

2021 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1155

2021 HOUSE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee Room JW327C, State Capitol

HB 1155
1/18/2021

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| Public employees retirement system uniform group insurance program benefits |
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(8:58) Chairman Lefor opens the hearing.

| Representatives | Roll call |
|----------------------|-----------|
| Chairman Lefor | P |
| Vice Chairman Keiser | P |
| Rep Hagert | P |
| Rep Jim Kasper | A |
| Rep Scott Louser | P |
| Rep Nehring | P |
| Rep O'Brien | P |
| Rep Ostlie | P |
| Rep Ruby | P |
| Rep Schauer | P |
| Rep Stemen | P |
| Rep Thomas | P |
| Rep Adams | P |
| Rep P Anderson | P |

Discussion Topics:

- Reporting public health emergency
- "Whistleblower" statute.

(9:00) Vice Chairman Keiser~House Legislator: Introduces the HB 1155.

(9:08) Scott Miller~Executive Director of ND Public Retirement System (NDPERS): Testimony # 950.

(9:16) Maggie Anderson~Retired from ND State Government: Testimony # 1015.

(9:28) Lori Laschkewitch~Retired fro the Office of Management & Budget: Testimony # 1014.

(9:31) Scott Miller~Executive Director of NDPERS: Answered questions.

(9:44) Rebecca Fricke~Chief Benefits Officer-PERS: Testimony # 955.

(9:53) Chairman Lefor closes the hearing.

(9:53) Rep D Ruby: Moves a Do Pass & rerefer to Appropriations.

(9:53) Rep Adams: Second.

| Representatives | Vote |
|------------------------|-------------|
| Chairman Lefor | Y |
| Vice Chairman Keiser | Y |
| Rep Hagert | Y |
| Rep Jim Kasper | A |
| Rep Scott Louser | N |
| Rep Nehring | Y |
| Rep O'Brien | Y |
| Rep Ostlie | Y |
| Rep Ruby | Y |
| Rep Schauer | Y |
| Rep Stemen | Y |
| Rep Thomas | Y |
| Rep Adams | Y |
| Rep P Anderson | N |

(9:55) Roll call taken-Motion carried 11-2-1 & Rep O'Brien is the carrier.

Additional testimony: # 952.

(9:56) End time.

Ellen LeTang, Committee Clerk

REPORT OF STANDING COMMITTEE

HB 1155: Industry, Business and Labor Committee (Rep. Lefor, Chairman) recommends DO PASS and BE REREFERRED to the Appropriations Committee (11 YEAS, 2 NAYS, 1 ABSENT AND NOT VOTING). HB 1155 was rereferred to the Appropriations Committee.

TESTIMONY OF SCOTT MILLER

House Bill 1155 – Subsidized Insurance Premiums for Certain Pre-Medicare Retirees

Good Morning, my name is Scott Miller. I am the Executive Director of the North Dakota Public Employees Retirement System, or NDPERS. I am here to testify in a neutral position regarding House Bill 1155.

House Bill 1155 would require the NDPERS Board to re-open access to the subsidized pre-Medicare retiree health insurance plan for individuals who have 25 or more years of service and retire under a Voluntary Separation Incentive Program (VSIP). The premium charged to those individuals is a subsidized premium, which means it is not reflective of the claims for that group of individuals, but is instead merely a multiple of the premium for an active member or family. If these individuals were required to pay a premium that reflects average claims for pre-Medicare retirees, we estimate that the premiums would be between \$340 and \$360 per month higher. The costs to the plan that are not being paid by the subsidized premium paid by these individuals will be reflected in future increases to our health plan premiums.

We also do not know how many people are eligible or may become eligible. The State has only had two VSIPs, and we understand there will be 80 individuals from those VSIPs that would be eligible when this bill becomes effective. However, we do not know if any of our 150 participating political subdivisions have had a VSIP since 2015, or what they may do in the future. We also do not know if or when the State might have another VSIP. Since this bill is not limited to State retirees and does not restrict the definition of a VSIP, we cannot make a guess as to how many people may ultimately be eligible for this subsidized premium coverage.

The impact of this bill will also be reflected in what the state reports in its Comprehensive Annual Financial Report, or CAFR, for an “Other Post-Employment Benefit” liability or “OPEB” liability. “Other Post-Employment Benefits” are those benefits paid to an employee once they have retired, other than retirement benefits. An OPEB liability is the difference between what an employee receives and what the employer has set aside to pay for those benefits. Neither the State nor its political subdivisions have set aside money to pay for the subsidy being granted to these individuals pursuant to this bill. As such, people who are eligible to take advantage of this opportunity create an “OPEB liability” for the State and its political subdivisions. That OPEB liability must be stated in the CAFR.

Prior to 2015, when the Legislative Assembly stopped allowing new retirees to participate in the subsidized pre-Medicare retiree health plan, the State's OPEB liability was over \$64 million. Many of those pre-Medicare retirees gradually aged into being "Medicare retirees". As a result, our OPEB liability is now less than \$4 million – low enough that the State no longer has to report the liability on its books. Since the state no longer has that requirement, we do not have a contract with an actuary that can analyze this bill to determine what the new OPEB liability might look like if this bill is passed. We doubt it would immediately rise to the \$64 million mark, but it will certainly result in an increase, and potentially an increase that will need to be reported on the respective CAFRs. We would need to issue a Request for Proposals to hire an actuary to conduct that analysis in the future, which in the past cost over \$7,500 per analysis.

Please recall, the Legislative Assembly closed the subsidized premium plan to new entrants other than retired members of the Legislative Assembly in order to gain control of the State's OPEB liability. At that time, the Legislative Assembly specifically prohibited new retirees from being granted a subsidy for their health plan premiums. This bill would reverse that for an unknown number of retirees from both the past and the future. We cannot estimate how many people to whom this will apply, the effect the passage of this bill will have on that OPEB liability, or the impact to future active employee premiums.

Also note this bill only applies to those retirees with over 25 years of experience who participate in the voluntary VSIP program. The former State employees who retired under a VSIP in the past were well-counseled on the effects of their decision on their ability to participate in our health plan. Further, this bill does not allow people who retire in any other manner to participate in the subsidized plan, even if their entire careers were with the State of North Dakota for much longer than the 25 years in this bill.

Mr. Chairman, that concludes my testimony.

TESTIMONY
House Industry, Business and Labor Committee
HOUSE BILL 1155
January 18, 2021

Chairman Lefor, members of the House Industry, Business and Labor Committee, I am Maggie Anderson. I am a resident of Bismarck (District 47) and I retired from North Dakota State Government service in 2019, in order to be a full-time family caregiver for my mother. I worked thirty years for the State of North Dakota and at the time of my retirement was employed by the Department of Human Services. I appear today to support House Bill 1155.

House Bill 1155 is not an expansion of coverage; rather, it is a restoration of coverage that existed prior to July 2015. That coverage was sunsetted, effective July 1, 2015, because during the 2013 Legislative Session, through House Bill 1058, the Public Employee Retirement System (PERS) proposed to end the coverage for “pre-Medicare” retirees. It was proposed in conjunction with a change that allows a broader use of the retiree health insurance credit (RHIC). Prior to the change that was adopted in 2013 and became effective July 1, 2015, retirees could only use the RHIC for a PERS-sponsored coverage. The portability of the RHIC is an important provision and HB 1155 is not proposing any change to the portability added in 2015.

HB 1155 proposes to amend Subsection 1 of 54-52.1-02 and would allow qualifying former state employees who are under age 65 to remain (or re-enroll) on the group plan. The changes are proposed on page 1, lines 17 through 20 and lines 21 through 24.

Subsection 1 is “subsidized” coverage and currently includes active employees and “pre-Medicare” retirees who retired prior to July 1, 2015. While the coverage would be restored, non-Medicare retiree individuals impacted by this bill would be responsible for payment of the monthly premiums. The methodology for establishing the premium rates is specified on page 2 of the bill, lines 1 through 7.

This bill does not propose changes to:

- Coverage for active state employees
- Coverage for a former/retired state employee who is (or whose spouse is) age 65 or over
- Coverage for current or former state legislators
- Coverage for former state employees (under 65), who retired prior to July 2015

How many people are impacted by the proposed bill?

We are not able to estimate if there will be a future Voluntary Separation Incentive Program (VSIP), or if there is, how many individuals would be eligible and how many would select the pre-Medicare coverage through PERS. However, we can quantify the number of individuals from two VSIP opportunities offered (2017 and 2018). There are 80 individuals who (as of July 1, 2021) will be under 65 and meet the criteria in this bill. For these two VSIP groups, the average years of service for 2017 was 32.6 years and for 2018 was 34.7.

It is because of these years of service, that we are requesting a restoration under Subsection 1 (subsidized coverage), rather than proposing coverage under Subsection 2. Individuals impacted by this bill, as defined within the bill, provided a minimum of 25 years of service to the State of North Dakota.

Why are we requesting the coverage be restored vs. securing coverage through the private market?

1. Legislative Oversight of the Plan (including benefits and out of pocket costs)
2. PERS Administration of the Plan
3. Continuity of coverage

A little bit about data:

PERS provided a great deal of data to Legislative Council, at the request of Representative Keiser. From the data provided, the number of individual monthly contracts for those who retired in 2015 (in anticipation of the sunset) saw a high of 174 and now has decreased (as of June 2020) to 44 individuals. For this same period, the number of legislative members in the health plan has remained more consistent, with a high of 82 and a low of 68. I share this information, not because it is an actuarial analysis, but it should offer some comparisons for the groups that impact the *other post-employment benefits (OPEB)*. Since the known VSIP pool is a finite 80 individuals (and there is no certainty that all 80 would enroll for the coverage) – the known total number of individuals who impact the OPEB would be lower than it was when the coverage was sunsetted for retiring state employees in 2015:

2015

174 (2015 retirees) + 80 (legislators) = 254

Current

44 (remaining 2015 retirees) + 68 (legislators) = 112

Proposed in HB 1155:

80 (VSIP) + 44 (remaining 2015 retirees) + 68 (legislators) = 192

Just as the 174 individuals (who retired in 2015) has decreased and is now at 44 – the known 80 individuals impacted by HB 1155 would also decrease each year, and as such, so should the OPEB.

Lori Laschkewitsch is going to provide information on cost comparisons to private plans and speak about the importance of continuity of coverage.

Thank you for your time. I would be happy to respond to any questions that you may have.

TESTIMONY
House Industry, Business and Labor Committee
HOUSE BILL 1155
January 18, 2021

Good Morning Chairman Lefor and members of the House Industry, Business and Labor Committee, I am Lori Laschkewitsch and I appear today in support of House Bill 1155. I retired in 2018 from the Office of Management and Budget, after thirty-three years of service with the State of North Dakota. My husband retired in 2019 from the State Water Commission, after thirty-five years of service, also with the State.

We are encouraging you to pass House Bill 1155 which would restore coverage that existed before July 1, 2015 and would allow us to stay on the State health insurance plan at our own cost. With my previous diagnosis of breast cancer and my husband's diagnosis of melanoma shortly thereafter, we both have pre-existing conditions. Thankfully, we have both recovered, however, the continuity of remaining on the State's health insurance plan affords a great deal of security and peace of mind that we will have consistent insurance coverage for our healthcare needs without significantly increased out-of-pocket costs.

We have explored the costs of private insurance plans including coverage, deductibles, and maximum out-of-pocket costs. While the monthly premiums are similar between the plans, the higher deductibles and significantly higher out-of-pocket maximums would potentially result in greater out-of-pocket costs to us than if we were allowed to remain on the State plan. Following is a table comparing the single rate paid by agencies for active employees, the rate paid by those who retired prior to July 1, 2015 and the rate paid by Legislators on the current NDPERS plan through Sanford, with rate quotes on private plans through Sanford and Blue Cross Blue Shield. The shaded portion of the table includes the rate included in subsection 1 of HB 1155, (150% of the active member single plan rate). While I inquired into plans that were comparable to the State's health insurance plan, I was informed that group plans (such as NDPERS) offer more coverage at better prices and that individual plans cannot compete when comparing benefits.

| Health Insurance Plan Cost Comparisons | | | | |
|---|--|---|-------------------------------|------------------------------------|
| | NDPERS Active Employees | NDPERS Pre-July 2015 Retirees and Legislators* | SANFORD Simplicity | BCBS BluePrime Gold |
| Single Premium | \$686.70 | \$1,028.64 | \$1,003.77 | \$1,024.91 |
| Deductible | \$500 | \$500 | \$1,750 | \$500 |
| Co-Insurance | 20% | 20% | 25% | 30% |
| Maximum Out-of-Pocket | \$2,000 | \$2,000 | \$6,250 | \$8,550 |

** 150% of the active member single plan rate included in subsection 1 of HB 1155*

We are proud of our dedication to over 30 years of service to the State of North Dakota and we would appreciate the option to remain on the State's health insurance plan at our own cost. We urge you to pass HB 1155.

Thank you. I would be happy to respond to any questions.

Prior to 2015, when the Legislative Assembly stopped allowing new retirees to participate in the subsidized pre-Medicare retiree health plan, the State's OPEB liability was over \$64 million. Many of those pre-Medicare retirees gradually aged into being "Medicare retirees". As a result, our OPEB liability is now less than \$4 million – low enough that the State no longer has to report the liability on its books. Since the state no longer has that requirement, we do not have a contract with an actuary that can analyze this bill to determine what the new OPEB liability might look like if this bill is passed. We doubt it would immediately rise to the \$64 million mark, but it will certainly result in an increase, and potentially an increase that will need to be reported on the respective CAFRs. We would need to issue a Request for Proposals to hire an actuary to conduct that analysis in the future, which in the past cost over \$7,500 per analysis.

Please recall, the Legislative Assembly closed the subsidized premium plan to new entrants other than retired members of the Legislative Assembly in order to gain control of the State's OPEB liability. At that time, the Legislative Assembly specifically prohibited new retirees from being granted a subsidy for their health plan premiums. This bill would reverse that for an unknown number of retirees from both the past and the future. We cannot estimate how many people to whom this will apply, the effect the passage of this bill will have on that OPEB liability, or the impact to future active employee premiums.

Also note this bill only applies to those retirees with over 25 years of experience who participate in the voluntary VSIP program. The former State employees who retired under a VSIP in the past were well-counseled on the effects of their decision on their ability to participate in our health plan. Further, this bill does not allow people who retire in any other manner to participate in the subsidized plan, even if their entire careers were with the State of North Dakota for much longer than the 25 years in this bill.

Mr. Chairman, that concludes my testimony.

TESTIMONY OF REBECCA FRICKE

House Bill 1155 – Subsidized Insurance Premiums for Pre-Medicare Retirees

Good morning, my name is Rebecca Fricke. I am the Chief Benefits Officer of the North Dakota Public Employees Retirement System, or NDPERS. I appear before you today in a neutral position on House Bill 1155. I am available should there be any questions related to the impact of the bill on any of the NDPERS benefits.

TESTIMONY OF DERRICK HOHBEIN

HOUSE BILL 1155 – NON-MEDICARE RETIREE PLAN FOR VSIP RETIREES

Good morning, my name is Derrick Hohbein. I am the Chief Operating/Financial Officer of the North Dakota Public Employees Retirement System, or NDPERS. I appear before you today in a neutral position on House Bill 1155. I am available should there be any questions related to the impact of the bill on any of the NDPERS benefits.

2021 HOUSE APPROPRIATIONS

HB 1155

2021 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee Brynhild Haugland Room, State Capitol

HB 1155
2/5/2021

Relating to the public employees retirement system uniform group insurance program benefits; and to provide for application.

8: 47 Chairman Delzer Called the meeting to order

| Representatives | P/A |
|------------------------------------|-----|
| Representative Jeff Delzer | P |
| Representative Keith Kempenich | P |
| Representative Bert Anderson | P |
| Representative Larry Bellew | P |
| Representative Tracy Boe | P |
| Representative Mike Brandenburg | P |
| Representative Michael Howe | P |
| Representative Gary Kreidt | P |
| Representative Bob Martinson | P |
| Representative Lisa Meier | P |
| Representative Alisa Mitskog | P |
| Representative Corey Mock | P |
| Representative David Monson | P |
| Representative Mike Nathe | P |
| Representative Jon O. Nelson | P |
| Representative Mark Sanford | P |
| Representative Mike Schatz | P |
| Representative Jim Schmidt | P |
| Representative Randy A. Schobinger | P |
| Representative Michelle Strinden | P |
| Representative Don Vigesaa | P |

Discussion Topics:

- Restoration of the previous retirement plan
- Individual Cost for retirement plan

8:48 Representative Lefor Introduces HB 1155 and testifies in favor.

8:52 Bryan Reinhardt- Procurement Officer, ND PERS; answers some questions for clarification for the committee

8:58 Rebecca Fricke- Chief Benefits Officer- ND PERS; Also answers questions from the committee

9:07 Representative Meier Made a Motion for a Do Pass

Representative Kempenich- Second the Motion

Further discussion.

9:10 Motions are withdrawn

Additional written testimony: No written testimony provided

9:10 Chairman Delzer Closes the hearing for HB 1155

Risa Berube,

House Appropriations Committee Clerk

2021 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee Brynhild Haugland Room, State Capitol

HB 1155
2/17/2021

Relating to the public employees retirement system uniform group insurance program benefits; and to provide for application

10:15 Chairman Delzer- Opens the meeting for HB 1155;

| Attendance | P/A |
|------------------------------------|-----|
| Representative Jeff Delzer | P |
| Representative Keith Kempenich | P |
| Representative Bert Anderson | P |
| Representative Larry Bellew | P |
| Representative Tracy Boe | P |
| Representative Mike Brandenburg | P |
| Representative Michael Howe | A |
| Representative Gary Kreidt | P |
| Representative Bob Martinson | P |
| Representative Lisa Meier | P |
| Representative Alisa Mitskog | P |
| Representative Corey Mock | P |
| Representative David Monson | P |
| Representative Mike Nathe | P |
| Representative Jon O. Nelson | P |
| Representative Mark Sanford | P |
| Representative Mike Schatz | P |
| Representative Jim Schmidt | P |
| Representative Randy A. Schobinger | P |
| Representative Michelle Strinden | P |
| Representative Don Vigesaa | P |

Discussion Topics:

- Retired people on the PERS plan
- Early buy out

10:16 Chairman Delzer- Reviews the bill

10:20 Committee discussion

10:45 Representative Boe- Makes a motion for a Do Not Pass

Representative Meier- Second

Further Discussion

10:46 Roll Call vote was taken;

| Representatives | Vote |
|------------------------------------|-------------|
| Representative Jeff Delzer | Y |
| Representative Keith Kempenich | Y |
| Representative Bert Anderson | Y |
| Representative Larry Bellew | Y |
| Representative Tracy Boe | Y |
| Representative Mike Brandenburg | Y |
| Representative Michael Howe | A |
| Representative Gary Kreidt | Y |
| Representative Bob Martinson | Y |
| Representative Lisa Meier | Y |
| Representative Alisa Mitskog | N |
| Representative Corey Mock | Y |
| Representative David Monson | Y |
| Representative Mike Nathe | Y |
| Representative Jon O. Nelson | N |
| Representative Mark Sanford | Y |
| Representative Mike Schatz | Y |
| Representative Jim Schmidt | Y |
| Representative Randy A. Schobinger | Y |
| Representative Michelle Strinden | Y |
| Representative Don Vigesaa | Y |

10:47 Motion carries 18-2-1 Representative Meier will carry the bill

Additional written testimony: No Written Testimony

10:47 Chairman Delzer Closes the meeting for HB 1155

Risa Berube,

House Appropriations Committee Clerk

REPORT OF STANDING COMMITTEE

HB 1155: Appropriations Committee (Rep. Delzer, Chairman) recommends **DO NOT PASS** (18 YEAS, 2 NAYS, 1 ABSENT AND NOT VOTING). HB 1155 was placed on the Eleventh order on the calendar.