

2009 SENATE GOVERNMENT AND VETERANS AFFAIRS

SB 2154

## 2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2154

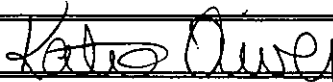
Senate Government and Veterans Affairs Committee

Check here for Conference Committee

Hearing Date: 1/16/09

Recorder Job Number: 7158

Committee Clerk Signature



Minutes:

**Sparb Collins:** See attached testimony #1. You may remember this bill; it is almost identical to a bill that you reviewed last session. It passed in the Senate and came within 4 votes of passing in the House.

**Senator Dever:** Was its approval in the employee benefits unanimous?

**Sparb Collins:** This time? I believe so, but I would have to go back and check.

**Senator Nelson:** Do we have the sheets that we get that say what the report of the employee benefits committee is?

**Senator Dever:** I have not seen anything.

**Sparb Collins:** Keep in mind that this bill, as proposed, is funding itself through the additional employer contribution. If in fact we had proposed doing this out the existing fund we would be more concerned because the existing fund has changed since October but this proposal stands independent of that because the .14% in contributions increased pays for the increase in benefits.

**Senator Nelson:** The reason that DPI and Career & Tech are going up .15% is because they were late additions to the system and there is a crude deficit?

**Sparb Collins:** No they should be going up .14% if that wasn't amended.

**Senator Nelson:** It is going from 2.85% to 3.0% that is .15%. The same thing happens with DPI and in your testimony you said a corresponding contribution rate increase. So there is a mistake here.

**Sparb Collins:** The reason they are treated differently is because they have a 5 year special rate. I will take a look at this to make sure it's correct, because it should be .14%.

**Senator Dever:** Is there anyone else to speak in support of SB2154?

**Cathleen Dwyer:** See attached testimony #2.

**Senator Dever:** Do I understand correctly that your medical benefit is deducted from the check that you receive?

**Cathleen Dwyer:** Correct, when we get our pension check the money has already been taken out.

**Senator Dever:** Is there anyone to speak in opposition to SB2154?

**Bev Nielson:** For the record I am Bev Nielson with the School Boards Association. This bill's fiscal impact is about half a million dollars to school districts is not one of the ones that has the biggest impact. School districts have about 4,000 members in PERS that are non-teaching, the new money that schools get from the state; there is a generous amount in the budget this year. I am here to ask you to keep in mind the 5 to 6 mandates that are also attached to new money in the governor's budget for schools to pay for those mandates. A full 70% of all the new money that we get from the state can only go to teacher's salaries so anything that you impose on districts to pay for employer contributions whether for the health benefit or for the increase they are going to ask just in PERS in general we have to find a way to pay for that out of the 30% of state money that we have flexibility to spend. So this is just a little background information on how all that works with school districts and that PERS increases do impact us for our non-teaching staff and that we are limited in the fund that we can use to pay for that. If

we have to pay for that it will mean that we will not be able to pay those folks' salaries and a lot of them are at the lower end of the salaries. I would be happy to answer any questions.

**Senator Cook:** 4,000 non teaching employees; how many teachers that we have in the state?

**Bev Nielson:** Something around 8,000; I do not have the exact number in front of me. But we can't spend 70% of our state money on those people either for salaries or for benefits or for anything else.

**Senator Cook:** So for every 2 teachers we have 1 non teacher, correct?

**Bev Nielson:** That is about right because you are talking all staff in the building and bus drivers. Thank you Mr. Chairman.

**Senator Horne:** You said that up to half a million dollars would be the impact. This fiscal note that I am looking at mentioned school districts at \$254,000 for the 2009-2011 biennium.

**Bev Nielson:** They also go over into the next biennium so we have to think however far along we go.

**Senator Dever:** So your position is in support with reservations?

**Bev Nielson:** We get into a difficult situation because as employers and with laws that require us to negotiate and laws that require us to give a certain amount of our state money only to teachers we have the issue of staying competitive with salaries and benefits for our current employees. It's not that we are unsympathetic to increasing the benefits for retirees, but that pot is only so big. It's hard to argue the fact that healthcare is going up and insurance is bad and people on fixed income are having a hard time. But we all have to realize that paying for this comes from property tax or the state money and at the expense of salaries or other things.

**Senator Dever:** Anyone to speak in a neutral position to SB2154? We will now close the public hearing on SB2154

## 2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2154

Senate Government and Veterans Affairs Committee

Check here for Conference Committee

Hearing Date: 1/16/09

Recorder Job Number: 7159

Committee Clerk Signature

*Kate Oliver*

Minutes:

**Senator Nelson:** Mr. Chairman if we went back to SB2154, Sparb brought in some amendments, if that is alright I would move those amendments.

**Senator Dever:** There would be additional ones for that?

**Senator Nelson:** Yes there will be additional ones for page 2 that everybody consistent at .14%. I am not sure how they are having it drafted, but I have a feeling that he is doing the other one. I am OK with holding on to see what format he brings it down in.

**Senator Dever:** Alright, we will expect to act on that. I have a feeling that we will have a chance to act on some of those.

## 2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2154

Senate Government and Veterans Affairs Committee

Check here for Conference Committee

Hearing Date: 1/16/09

Recorder Job Number: 8861

Committee Clerk Signature

*Kate O'Neil*

Minutes:

Senator Nelson moved the amendments on SB2154 with a second by Senator Cook.

Roll was taken and passed 5-0.

Senator Cook moved a do pass as amended with a re referral to appropriations with a second by Senator Nelson.

Roll was taken and the bill passed 5-0 with Senator Cook carrying it.

**FISCAL NOTE**  
**Requested by Legislative Council**  
02/09/2009

Amendment to: SB 2154

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.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>						
<b>Expenditures</b>			\$582,172	\$824,720	\$582,172	\$824,720
<b>Appropriations</b>			\$582,172	\$824,720	\$582,172	\$824,720

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

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
			\$311,000	\$74,000	\$254,000	\$311,000	\$74,000	\$254,000

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).*

This bill proposes to increase the PERS retiree health credit from \$4.50 per year of service to \$5. This is paid for with an increase in the employer contribution of .14%. The fiscal note does not change as a result of the amendment.

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 provides for the increase in employer contributions

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.*

No additional revenues to the state are anticipated

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.*

The above fiscal effect is due to the increase in employer contributions of .14%.

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.*

The additional appropriations are contained in the salary line item for state agency in the executive recommendation

<b>Name:</b>	Sparb Collins	<b>Agency:</b>	PERS
<b>Phone Number:</b>	328-3901	<b>Date Prepared:</b>	02/09/2009

**FISCAL NOTE**  
**Requested by Legislative Council**  
12/23/2008

Bill/Resolution No.: SB 2154

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.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>						
<b>Expenditures</b>			\$582,172	\$824,720	\$582,172	\$824,720
<b>Appropriations</b>			\$582,172	\$824,720	\$582,172	\$824,720

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Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
			\$311,000	\$74,000	\$254,000	\$311,000	\$74,000	\$254,000

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).*

This bill proposes to increase the PERS retiree health credit from \$4.50 per year of service to \$5. This is paid for with an increase in the employer contribution of .14%.

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 provides for the increase in employer contributions

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.*

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The above fiscal effect is due to the increase in employer contributions of .14%.

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.*

The additional appropriations are contained in the salary line item for state agency in the executive recommendation

<b>Name:</b>	Sparb Collins	<b>Agency:</b>	NDPERS
<b>Phone Number:</b>	328-3901	<b>Date Prepared:</b>	01/02/2009



93  
2-5-9

PROPOSED AMENDMENTS TO SENATE BILL NO. 2154

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, line 2, after "to" insert "participation in the public employees retirement system, purchase of sick leave credit, and"

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 any additional credit, including additional credit under section 54-52-17.4 or past service under section 54-52-02.6.

**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.** 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.

Page 2, line 7, replace "one-quarter" with "twenty-four hundredths"

Page 2, line 16, remove the overstrike over "~~two and~~", after "~~eighty five~~" insert "ninety-nine", remove the overstrike over "~~hundredths~~", and remove "three"

Renumber accordingly

Date: 2-5-09  
Roll Call Vote #: 1

**2009 SENATE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO.**

2154

Senate Government and Veterans Affairs Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken More Amendments

Motion Made By Nelson Seconded By Cook

Senators	Yes	No	Senators	Yes	No
Dick Dever	X		Dwight Cook	X	
Dave Oehke	X		Carolyn Nelson	X	
Robert M. Home	X				

Total Yes 5 No 6

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

Date: 2-3-09  
Roll Call Vote #: 2

215A  
Carried

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO.

Senate Government and Veterans Affairs Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken to Pass as Amended w/ Re Referral

Motion Made By Cool Seconded By Nelson

Senators	Yes	No	Senators	Yes	No
Dick Dever	X		Dwight Cook	X	
Dave Oehike	X		Carolyn Nelson	X	
Robert M. Home	X				

Total Yes 5 No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

**REPORT OF STANDING COMMITTEE**

**SB 2154: 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** (5 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2154 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

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Renumber accordingly

2009 SENATE APPROPRIATIONS

SB 2154

## 2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2154

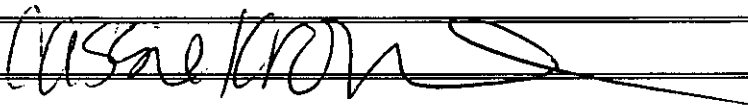
Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: February 12, 2009

Recorder Job Number: 9366

Committee Clerk Signature



Minutes:

**Chairman Holmberg** called the committee hearing to order on SB 2154 relating to the retiree health benefits fund. Roll call was taken. All committee members were present.

**Sparb Collins**, Executive Director of the North Dakota Public Employees Retirement System (PERS), testified in support of the bill. See attached testimony, attachment #1.

**Sen. Seymour**- if we were to have the higher education faculty included into this benefit, what would be the procedure to get that done?

**Sparb**- the legislature has set out a procedure that benefits improvements and are to be submitted to interim legislature benefit committee by April 1<sup>st</sup> prior to the beginning of the next legislative session. At that bill goes to the committee and the committee then conducts hearings on it and at the same time refers it off to the actuaries and then the actuaries do a detailed study to determine what the cost will be, they determine what implications there are to the expansion to a program like this. They also review technical requirements to make sure we are hearing any federal provisions that are required, cause since there is a pretax there are certain implications there and then that committee makes their determinations in October or November and forwards a report to you during the legislative session. The average benefit that we paid out was \$98.00 a month to 3922 members. This amount is included in the governors' executive recommendation.

**Sen. Krebsbach-** this isn't something that we tried to do last time is it?

**Sparb-** last time it was submitted and recommended in the governor's budget it did pass in the senate it didn't pass the house by 4 votes.

**Sen. Krebsbach-** the last page of your testimony you mentioned a technical amendment and I don't see an engrossed bill?

**Sparb-** there was an amendment offered in GVA, there is a first engrossment bill, the amendment was just a technical amendment.

**Sen. Mathern-** Does this apply to all state employees?

**Sparb-** it applies to all employees in the retirement system, that is basically all state employees with some exceptions.

**Kathleen Dwyer,** Retired State Employee, testified in favor of the bill. See attached testimony, attachment #2.

**Cathy McDonald,** ND University System, testified in favor of the bill. See attached testimony, attachment #3.

**Sen. Mathern-** How could this be forgotten, why didn't higher ed put this in their budget?

**Cathy-** as you might recall from the testimony that we did on the higher edge budget, what we built into the budget was an amount for parity. When we were preparing those calculations to include those we worked with some people but we did not think to talk with people about retirement benefits.

**Sen. Mathern-** Don't you communicate with the other agencies?

**Cathy-** OMB might be able to answer that better. I know that it was built into the pay plan, which higher ed doesn't cause of the way that they budget.

**Chairman Sen. Holmberg-** you also have to remember that the differences of budgeting, last session we really wrestled with the issue of pay raises for extension service and experiment

station and we got that resolved and now the budget came in that did reflect those kind of things, in the past those areas of higher ed had to find the money for salary increases.

**V. Chair Sen. Bowman-** is this kind of a common practice in other retirement where they come in and increase the benefit package after they retire or is it only in certain companies?

**Sparb-** There is no clear model of this, there are ones where there are not increases. There are retirement plans that have what is called automated cost living adjustments, kind of like social security, you would retire with a certain benefit and each year based upon some sort of outside index whether it is the CPI or some other thing that continues to rise you are guaranteed that as part of your benefit. In ND we don't have that type of provision in our plans, what we have is what is called add hawk adjustments, it is not automatic. Those kind of adjustments have to be submitted, considered and approved by the right authority.

**Chairman Sen. Holmberg-** This adjustment is for those active in system and not people that have already retired.

**Sparb-** this adjustment would apply to all members, if you are one of the retired your benefit will go up, if you are one of the active and future retirees your benefit will be calculated at that higher level as well.

**Chair Sen. Holmberg-** but this doesn't fall under that restriction that we have that if we were to access the active employees, the active employees would have to get the benefit we couldn't take that benefit and give it to people who are retired.

**Sparb-** no it doesn't fall under that restriction, that restriction applies to employee contributions since this is on the employer contributions side of the equation it is my understanding that wouldn't comply.

**Sen. Krebsbach-** I think it would help the committee to know the history on this, when was it last adjusted?



**Sparb-** the retiring health program was started in 1989 and the last time this benefit was adjusted was I believe in 1983 and so it has been 15 years or more. You can imagine how much health insurance premiums have increased since then.

Chairman **Sen. Holmberg-** This bill passed the senate 2 years ago with 45 yea 0 nay.

**Sen. Robinson** motioned for a do pass and was seconded by **Sen. Wardner**, roll call vote 12 yea, 0 nay, 2 absent.

**Chairman Sen. Holmberg** closed the hearing.

Date: 2-12-09  
Roll Call Vote #:

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2154

Senate \_\_\_\_\_ Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken  Do Pass  Do Not Pass  Amended

Motion Made By Sen Robinson Seconded By Sen. Wardner

Representatives	Yes	No	Representatives	Yes	No
Senator Fischer	✓		Senator Warner	✓	
Senator Christmann A			Senator Robinson	✓	
Senator Krebsbach	✓		Senator Krauter	✓	
Senator Bowman	✓		Senator Lindaas	✓	
Senator Kilzer	✓		Senator Mathern	✓	
Senator Grindberg	✓		Senator Seymour	✓	
Senator Wardner	✓				
Chairman Holmberg	✓				

Total Yes ~~13~~ 13 No 0

Absent ~~1~~ 1

Floor Assignment SVA

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

Cook

**REPORT OF STANDING COMMITTEE (410)**  
February 12, 2009 11:56 a.m.

**Module No: SR-28-2507**  
**Carrier: Cook**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**SB 2154, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman)**  
recommends **DO PASS** (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING).  
Engrossed SB 2154 was placed on the Eleventh order on the calendar.

2009 HOUSE GOVERNMENT AND VETERANS AFFAIRS

SB 2154

## 2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. Senate Bill 2154

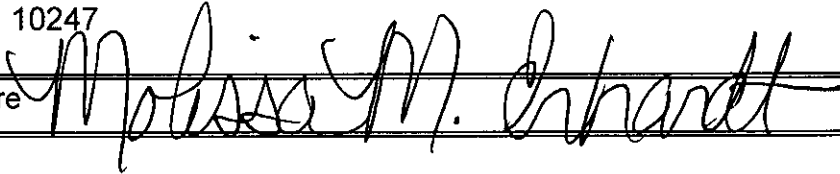
House Government and Veterans Affairs Committee

Check here for Conference Committee

Hearing Date: 3/5/2009

Recorder Job Number: 10247

Committee Clerk Signature



Minutes:

**Chairman Grande:** Open the hearing on SB 2154. Clerk read the title.

**Sparb Collins, Executive Director of the ND Public Employees Retirement**

**System: (PERS):** Testimony. See Attachment # 1.

**Chairman Grande:** Are the counties, cities, and school districts ready for this since you did this in the interim they are aware of it?

**Sparb Collins:** Yes and since they would be participating in the PERS program they would be subject to this.

**Rep. Kasper:** We are in the downturn in the economy, not only nationwide but it's beginning to occur in ND. We have had traditionally over the years the employee's health insurance and retirement is fully paid for by the State. Now we also have this benefit which I don't know if any private employer in the State of ND who has this benefit, there may be some of the larger ones like MDU or somebody that might, but I don't know of anybody and yet we keep on coming back and asking the Legislature to give more when the private sector is having to

do with less. Have you ever thought about maybe asking the employees to begin to contribute out of their pocket three or four dollars a month, if they gave four dollars a month it would double their benefit. Has that ever been talked about by PERS or discussion with employee representatives of the State employees?

**Sparb Collins:** On the retiree health credit program I can't say we specifically discussed that. But as you know on the health insurance planning, general, over the years we have, while it is employer paid, the employer is paying the premium. We have been passing back the increasing deductibles, co-insurances, and co-payments. Even this biennium, with the increase, as significant as it is, that is

25%. One of the things that's happening in the health insurance plan is the EPO program is going to be eliminated. That means that the EPO program had a \$200 deductible, now we will be remaining with the PTO and the basic plan and those will have \$400 deductibles and so I can't say that we have spoken about it directly on this program but we have in terms of health insurance talked about those things in terms of deductibles, co-insurances, and co-payments.

**Rep. Wolf:** With the number of benefits paid that you mention on Page 3 of your testimony to only 3922 members that is not all retired State Employees; how does somebody participate in this? Can you tell me the history of who these people are or how do they get to be these people?

**Sparb Collins:** Certainly. When someone retires underneath the PERS system and starts to draw a retirement (can't understand) they are eligible to participate in this program and they make that decision by electing the PERS health insurance coverage. So if they retire and they say they are going to take PERS health insurance then they get this coverage. We do have people that retire and they may end up having a spouse who is continuing to work and they continue to have their health insurance through the spouse's employer. They may not take our health insurance right away. That may be one reason why they are not part of this program. There may be other reasons they may just have some other type of coverage. Also, since the credit is based upon the years of service, PERS has a quite a range in the years of service when people retire, some people who have maybe six years of service when they retire this credit isn't as much for them they may elect to go with some other type of vehicle for their coverage.

**Chairman Grande:** Any other questions from the committee? Favor of?

**Kathleen Dwyer, Retired State Employee:** Testimony. See Attachment # 2.

**Chairman Grande:** Any questions? Favor of?

**Dave Zentner, Retired State Employee and Member of the Association For**

**Public Employees, Past President and Board Member:** Testimony. See

Attachment # 3.

**Chairman Grande:** Questions for Mr. Zentner?

**Rep. Kasper:** I will ask you the same question I asked Sparb. In your position on the board of Association for Public Employees do you ever talk about maybe trying to set up a situation where you could voluntarily pay into your own benefit up to three or four dollars a month. Because everyone is aware that this is coming someday for everybody we are all going to retire unless we are dead. Isn't it about time where some of the employees say we should be a little bit responsible for ourselves?

**Dave Zentner:** Of course, I am retired now so I am paying 150% of the premium, I would hate to think I would state for the current employees association as to what they might want to do.

**Chairman Grande:** Any other questions? Favor? Favor? Opposition? Opposition? Opposition? Closing the hearing on SB 2154.



## 2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. Committee Work One SB 2154

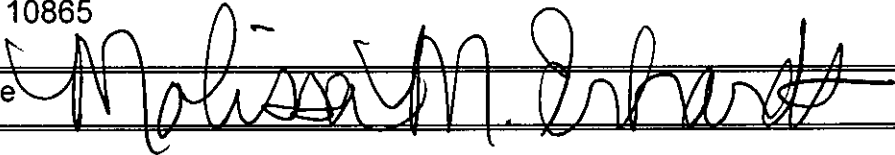
House Government and Veterans Affairs Committee

Check here for Conference Committee

Hearing Date: 3/12/2009

Recorder Job Number: 10865

Committee Clerk Signature



Minutes:

### COMMITTEE WORK ONE:

**Chairman Grande:** We will discuss SB 2154. This would be the increase on the health credit.

**Rep. Kasper:** This is the one that I think I talked about on why didn't the employees consider adding some of their own payroll deduction dollars to increase their own health retirement benefit. Of course that was never thought about because nobody around here ever thinks about using your own money it is always the tax payers money we are supposed to use. So the Government which is us, and the taxpayers of our State get to keep on paying and everybody gets more benefits and it is still never enough. So I am going to move a Do Not Pass on 2154.

**Vice Chairman Randy Boehning:** 2<sup>nd</sup>.

**Chairman Grande:** We have a Do Not Pass motion by Rep. Kasper and a 2<sup>nd</sup> by Rep. Boehning. Any discussion? Clerk will call the roll on a Do Not Pass motion.

**Clerk Erhardt:** Roll Call. Yes: 5. No: 8. Absent: 0.

**Chairman Grande:** Do Not Pass motion fails, do I have a motion?

**Rep. Wolf:** Move for a Do Pass Motion with re-referral to appropriations.

**Rep. Meier:** 2<sup>nd</sup>.

**Chairman Grande:** We have a Do Pass Motion with re-referral to appropriations, 2<sup>nd</sup> by Rep. Meier. Any discussion? Clerk will call the roll?

**Clerk Erhardt:** Yes: 9. No: 4. Absent: 0. Carrier: Rep. Karls.

Date: 3/17/19

Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 4154

House Government and Veterans Affairs Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken  Do Pass  Do Not Pass  Amended

Motion Made By \_\_\_\_\_ Seconded By \_\_\_\_\_

Representatives	Yes	No	Representatives	Yes	No
Chairman Grande	✓		Rep. Amerman		✓
Vice Chairman Boehning	✓		Rep. Conklin		✓
Rep. Dahl	✓		Rep. Schneider		✓
Rep. Froseth	✓		Rep. Winrich		✓
Rep. Karls		✓	Rep. Wolf		✓
Rep. Kasper	✓				
Rep. Meier		✓			
Rep. Nathe		✓			

Total (Yes) 5 No 8

Absent 0

Floor Assignment \_\_\_\_\_

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

Date: 3/12/19

Roll Call Vote #: 2

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2154

House Government and Veterans Affairs Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken  Do Pass  Do Not Pass  Amended

Motion Made By W.H. Seconded By Meier

Representatives	Yes	No	Representatives	Yes	No
Chairman Grande		✓	Rep. Amerman	✓	
Vice Chairman Boehning		✓	Rep. Conklin	✓	
Rep. Dahl	✓		Rep. Schneider	✓	
Rep. Froseth		✓	Rep. Winrich	✓	
Rep. Karls	✓		Rep. Wolf	✓	
Rep. Kasper	✓				
Rep. Meier	✓				
Rep. Nathe	✓				

Total (Yes) 9 No 4

Absent 0

Floor Assignment Rep. Karls

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

Re-refer to Appropriations.

**REPORT OF STANDING COMMITTEE**

SB 2154, as engrossed: **Government and Veterans Affairs Committee (Rep. Grande, Chairman)** recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (9 YEAS, 4 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2154 was rereferred to the **Appropriations Committee**.

2009 HOUSE APPROPRIATIONS

SB 2154

## 2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2154

House Appropriations Committee

Check here for Conference Committee

Hearing Date: March 23, 2009

Recorder Job Number: 11447

Committee Clerk Signature

*Carmen Hart*

Minutes:

Rep. Karen Karls, District 35, approached the podium to explain SB 2154. This bill proposes to increase the PERS retiree health credit from \$4.50 per year to \$5.00 per year of credited service. This is paid for with a .14% increase in the employer contribution. The fiscal impact is \$582,000 to the general fund and \$824,000 to other funds which I understand are federal.

There also is some fiscal impact to the counties, cities, and school districts. The '89 legislature started the retiree health credit program to help retirees pay the cost of health insurance. The dilemma is the retiree health credit has diminished in value over the years in terms of offsetting the escalating costs of health insurance. Provisions of this bill have been reviewed by the actuary for the legislative employee benefits committee and found it to be actuarially sound. It was given a favorable recommendation by the interim legislative employee benefits committee. This proposal is part of the Governor's executive budget.

Chm. Svedjan: What does this do for the insured? Does it increase their benefit or reduce their premium?

Rep. Karls: I believe it is used to offset their premium. It would be \$5 per month times years of service.

Chm. Svedjan: You referenced the increased cost of healthcare. I interpreted that to mean the services that are provided rather than the premiums that they are paying.

Rep. Karls: I probably should have said the increasing cost of health insurance.

Rep. Bellew: Do you know if the state picks up this entire cost right now?

Rep. Karls: It's the employer's cost.

Rep. Bellew: Which is the state taxpayers?

Rep. Karls: Right.

Rep. Berg: I was just wondering what the premiums have changed over the last few years?

Rep. Karls: We were given a chart that shows the non-Medicare single contract holder spends 25 percent on their health insurance. The Medicare family contract holder spends about 28% of their benefit on health insurance.

Rep. Berg: Did you have the actual health insurance cost?

Rep. Karls: I do. It is all on a graph. A non-Medicare single monthly premium is \$363. It breaks it down into six categories. They can go up to the non-Medicare family of three plus for \$1,166 per month.

Rep. Berg: How has that increased over the last two years?

Rep. Karls: I don't have that.

Sparb Collins, PERS: (5:46) The question is the cost of the increase in the health insurance premiums. The non-Medicare family premium for two or more runs about \$946 less the retiree health credit that is applied to it. In 2006 it was \$781. The Medicare family premium in 2006 was \$329. In 2009, it is \$425.58 less the retiree health credit.

Rep. Wald: Can you give us an average?

Collins: The average number of years of service at retirement is 20. Take \$4.50 or \$5 x 20 years is \$100 credit on average.

Chm. Svedjan: When you talk about non-Medicare you are talking about those who have retired pre-Medicare age.



Collins: Yes, before age 65. The pre-Medicare retiree rates will be going up 25% this next biennium. The Medicare retiree rates will be going up on an average about 4.8%. This \$4.50 has stayed the same since 1993. The cost of the health insurance premiums have gone up since 1993.

Chm. Svedjan: For the Medicare age person the policy is a supplemental policy?

Collins: It's changing to a policy that has benefits similar to Plan F supplement.

Chm. Svedjan: Is that coverage primary and Medicare is secondary?

Collins: No. This coverage will be secondary. When you are on Medicare, Medicare will be primary. This coverage will be secondary.

Rep. Wald: If it's Plan F, it is designed to cover deductibles, co pays, and the things that Medicare did not pay. It is like a regular Medicare supplement, except it is part of the state program.

Collins: That's what it will be starting this next biennium. This biennium it is what is called a carve out plan, but it is transitioning to that. That is correct.

Rep. Skarphol: How many retirees do we have?

Collins: Approximately 6,000. The number on this plan and get the credit is a smaller amount – 3,922. The average paid to the retirees was \$98.

Rep. Skarphol: Could someone retire in one area of state government, retire from that, go to work in another area of state government and get a second benefit on full retirement?

Collins: PERS administers several plans. That's an individual trust. If you are in that particular trust and you retire and come back to work for the state, your benefit would be suspended. You can't be a contributing member and a collecting member at the same time.

There are about 18,000 people under the PERS retirement. PERS also administers other systems that are not part of the PERS trust. For example, we administer the Highway Patrol

retirement system, a separate trust. If you retire from one of those systems you could be reenrolled in the PERS trust. In those limited circumstances, it is possible.

Rep. Wald: Is BCBS the only qualified carrier?

Collins: Yes, for the health insurance.

Rep. Martinson: Is the health benefit plan part of the retirement PERS program? It is not a separate fund?

Collins: The retiree health credit is a separate fund, but the benefit is tied to the retirement plan. It's the years of service in the retirement plan that apply to the retiree health credit.

Rep. Martinson: How do we fund that now?

Collins: It's a 1 percent employer contribution. You may remember back in 1989 when this program was established, the contribution to the PERS retirement system was 9.12%. At that time 1% of the 9.12% retirement contribution was reallocated to creating this program. Now the retirement contribution is 8.12% and the contribution going into this is 1%. This bill would increase it to 1.14%.

Rep. Martinson: Is it correct to assume that because of the stock market problems and your fund down millions of dollars that we won't probably have any increase in state employees' retirement benefits for quite some time unless we raise that multiplier?

Collins: Yes. There probably won't be any increase that the fund can support to pay for. The only way that an increase will occur is unless contributions are increased or if we end up having a strong return to the markets.

Rep. Martinson: I assume that your Board has made the decision into providing the health benefit to retired employees rather than put that extra money into the fund to build it up or to increase retirement funds for current state employees?

Collins: This bill was considered in March 2008. Their PERS board would have presented this a year ago December. We recognized at that time that the only way this benefit could be increased would be through additional contributions to pay for that.

Rep. Skarphol: Is the contribution by the employer the same for someone who has a defined contributions plan versus the defined benefit plan?

Collins: Yes. This benefit applies across all PERS members.

Rep. Berg: How is this bill different than the bill introduced last year?

Collins: It's basically the same. I think last time it was .15. It is .14 this time.

Chm Svedjan: What was the level of support from the Political Subdivisions?

Rep. Karls: There was no opposition to this on the House side. I did look up the testimony on the Senate side. Bev Nielson from the School Boards' Association had a limited problem with it, but they realize it isn't a large amount.

Rep. Kroeber moved a Do Pass. Rep. Klein seconded the motion.

11 YEAS, 12 NAYS, 2 ABSENT AND NOT VOTING. MOTION FAILS.

Rep. Kempenich moved a Do Pass as Amended. Rep. Skarphol seconded the motion.

**DO NOT PASS. 13 YEAS, 10 NAYS, 2 ABSENT AND NOT VOTING. Rep. Kempenich is the carrier of this bill.**

Date: 3/23/09  
 Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
 BILL/RESOLUTION NO. 2154

Full House Appropriations Committee

Conference Committee

Legislative Council amendment Number \_\_\_\_\_

*Failed*

Action Taken:  Do Pass  Do Not Pass  As Amended

Motion Made By: Rouben Seconded By: Klein

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan		✓			
Vice Chairman Kempenich		✓			
Rep. Skarphol		✓	Rep. Kroeber	✓	
Rep. Wald		✓	Rep. Onstad	✓	
Rep. Hawken	✓		Rep. Williams	✓	
Rep. Klein	✓				
Rep. Martinson		✓			
Rep. Delzer		✓	Rep. Glassheim	✓	
Rep. Thoreson		✓	Rep. Kaldor	✓	
Rep. Berg		✓	Rep. Meyer	✓	
Rep. Dosch	✓				
Rep. Pollert		✓	Rep. Ekstrom	✓	
Rep. Bellew		✓	Rep. Kerzman	✓	
Rep. Kreidt		✓	Rep. Metcalf	✓	
Rep. Nelson	✓				
Rep. Wieland		✓			

Total Yes 11 No 12

Absent 2

Floor Assignment: \_\_\_\_\_

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

Date: 3/23/09  
 Roll Call Vote #: 2

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
 BILL/RESOLUTION NO. 2154

**Full House Appropriations Committee**

Conference Committee

Legislative Council amendment Number \_\_\_\_\_

Action Taken:  Do Pass  Do Not Pass  As Amended

Motion Made By: Kempenich Seconded By: Skarphol

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan	✓				
Vice Chairman Kempenich	✓				
Rep. Skarphol	✓		Rep. Kroeber		✓
Rep. Wald	✓		Rep. Onstad		✓
Rep. Hawken		✓	Rep. Williams		✓
Rep. Klein	✓				
Rep. Martinson	✓				
Rep. Delzer	✓		Rep. Glassheim		✓
Rep. Thoreson	✓		Rep. Kaldor		✓
Rep. Berg	✓		Rep. Meyer		✓
Rep. Dosch		✓			
Rep. Pollert	✓		Rep. Ekstrom		
Rep. Bellew	✓		Rep. Kerzman		✓
Rep. Kreidt	✓		Rep. Metcalf		✓
Rep. Nelson	✓				
Rep. Wieland	✓				

Total Yes 13 No 10

Absent 2

Floor Assignment: Rep. Kempenich

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

**REPORT OF STANDING COMMITTEE (410)**  
March 24, 2009 2:47 p.m.

**Module No: HR-52-5715**  
**Carrier: Kempenich**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**SB 2154, as engrossed: Appropriations Committee (Rep. Svedjan, Chairman)**  
recommends **DO NOT PASS** (13 YEAS, 10 NAYS, 2 ABSENT AND NOT VOTING).  
Engrossed SB 2154 was placed on the Fourteenth order on the calendar.

2009 TESTIMONY

SB 2154

**Testimony of  
Sparb Collins  
On  
Senate Bill 2154**

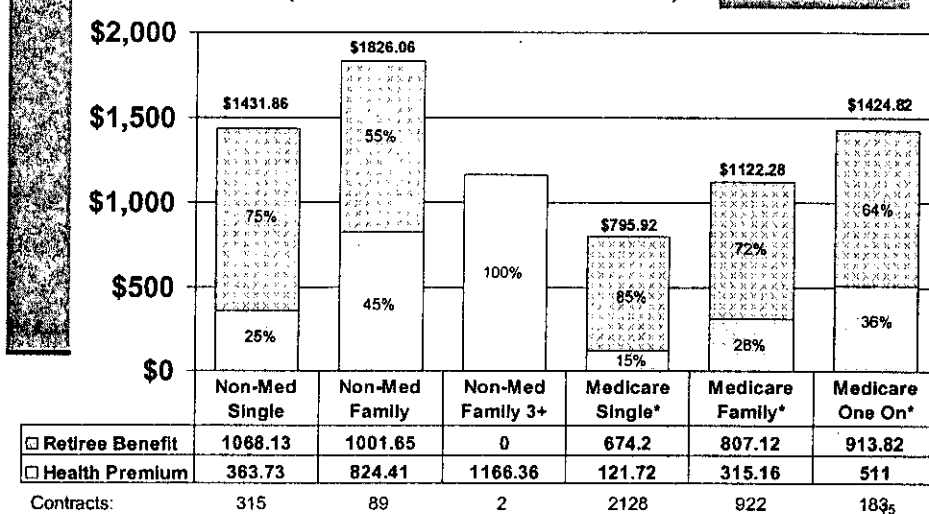
Mr. Chairman, members of the committee, good morning. My name is Sparb Collins and I am Executive Director of the North Dakota Public Employees Retirement System or PERS. I appear before you today on behalf of the PERS Board and in support of this bill.

SB 2154 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 1.14% of monthly salary. There are also corresponding contribution rate increases for both nonteaching employees of the superintendent of public instruction and employees of the state board for career and technical education, with higher contribution rates for these two groups for a specified period that are intended to fund past service.
- 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 following table shows the effect of health insurance costs on the average benefit.



**NDPERS Retirees with Health Credit**  
**2007 Average Health Premium & Remaining Benefit**  
 (Excludes COBRA Retirees)



\* - Medicare contracts must pay \$93.50 per person for Medicare coverage.

The non-Medicare single contract holder spends approximately 25% of their benefit on health insurance. Similarly the Medicare family contract holder spends about 28% of their benefit on health insurance. The health credit was designed to help with these costs and presently provides the following benefit to PERS retirees:

**BENEFIT FORMULA:**

***\$4.50 for each year of credited service***

**Example: \$4.50 x 25 = \$112.50**

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

**BENEFITS PAID**

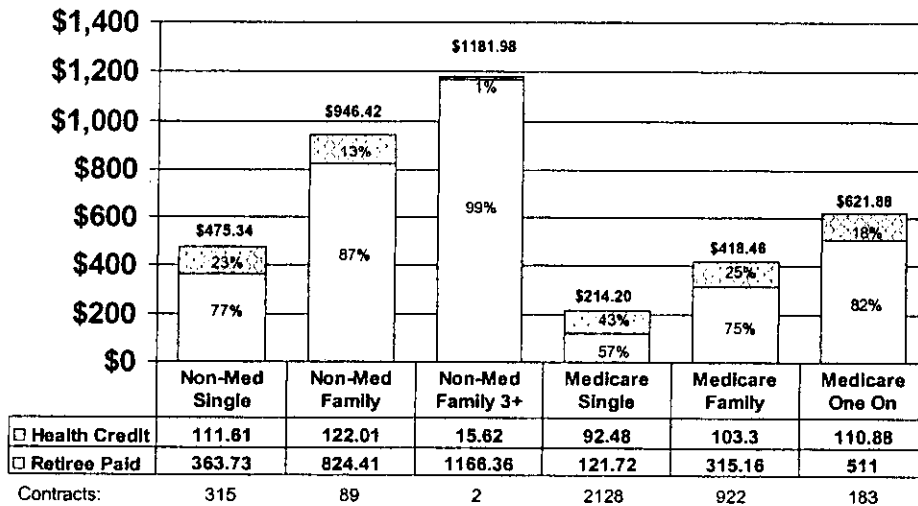
**Avg benefit - \$98 per month to 3,922 members**

As applied to the member's health insurance premium:

# NDPERS Retiree Health Credit

2007 Average Premiums & Health Credit

(Excludes COBRA Retirees)



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 because the credit has remained fairly constant over time but the cost of insurance continues to escalate resulting in the out pocket expense to our retirees growing 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 offset by the retiree health credit over time for an employee with 20 years of service:

20 Year Employee

Year	Credit	Credit with 20 Years of Service	NonMedicare Family Premium	%	Medicare Family Premium	%
1989	\$3.00	\$60.00	\$360.07	17%	\$190.50	31%
1991	\$4.00	\$80.00	\$321.00	25%	\$230.00	35%
1993	\$4.50	\$90.00	\$368.00	24%	\$230.00	39%
1995	\$4.50	\$90.00	\$390.00	23%	\$239.00	38%
1997	\$4.50	\$90.00	\$438.48	21%	\$264.98	34%
1999	\$4.50	\$90.00	\$500.38	18%	\$308.62	29%
2001	\$4.50	\$90.00	\$570.00	16%	\$339.30	27%
2003	\$4.50	\$90.00	\$702.47	13%	\$415.18	22%
2005	\$4.50	\$90.00	\$781.86	12%	\$427.24	21%
2006	\$4.50	\$90.00	\$781.86	12%	\$329.24	27%
2007	\$4.50	\$90.00	\$946.42	10%	\$418.46	22%
2008	\$4.50	\$90.00	\$946.42	10%	\$410.98	22%
2009	\$4.50	\$90.00	\$946.42	8%	\$425.58	21%

As noted above, when the program started, the credit offset was approximately 31% of the Medicare family premium. As the credit was increased in the early 1990's it offset as much as 39% of the premium. Today, it is around 22%. For the non-Medicare 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 .14% to pay for the increase in benefits in section 2. You will note this has a fiscal impact as identified in the fiscal note which shows the following:

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.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$582,172	\$824,720	\$582,172	\$824,720
Appropriations			\$582,172	\$824,720	\$582,172	\$824,720

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

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
			\$311,000	\$74,000	\$254,000	\$311,000	\$74,000	\$254,000

Concerning the appropriations, please note this proposal was part of the Governor's 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 a favorable recommendation.

Mr. Chairman I would also like to offer a technical amendment to the bill. As we did our final review of this proposal, 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. 2154

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



Senate Government and Veterans Affairs Committee  
Senator Dick Dever, Chair  
January 16, 2009


Chairman Dever and members of the committee, my name is Kathleen Dwyer and I am a retired state employee. I am here today to ask your support for S.B. 2154 which would increase the PERS retiree health credit from \$4.50 per year of service to \$5.00.



This bill would provide some relief to retired state employees with our medical costs. Just this month, our pension checks went down about \$7.00 a month because of an increase in what we pay for our PERS medicare supplement insurance plan. At the same time, prescription drugs continue to increase in price, while our medicare prescription coverage for drugs decreases.

Retired state employees would be so grateful to you for your support of this bill. Please send this bill out of committee with a “do pass” recommendation and support it when it comes before the full Senate for a vote.

Thank you for giving me the opportunity to appear in support of S.B. 2154



**EMPLOYEE BENEFITS PROGRAMS COMMITTEE  
REPORT TO THE 61ST LEGISLATIVE ASSEMBLY  
REGARDING PROPOSED SENATE BILL NO. 2154**

**Date:** October 21, 2008

**Sponsor:** PERS Retirement Board

**Proposal:** Increases the required monthly contribution to the retiree health benefits fund from 1.00 percent of monthly salary to 1.15 percent of monthly salary and increases the monthly retiree health credit from \$4.50 per year of credited services to \$5 per year of credited service. The committee amended the proposal at the request of the sponsor to reduce the required monthly contribution from 1.15 percent to 1.14 percent.

**Actuarial Analysis:** The consulting actuary calculated the additional contribution of .14 percent of salary will be sufficient to offset the cost of the additional monthly benefit of 50 cents per year of credited service.

**Committee Report:** Favorable recommendation.



**Testimony of  
Sparb Collins  
On  
First Engrossment of Senate Bill 2154**

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 2154 would make the following important changes:

- Section 3 increases the required monthly contribution to the Retiree Health Benefit Fund by .14% of monthly salary.
- Section 4 increases the monthly retiree health credit from \$4.50 per year of credited service to \$5.00 per year of credited service.

I have attached for your information my testimony before the Government and Veterans Affairs Committee that goes into more detail concerning the need for this increase. I would be happy to discuss that detail if you would like. However, generally the health credit was designed to help retirees pay their health insurance premiums in retirement. The benefit is calculated as follows:

**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 - \$98 per month to 3,922 members**

This benefit is paid for by employer contributions to the retiree health fund. Presently the contribution is 1% of salary. The cost of increasing this benefit means that employer contributions need to increase from 1% to 1.14%. This amount is determined by an actuary. The dollar cost of this increase in contributions is estimated to be:

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.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$582,172	\$824,720	\$582,172	\$824,720
Appropriations			\$582,172	\$824,720	\$582,172	\$824,720

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

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
			\$311,000	\$74,000	\$254,000	\$311,000	\$74,000	\$254,000

This amount is included in the Governors executive recommendation and therefore built into the salaries line item of agency budgets so they can pay the increased contributions.

The bill was reviewed by the interim Legislative Employee Benefits Committee and given a favorable recommendation. Mr. Chairman, members of the committee, this concludes my testimony and thank you for your consideration of this important provision.

Senate Appropriations Committee  
Senator Ray Holmberg, Chair  
February 12, 2009

Mr. Chairman and members of the committee, my name is Kathleen Dwyer and I am a retired state employee. I am here today to ask your support for S.B. 2154 which would increase the PERS retiree health credit from \$4.50 per year of service to \$5.00.

This bill would provide some relief to retired state employees with our medical costs. Just last month, our pension checks went down about \$7.00 a month because of an increase in what we pay for our PERS medicare supplement insurance plan. At the same time, prescription drugs continue to increase in price, while our medicare prescription coverage for drugs decreases.

Since the 2% increase to our monthly pension checks and the possible 13<sup>th</sup> month payment were amended out of H.B. 1121 and passed the House as amended, this fifty cent increase becomes even more important to us. Retired state employees are a group that generally has less of an ability to supplement their income than others. Most are on fixed incomes.

Retired state employees would be so grateful to you for your support of this bill. We need this increase badly. Please send this bill out of committee with a "do pass" recommendation and support it when it comes before the full Senate for a vote.

Thank you for giving me the opportunity to appear in support of S.B. 2154.

**SB2154-North Dakota University System  
Senate Appropriations Committee, February 12, 2009 – Cathy McDonald**

SB2154 provides an increase in state employer contributions from 1 to 1.14% of salary to fund an increase in the retiree health care credit from \$4.50 to \$5.00 for PERS defined benefit plan participants. The NDUS has about 2,700 employees who participate in this PERS plan, including all of our crafts/trades, office support and services staff. Funding for this change was included in the 2009-11 executive budget recommendation for all state agencies, with the exception of the budgets of the eleven public colleges and universities, the UND School of Medicine and Health Sciences, the State Forest Service and the ND University System Office, due to the differences in budgeting practices. The additional general fund cost for these entities would be almost \$73,000 as follows:

BSC	\$3,470
LRSC	\$1,570
WSC	\$1,061
UND	\$21,300
UND SOMHS	\$4,469
NDSU	\$19,437
NDSCS	\$6,530
DSU	\$3,602
MaSU	\$1,321
MiSU	\$4,530
VCSU	\$2,308
MISU-BC	\$1,072
Forest Service	\$1,003
NDUS Office	\$1,265
TOTAL	\$72,938

If the bill is adopted, without the added funding, the NDUS campuses would be left with an unfunded mandate, and would be forced to reallocate funds from other areas to cover the cost, while all other state agencies would receive additional new funding to cover the added cost.

Thank you and I would be happy to answer any questions.

Attachment  
#1

**Testimony of  
Sparb Collins  
On  
Senate Bill 2154**

**Before the House Government  
and Veterans Affairs Committee**

Madam 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 2154 would make the following important changes:

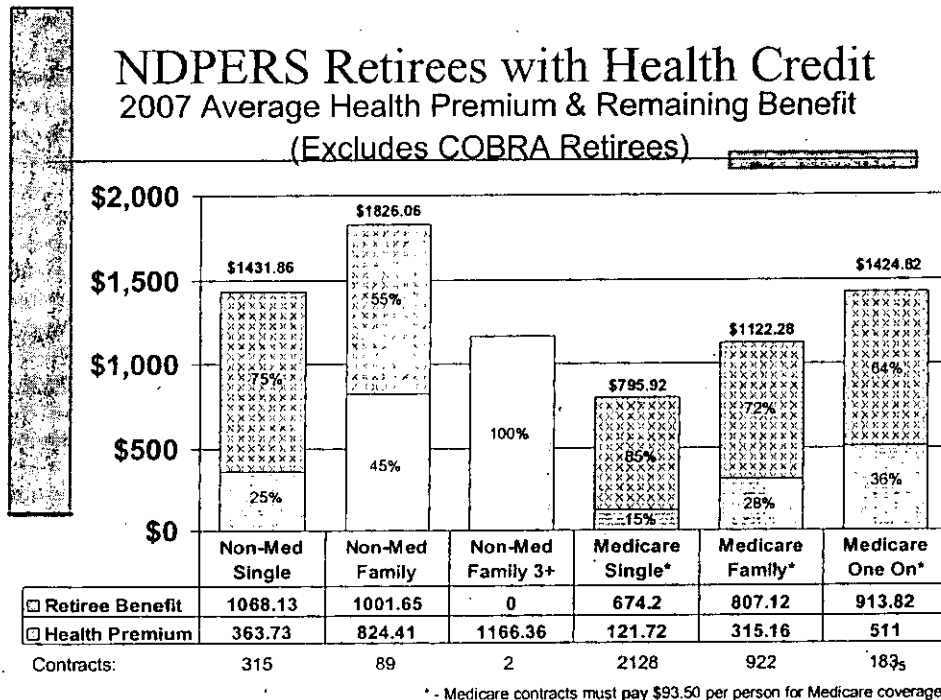
- Section 1, 2 and 3 increase the required monthly contribution to the Retiree Health Benefit Fund by .14% of monthly salary. Section 1 increases the contribution for temporary employees who elect to participate in PERS. Section 2 increases the contribution for those who elect to purchase unused sick leave at termination of employment. Section 3 increases the employer contribution rate for ongoing participation. Presently the program is funded by a 1% employer contribution this section would increase that to 1.14%. There are also corresponding contribution rate increases for both nonteaching employees of the superintendent of public instruction and employees of the state board for career and technical education. These employers have a higher contribution rate due to legislation passed in previous sessions making special arrangements for them to participate.

You will note that sections 1 and 2 were added to the bill in the Senate. These additions were technical in nature and were to insure that the

contribution increase applied to temporary employees and sick leave purchases.

- Section 4 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. The following table shows the effect of health insurance costs on the average benefit.



The non-Medicare single contract holder spends approximately 25% of their benefit on health insurance. Similarly the Medicare family contract holder spends about 28% of their benefit on health insurance. The health credit was designed to help with these costs and presently provides the following benefit to PERS retirees:

**BENEFIT FORMULA:**

*\$4.50 for each year of credited service*

**Example: \$4.50 x 25 = \$112.50**

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

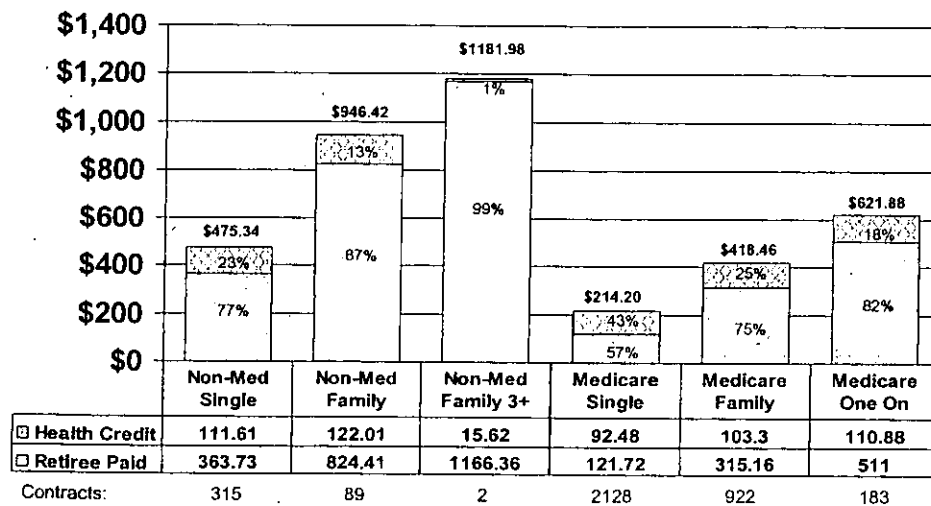
**BENEFITS PAID**

**Avg benefit - \$98 per month to 3,922 members**

As applied to the member's health insurance premium:

**NDPERS Retiree Health Credit**

2007 Average Premiums & Health Credit  
(Excludes COBRA Retirees)



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 because the credit has remained fairly constant over time but the cost of insurance continues to escalate resulting in the out pocket expense to our retirees growing 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 offset by the retiree health credit over time for an employee with 25 years of service:

20 Year Employee

Year	Credit	Credit with 20 Years of Service	NonMedicare Family Premium	%	Medicare Family Premium	%
1989	\$3.00	\$60.00	\$360.07	17%	\$190.50	31%
1991	\$4.00	\$80.00	\$321.00	25%	\$230.00	35%
1993	\$4.50	\$90.00	\$368.00	24%	\$230.00	39%
1995	\$4.50	\$90.00	\$390.00	23%	\$239.00	38%
1997	\$4.50	\$90.00	\$438.48	21%	\$264.98	34%
1999	\$4.50	\$90.00	\$500.38	18%	\$308.62	29%
2001	\$4.50	\$90.00	\$570.00	16%	\$339.30	27%
2003	\$4.50	\$90.00	\$702.47	13%	\$415.18	22%
2005	\$4.50	\$90.00	\$781.86	12%	\$427.24	21%
2006	\$4.50	\$90.00	\$781.86	12%	\$329.24	27%
2007	\$4.50	\$90.00	\$946.42	10%	\$418.46	22%
2008	\$4.50	\$90.00	\$946.42	10%	\$410.98	22%
2009	\$4.50	\$90.00	\$946.42	8%	\$425.58	21%

As noted above, when the program started, the credit offset was approximately 31% of the Medicare family premium. As the credit was increased in the early 1990's it offset as much as 39% of the premium. Today, it is around 22%. For the non-Medicare 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.

You will note this has a fiscal impact as identified in the fiscal note which shows the following:



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.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$582,172	\$824,720	\$582,172	\$824,720
Appropriations			\$582,172	\$824,720	\$582,172	\$824,720

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

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
			\$311,000	\$74,000	\$254,000	\$311,000	\$74,000	\$254,000

Concerning the appropriations, please note this proposal was part of the Governor's executive budget recommendation and is included in the budget that was submitted.

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 a favorable recommendation.

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

House Government and Veterans' Affairs Committee  
Repr. Betty Grande, Chairman  
March 5, 2009  
Testimony of Kathleen Dwyer on SB 2154

Madam Chair and members of the Committee, my name is Kathleen Dwyer and I am a retired state employee. I am here today to ask for your support of this bill (SB 2154) to increase the PERS retiree health credit from \$4.50 per year of service to \$5.00.

This bill would provide some relief to retired state employees with our medical costs. In January of this year, our pension checks went down about \$7.00 a month because of an increase in what we pay for our PERS Medicare supplement insurance plan. At the same time, prescription drugs continue to increase in price, while our Medicare prescription coverage for drugs decreases.

Since the 2% increase to our monthly pension checks and the 13<sup>th</sup> month payment have been amended out of HB 1121, this .50 credit increase becomes even more important to us. It is all we have left.

Retired state employees would be very grateful to you for your support of this bill. Please send this bill out of your committee with a "do pass" recommendation, and I ask that each of you support it when it comes before the full House for a vote.

Thank you for the opportunity to appear in support of this bill.

Attachment  
#3

**Testimony on SB 2154  
House Government and Veterans Affairs Committee  
Dave Zentner  
March 5, 2009**

Committee Chair Grande and members of the House Government and Veterans Affairs Committee my name is Dave Zentner, a retiree and member of the Association For Public Employees.

I would like to voice support for Senate Bill 2154 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 3 sessions and the interims, 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 16 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.

I would once again encourage you to give a do pass recommendation to SB 2154 and thank you for your time.