENATE BILL NO. 2252**

Senator Mathern said as introduced, Senate Bill No. 2252 would have required the state uniform group insurance program to include coverage for illness or injury resulting from suicide, attempted suicide, or self-inflicted injury. Senator Mathern said the bill has now been amended to require this benefit for all health insurance policies issued in this state. He said the Public Employees Retirement System health plan already offers this benefit; therefore, there is no actuarial or financial impact on the state health insurance program.

**It was moved by Senator Krebsbach, seconded by Senator Nelson, and carried on a voice vote to not assume jurisdiction over Senate Bill No. 2252.**

### **SENATE BILL NO. 2413**

Ms. Shelley Seeberg, American Federation of State, County, and Municipal Employees, reviewed provisions of the bill. Ms. Seeberg said the bill allows peace officers and correctional officers in the defined benefits retirement plan to receive full retirement benefits beginning at age 55 or the Rule of 85 rather than age 65 or the Rule of 85 under current provisions. Ms. Seeberg said these employees have very demanding job responsibilities and approving this bill will assist in recruiting and retaining these employees, especially in the Department of Corrections and Rehabilitation.

Mr. Brad Holt, Correctional Officer, State Penitentiary, said if a correctional officer leaves state employment and begins work at a county correctional facility, that individual could retire at age 55 but if the individual would continue to work for the state, the individual could not retire until age 65.

Mr. Collins reviewed the actuarial analysis of this bill. He said provisions of this bill would transfer peace officers and correctional officers employed by the Department of Corrections and Rehabilitation, Attorney General, Game and Fish Department, and selected employees of the higher education institutions and Highway Patrol from retirement plan rules applicable to general state employees to participation under rules applicable to peace officers and correctional officers of political subdivisions. Mr. Collins said the actuarial analysis indicates that the employer contribution for these employees would increase by 3.29 percent, from 4.12 to 7.41 percent of payroll, resulting in a biennial increase in the state

employer contribution of \$1,249,814, of which \$1,000,435 is from the general fund. A copy of the actuarial analysis is on file in the Legislative Council office.

**It was moved by Representative Kroeber, seconded by Senator Nelson, and failed on a roll call vote to give Senate Bill No. 2413 a favorable recommendation.** Representative Kroeber and Senator Nelson voted "aye." Representatives Klein, Carlson, Svedjan, and Wald and Senator Krebsbach voted "nay."

**It was moved by Representative Carlson, seconded by Representative Svedjan, and carried on a roll call vote to give Senate Bill No. 2413 an unfavorable recommendation.** Representatives Klein, Carlson, Svedjan, and Wald and Senator Krebsbach voted "aye." Representative Kroeber and Senator Nelson voted "nay."

Senator Krebsbach suggested this bill be submitted for consideration to the Employee Benefits Programs Committee during the next interim.

The committee adjourned subject to the call of the chair at 4:30 p.m.

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Allen H. Knudson  
Assistant Legislative Budget Analyst  
and Auditor

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Jim W. Smith  
Legislative Budget Analyst and Auditor

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