

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

EMPLOYEE BENEFITS PROGRAMS COMMITTEE

Tuesday, December 2, 2014
Harvest Room, State Capitol
Bismarck, North Dakota

Senator Dick Dever, Chairman, called the meeting to order at 11:00 a.m.

Members present: Senators Dick Dever, Ralph Kilzer, Karen K. Krebsbach, David O'Connell, Nicole Poolman, Connie Triplett; Representatives Randy Boehning, Roger Brabandt, Jason Dockter, Jessica Haak, Scott Louser, Kenton Onstad, Don Vigesaa

Others present: Bill Amerman, State Representative, Foran
Ron Carlisle, State Senator, Bismarck
Jim Kasper, State Representative, Fargo
Blair Thoreson, State Representative, Fargo
See [Appendix A](#) for additional persons present.

It was moved by Senator O'Connell, seconded by Representative Boehning, and carried on a voice vote that the minutes of the October 29, 2014, meeting be approved as distributed.

Chairman Dever reviewed the three possible recommendations the committee may make if the committee makes a recommendation on any of the bills over which the committee has taken jurisdiction under North Dakota Century Code Section 54-35-02.4--favorable, unfavorable, or no recommendation. He said if the committee does not pass a favorable or unfavorable recommendation, the committee recommendation will be considered "no recommendation."

PUBLIC EMPLOYEES RETIREMENT SYSTEM
Uniform Group Insurance Program

Chairman Dever called on Mr. Sparb Collins, Executive Director, Public Employees Retirement System, to briefly review the status of the Public Employees Retirement System (PERS) uniform group insurance program request for proposal. Mr. Collins distributed a handout ([Appendix B](#)) summarizing the key dates and decisions as the PERS Board moves forward with determining whether to contract for a fully insured proposal or a self-insured arrangement.

Bill Draft No. 117

Chairman Dever called on Mr. Collins to comment regarding Bill Draft No. 117 [[15.0117.04000](#)], which would provide for insurance coverage and uniform group insurance program coverage of cancer treatment medications. Mr. Collins distributed the technical comments ([Appendix C](#)) on the bill draft prepared by PERS consultant, Deloitte Consulting, LLP.

It was moved by Senator O'Connell, seconded by Representative Dockter, and carried on a roll call vote that the committee give Employee Benefits Programs Committee Bill Draft No. 117 a favorable recommendation. Senators Dever, Kilzer, Krebsbach, O'Connell, Poolman, and Triplett and Representatives Boehning, Brabandt, Dockter, Haak, Louser, and Vigesaa voted "aye." No negative votes were cast.

Bill Draft No. 176

Chairman Dever called on Mr. Collins and Mr. Brad Ramirez, FSA, MAAA, FCA, EA, Consulting Actuary, The Segal Company, Greenwood Village, Colorado, to comment regarding Bill Draft No. 176 [[15.0176.04000](#)], which would close state employee participation in the PERS defined benefit retirement plan, requiring new hires to participate in the defined contribution plan. Mr. Collins and Mr. Ramirez distributed the technical comments ([Appendix D](#)), as well as background information and a computer presentation ([Appendix E](#)).

In response to a question from Senator Triplett, Mr. Ramirez said based on experience, if the defined benefit plan is closed, he estimates approximately 30 to 35 percent of the defined benefit participants would opt to move to the defined contribution plan.

In response to a question from Chairman Dever, Mr. Ramirez said the bill draft would have a set period during which defined benefit participants would be allowed to move to the defined contribution plan. He said transfers from defined benefit to defined contribution are rather uncommon.

Chairman Dever called on Mr. David J. Hunter, Chief Investment Officer and Executive Director, Retirement and Investment Office, to present information regarding the PERS fund retirement presumptions. Mr. Hunter distributed written material ([Appendix F](#)) and continued with the computer presentation.

In response to a question from Chairman Dever, Mr. Hunter said if members leave the PERS defined benefit plan, this change would necessitate a review of the long-term asset investments of the fund.

In response to a question from Representative Haak, Mr. Ramirez said the bill draft does not appear to require PERS to notify defined benefit participants that if members leave the defined benefit plan, this change will necessitate an increase in contributions for the remaining members.

In response to a question from Chairman Dever, Mr. Collins said as it relates to the unfunded liability in closing the defined benefit fund, until funds are actually put in a trust fund, for accounting purposes, those funds are not considered available to the retirement fund. He said the bill draft's proposed funding mechanism would not be allowed for the private market.

In response to a question from Senator Triplett, Mr. Collins said if the bill draft were amended to move the election period further down the road so the funding mechanism was more secure at the time of election, it is likely that fewer defined benefit plan participants would opt to leave the defined benefit plan.

It was moved by Senator O'Connell, seconded by Representative Louser, and carried on a roll call vote that the committee give Employee Benefits Programs Committee Bill Draft No. 176 a favorable recommendation. Senators Kilzer, O'Connell, and Poolman and Representatives Boehning, Brabandt, Dockter, Louser, and Vigesaa voted "aye." Senators Dever, Krebsbach, and Triplett and Representatives Haak and Onstad voted "nay."

Bill Draft No. 403

The committee reviewed Bill Draft No. 403, to determine whether to take jurisdiction over the bill draft. Chairman Dever called on Representative Kasper to comment regarding Bill Draft No. 403 [[15.0403.01000](#)], which would authorize the PERS Board to develop a provider network for the uniform group insurance program. Representative Kasper said under the bill draft, if PERS had its own provider network, a new insurance company could enter the market more easily, with the effect of opening up competition for the PERS uniform group insurance program contract.

In response to a question from Representative Onstad, Representative Kasper said the way the insurance industry works is that annually, every insurance company negotiates contracts with providers and each contract is proprietary.

In response to a question from Senator Kilzer, Representative Kasper said under the bill draft, the network would be limited to use by the PERS plan. He said he thinks if PERS had a network, other insurance companies would be willing to enter North Dakota and bid on the PERS uniform group insurance program.

In response to a question from Chairman Dever, Representative Kasper said if PERS chose to develop its own network, it could result in cost-savings for PERS.

It was moved by Senator Triplett, seconded by Representative Vigesaa, and carried on a roll call vote that the committee take jurisdiction over Bill Draft No. 403. Senators Dever, Kilzer, Krebsbach, O'Connell, Poolman, and Triplett and Representatives Boehning, Brabandt, Dockter, Haak, Louser, and Vigesaa voted "aye." No negative votes were cast.

No further business appearing, Chairman Dever adjourned the meeting at 12:10 p.m.

Jennifer S. N. Clark
Counsel

ATTACH:6