

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1403

2005 HOUSE GOVERNMENT AND VETERANS AFFAIRS

HB 1403

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1403

House Government and Veterans Affairs Committee

Conference Committee

Hearing Date 2/3/05

Tape Number	Side A	Side B	Meter #
1	x		29.5-35.4
Committee Clerk Signature <i>Dale H. Egan</i>			

Minutes: HB Relating to use of the retiree health benefits fund credit to purchase health insurance.

Ernie Reinhert-Retired Department of Corrections-For-On my retirement I am finding with the health insurance premium, the only way I can take advantage of the \$4.50 per month, that I paid in, which amounts to \$153.00 for my 34 years of service, the only way I can take advantage of my premium is to take the Dakota plan under the PERS organization, if I take that plan at \$759.00 at today's dollar value, it is going up on July 1, of this year, so the question is do I take advantage of the \$153.00 and take the PERS plan. I have had 30 years in the service, also in the National Guard. I am eligible for tri-care, but tri-care doesn't pay for everything, I need a supplemental medical insurance to pay for those costs that tri-care doesn't cover. I would like to be able to use the \$153.00 that I have accumulated to pay toward this other supplemental medical insurance, that would help me pay for my premiums. Individuals as myself, being a state

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House Government and Veterans Affairs Committee
Bill/Resolution Number HB1403
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employee and member of good standing of the National Guard are eligible for tri-care and would have to pay for this other supplemental insurance. I would like to be able to use the \$153.00.

Rep. Conrad: Have you seen the report of the Employment Benefits Committee.

Ernie: No I have not.

Chairman Haas: Thank you very much. Any more questions?

Rep. Conrad: I move a Do Not Pass on HB 1403.

Rep. Froseth: I second the motion.

VOTE: YES 9 NO 0 ABSENT 5 DO NOT PASS ON HB 1403

REP. FROSETH WILL CARRY THE BILL

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1403

House Government and Veterans Affairs Committee

Conference Committee

Hearing Date 2/04/05

Tape Number	Side A	Side B	Meter #
4	x		6.5-8.5
Committee Clerk Signature <i>Duke H. Sauer</i>			

Minutes: HB Relating to use of the retiree health benefits fund credit to purchase health insurance.

9 members present, 5 absent

Discussion and voting.

Chairman Haas: This bill would allow someone who retired, take their health insurance credit that they have with PERS and have it transferred to some other insurance company. It went through the employees benefit program committee, very unfavorable recommendation, if it were to pass it would require a .12% increase employer contributions towards the pre funded health program. What are your wishes on this bill?

Rep. Corned: I make a motion DO NOT PASS.

Chairman Haas: Move by Rep. Conrad, DO NOT PASS, is there a second, seconded by Rep. Froseth. Is there any additional discussion? I will ask the clerk to take the roll. This is on a DO NOT PASS.

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House Government and Veterans Affairs Committee

Bill/Resolution Number HB 1403

Hearing Date 2/04/05

VOTE: YES 9 NO 0 ABSENT 5 DO NOT PASS

REP. FROSETH WILL CARRY THE BILL

Date: 2/4/05
Roll Call Vote #: 1

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1403

House House Government and Veterans Affairs Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass

Motion Made By Rep Conrad Seconded By Rep Froseth

Representatives	Yes	No	Representatives	Yes	No
Chairman C.B. Haas	✓		Rep. Bill Amerman	✓	
Bette B. Grande - Vice Chairman	✓		Rep. Kari Conrad	✓	
Rep. Randy Boehning	✓		Rep. Louise Potter	AB	
Rep. Glen Froseth	✓		Rep. Sally M. Sandvig	AB	
Rep. Pat Galvin	✓				
Rep. Stacey Horter	✓				
Rep. Jim Kasper	AB				
Rep. Lawrence R. Klemin	✓				
Rep. Lisa Meier	AB				
Rep. Margaret Sitte	AB				

Total (Yes) 9 No 0

Absent 5

Floor Assignment Rep. Froseth

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

REPORT OF STANDING COMMITTEE (410)
February 4, 2005 2:18 p.m.

Module No: HR-23-1898
Carrier: Froseth
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1403: Government and Veterans Affairs Committee (Rep. Haas, Chairman)
recommends **DO NOT PASS** (9 YEAS, 0 NAYS, 5 ABSENT AND NOT VOTING).
HB 1403 was placed on the Eleventh order on the calendar.

2005 TESTIMONY

HB 1403

TESTIMONY OF
SPARB COLLINS
ON
HOUSE BILL 1403

Mr. Chairman, member of the committee my name is Sparb Collins. I am Executive Director of the North Dakota Public Employees Retirement System. I appear before you today in opposition to HB 1403 since it does not provide for the necessary funding to support the benefit enhancement proposed.

Specifically, this bill relates to the retiree health credit program. By way of background, in 1989 the North Dakota Legislature started this Program. The purpose 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. A solution was the creation of the Retiree Health Credit Program. This program provides the following benefit to PERS retirees:

BENEFIT FORMULA:

\$4.50 for each year of credited service

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

In addition to providing direct assistance to the members the program had another indirect goal to make health premiums more affordable. Pursuant to this second objective the direct assistance was only available to members who took the PERS health insurance. This provision was included in an attempt to draw a better cross section of retirees to the PERS health plan with better risks thereby creating a better actuarial pool and lower premiums. This bill would change this incentive.

However the boards concern with this bill is that it provides a benefit but does not fund it. Specifically, the PERS actuary has reviewed this bill and determined that it would

increase the required employer contribution from 1% to 1.12% to pay for the added benefit provided. This increase in cost is caused by an expected increase in the number of members who would now use the credit. Some members presently do not have their insurance with PERS and therefore do not use the credit. Under this bill they could use the credit for other insurance. Consequently more members would apply for this benefit thereby increasing the cost. I have attached an amendment that would provide for this increase. If this is not funded the retiree health fund would be required to pay for this benefit without a corresponding contribution and the fund would likely move into a deficit position. The cost of the additional contributions is about \$1,280,000 per biennium for all employers (state & political subdivisions) of which \$284,000 is general funds and \$996,000 is other funds. Please note the attached amendment does include increased appropriation authority for state agencies. This additional authority would need to be added into the final pay plans if this amended version of the bill was approved.

Our last area of concern with the bill is the additional administrative operations that would be required. Presently PERS staff does all the billing and collection of the premium for the PERS health plan, reducing the billed amount to the member by the amount of the credit and adding the total credit amount to the overall payment to the health insurance carrier. The carrier receives one payment from PERS for the entire premium amount for all covered retirees. This bill permits the credit to be applied to the premium for any health insurance selected by the retiree or beneficiary. It is unlikely that PERS would be able coordinate the retiree health insurance credit with premium payments in the same manner for all the carriers selected by retirees. Therefore, the retiree would have to pay the total premium amount and then periodically request partial reimbursement of the premium from PERS for the applicable retiree health insurance credit amount. In addition, PERS would have to require that the retiree provide documentation that an eligible expense had been incurred in order to make the reimbursement. Currently, the PERS benefits system is not set up to verify this documentation and make payments directly to the retiree. Therefore, the PERS system would need to be programmed to cut the checks to the retiree. ITD has indicated

the cost for programming changes would be approximately \$40,000. Secondly, in order to maintain the tax benefits of the retiree health insurance credit, PERS will need to review and authorize each direct payment to a member to insure that the necessary supporting information has been submitted before authorizing payment. The additional group of members for whom this work could need to be done is about 2,100 retirees and beneficiaries. Steps involved will be to review claims submitted, verify claims, approve or deny claims, authorize payment or return claims to the retirees indicating why a claim was denied. PERS would need additional staff in order to accomplish this effort and is projecting the need for a 50% full-time equivalent account tech to do the work. The cost of this additional position is approximately \$50,000. I have also included in the attached amendment funding for this additional effort.

Mr. Chairman PERS believes that if this bill is to pass it should be funded so that it can implemented without the fund going into deficit position and the necessary administrative operations can occur. This concludes my testimony.

PROPOSED AMENDMENTS TO HOUSE BILL 1403

Page 1, line 1, replace "subsection 2" with "subsections 1 and 2"

Page 1, line 3, after "insurance" insert "; and to provide an appropriation"

Page 1, line 5, replace "Subsection" with "Subsections 1 and"

Page 1, line 6, replace "is" with "are", and, after line 6, insert the following:

1. The board shall establish a retiree health benefits fund account with the Bank of North Dakota for the purpose of prefunding and providing hospital benefits coverage and medical benefits coverage under the uniform group insurance program for retired eligible employees or surviving spouses of retired eligible employees and their dependents as provided in this chapter. The state shall contribute monthly to the retiree health benefits fund an amount equal to one and twelve one-hundredths percent of the monthly salaries and wages of all participating members of the highway patrolmen's retirement system under chapter 39-03.1, and one and twelve one-hundredths percent of the monthly salaries of all supreme or district court judges who are participating members of the public employees retirement system under chapter 54-52. Each governmental unit that contributes to the public employees retirement system fund under section 54-52-06 or the retirement plan under chapter 54-52.6 shall contribute monthly to the retiree health benefits fund an amount equal to one and twelve one-hundredths percent of the monthly salaries or wages of all participating members of the public employees retirement system under chapter 54-52 or chapter 54-52.6, except for nonteaching employees of the superintendent of public instruction who elect to participate in the public employees retirement system pursuant to section 54-52-02.13. For nonteaching employees of the superintendent of public instruction who elect to participate in the public employees retirement system pursuant to section 54-52-02.13, the superintendent of public instruction shall contribute monthly to the retiree health benefits fund an amount equal to three and one-tenth twenty-two one-hundredths percent of the monthly salaries or wages of those nonteaching employee members, beginning on the first of the month following the transfer under section 54-52-02.13 and continuing thereafter for a period of eight years, after which time the superintendent of public instruction shall contribute one and twelve one-hundredths percent of the monthly salary or wages of those nonteaching employee members. The employer of a national guard security officer or firefighter shall contribute monthly to the retiree health benefits fund an amount

equal to one and twelve one-hundredths percent of the monthly salaries or wages of all national guard security officers or firefighters participating in the public employees retirement system under chapter 54-52. Job service North Dakota shall reimburse monthly the retiree health benefits fund for credit received under section 54-52.1-03.3 by members of the retirement program established by job service North Dakota under section 52-11- 01. The board, as trustee of the fund and in exclusive control of its administration, shall:

- a. Provide for the investment and disbursement of moneys of the retiree health benefits fund and administrative expenditures in the same manner as moneys of the public employees retirement system are invested, disbursed, or expended.
- b. Adopt rules necessary for the proper administration of the retiree health benefits fund, including enrollment procedures.

Page 1, after line 21, insert the following:

SECTION 3. APPROPRIATION. There is appropriated out of any moneys collected pursuant to chapter 54-52.1, not otherwise appropriated, the sum of \$89,329, or so much of the sum as may be necessary, to the public employees retirement system for the purpose of defraying the cost of implementing this Act, for the biennium beginning July 1, 2005, and ending June 30, 2007. The public employees retirement system is authorized one additional .5 FTE.

Renumber accordingly