

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2045

2007 SENATE GOVERNMENT AND VETERANS AFFAIRS

SB 2045

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2045

Senate Government and Veterans Affairs Committee

Check here for Conference Committee

Hearing Date: 1/11/07

Recorder Job Number: 955, 959

Committee Clerk Signature

Monica Spaulding

Minutes:

Roll was taken and all members were present.

Sen. Dever, Chairman, opened the hearing on SB 2045.

Sparb Collins, Executive director of ND Public Employees Retirement System, PERS, introduced the bill. See attachment #1.

Sen Nelson asked whether there could be different prices for the same medication. There was discussion that there are many prices for the same medication. It depends on the plan the employee is on and what formularies are on each pharmacy's list.

Sen. Horne asked who makes up the Legislative Employee Benefits Committee.

Sen. Nelson explained how the committee was formed in the 1970's and why it was formed.

There are 9-11 people who serve on the committee.

There was discussion about the viability of PPO's and EPO's. and how they can pass along the risk.

Sen. Dever asked whether someone can get prescription drug coverage separate from their health care coverage. Sparb said that is possible.

Sen. Dever asked about PBM's. Sparb said they are Pharmacy Benefits Manager and explained them

Sen. Dever asked about the refunds and rebates offered on some of those plans.

Sparb explained it and mentioned that it has some aspects of being self insured. He mentioned it is complicated and he prefers not to deal with rebates. He feels it would be handled much more simply by adding \$1.00 or \$2.00 to each co-pay on prescription drugs.

Sen. Nelson asked whether a person could take supplemental health insurance and not the drug plan that is offered or vice versa. Is there that flexibility?

Sparb responded that it is possible to do so.

Sen. Nelson asked about a spouse being able to use the credits and Sparb said that is where they would like to go.

Support: Jodee Buhr, Executive Director of ND Public Employees Association, spoke in favor of SB 2045.

Support: Bill Kalanek, representing the Independent North Dakota State Employees Association and the Association of Former Public Employees spoke in favor of SB 2045.

Support: -

Opposition: -

Neutral: -

Sen. Horne asked when this would become effective.

Sen. Nelson said all become effective on August first unless otherwise specified.

Chairman Dever closed the hearing on SB 2045.

Chairman Dever reopened discussion on SB 2045.

Chairman Dever welcomed a group of students from Mayville Portland to sit in on the discussion of the bills.

Sen. Nelson explained to the students the impact this bill would have.

Sen. Judy Lee made a motion for do pass and rereferred to appropriations.

The motioned was seconded by Sen Oehlke.

Roll Call Vote Yes 6 No 0 Absent 0

Carrier: Oehlke.

FISCAL NOTE
 Requested by Legislative Council
 03/05/2007

Amendment to: SB 2045

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.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

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 establish a separate retired Medicare-eligible prescription drug plan; allow the retiree credit for married couples; and establish eligibility for temporary employees.

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.*

This bill has no fiscal impact

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 increase in revenues

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.*

No increase in expenditures

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.*

No increase in appropriations

Name:	Sparb Collins	Agency:	NDPERS
Phone Number:	328-3901	Date Prepared:	03/06/2007

FISCAL NOTE
 Requested by Legislative Council
 02/26/2007

REVISION

Bill/Resolution No.: SB 2045

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.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$80,900	\$200,300	\$80,900	\$200,300
Appropriations			\$80,900	\$200,300	\$80,900	\$200,300

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

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
			\$52,000	\$3,100	\$1,900	\$52,000	\$3,100	\$1,900

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 employee paid life insurance to \$5,000; establish a separate retired Medicare-eligible prescription drug plan; allow the retiree credit for married couples; and establish eligibility for temporary employees.

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.*

The fiscal impact of this bill is in section 1 which increases the employer paid insurance coverage to \$5,000

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 increase in revenues is expected.

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.*

Expenditures will increase for the employer paid coverage. Presently employers pay 28 cents for the present level of coverage which is \$1,300. To increase the employer paid life insurance coverage to \$5,000 it will cost an additional 80 cents per month for a total of \$1.08 per month per employee.

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 increase in appropriations is necessary for participating state employers to pay the additional premium

Name:	Sparb Collins	Agency:	NDPERS
Phone Number:	328-3901	Date Prepared:	12/29/2006

FISCAL NOTE
Requested by Legislative Council
12/26/2006

Bill/Resolution No.: SB 2045

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.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$65,750	\$216,400	\$65,750	\$216,400
Appropriations			\$65,750	\$216,400	\$65,750	\$216,400

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

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
			\$50,500	\$3,100	\$1,200	\$50,500	\$3,100	\$1,200

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 employee paid life insurance to \$5,000; establish a separate retired Medicare-eligible prescription drug plan; allow the retiree credit for married couples; and establish eligibility for temporary employees.

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.*

The fiscal impact of this bill is in section 1 which increases the employer paid insurance coverage to \$5,000

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 increase in revenues is expected.

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.*

Expenditures will increase for the employer paid coverage. Presently employers pay 28 cents for the present level of coverage which is \$1,300. To increase the employer paid life insurance coverage to \$5,000 it will cost an additional 80 cents per month for a total of \$1.08 per month per employee.

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 increase in appropriations is necessary for participating state employers to pay the additional premium

Name:	Sparb Collins	Agency:	NDPERS
Phone Number:	328-3901	Date Prepared:	12/29/2006

Date : 1-11-07
Roll Call Vote # : 1

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2045

Senate Government and Veteran Affairs Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass, Referred to Appropriations

Motion Made By Lee Seconded By Oehlke

Senators	Yes	No	Senators	Yes	No
Senator Dick Dever - Chairman	✓		Senator Robert Horne	✓	
Senator Dave Oehlke - VC	✓		Senator Richard Marcellais	✓	
Senator Judy Lee	✓		Senator Carolyn Nelson	✓	

Total (Yes) 4 No 0

Absent 0

Floor Assignment Oehlke

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

REPORT OF STANDING COMMITTEE (410)
January 11, 2007 3:14 p.m.

Module No: SR-07-0489
Carrier: Oehlke
Insert LC: . Title: .

L

REPORT OF STANDING COMMITTEE

SB 2045: Government and Veterans Affairs Committee (Sen. Dever, Chairman)
recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee**
(6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2045 was rereferred to the
Appropriations Committee.

2007 SENATE APPROPRIATIONS

SB 2045

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2045

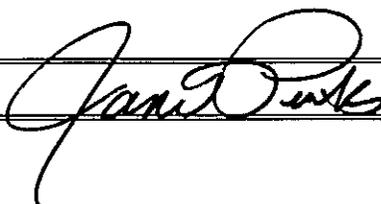
Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 01/22/07

Recorder Job Number: 1579

Committee Clerk Signature



Minutes:

Chairman Holmberg opened the hearing on SB 2045.

Sparb Collins, Executive Director, ND Public Employees Retirement System (PERS), presented written testimony in support of SB 2045, discussing the prescription drug coverage, the life insurance plan, the retiree health credit program, the budget, and the participation of temporary employees in the group health plan.

Senator Mathern indicated the cost of life insurance had come down and asked about the implications of this on the state plan.

Senator Kilzer asked if the 28 cents per \$1000 was for all ages.

Jodi Buhr, NDPERS, expressed her support of SB 2045.

Chairman Holmberg tentatively closed the hearing but left it open in case there were other testifiers.

Senator Krebsbach moved a DO PASS on SB 2045, **Senator Mathern** seconded. No discussion. A roll call vote was taken resulting 13 yes, 0 no and 1 absent. The motion carried and **Senator Oehlke** will carry the bill.

Date: 1/22/07
Roll Call Vote #: 1

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2045

Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Krebsbach Seconded By Mathern

Senators	Yes	No	Senators	Yes	No
Senator Ray Holmberg, Chrm	✓		Senator Aaron Krauter	✓	
Senator Bill Bowman, V Chrm			Senator Elroy N. Lindaas	✓	
Senator Tony Grindberg, V Chrm	✓		Senator Tim Mathern	✓	
Senator Randel Christmann	✓		Senator Larry J. Robinson	✓	
Senator Tom Fischer	✓		Senator Tom Seymour	✓	
Senator Ralph L. Kilzer	✓		Senator Harvey Tallackson	✓	
Senator Karen K. Krebsbach	✓				
Senator Rich Wardner	✓				

Total (Yes) 13 No 0

Absent 1

Floor Assignment Behlke to YJA

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

REPORT OF STANDING COMMITTEE (410)
January 22, 2007 2:55 p.m.

Module No: SR-14-0982
Carrier: Oehlke
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2045: Appropriations Committee (Sen. Holmberg, Chairman) recommends DO PASS
(13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2045 was placed on the
Eleventh order on the calendar.

2007 HOUSE GOVERNMENT AND VETERANS AFFAIRS

SB 2045

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2045

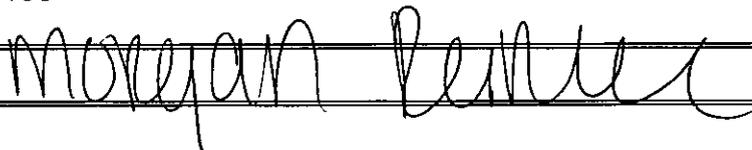
House Government and Veterans Affairs Committee

Check here for Conference Committee

Hearing Date: March 1, 2007

Recorder Job Number: 4165

Committee Clerk Signature



Minutes:

Sparb Collins: Testimony attached.

Rep. Amerman: My wife is in political subs and I am working for the state. We can have a family medical plan as we are working here? So then when we retire, are you saying that you can't carry this family medical plan anymore?

Sparb Collins: You can carry the family plan. The dilemma comes with the retiree health credit. The retiree health credit right now is set so it can be applied to the member's coverage. For example if I retire I have a \$50 coverage. If I take coverage I can take that and apply it to my name. If my spouse is also on that one, and also has the credit, it doesn't apply. All we are doing here is saying that the credit can be applied combined together.

Rep. Amerman: Even though you earned this credit, you can't use it?

Sparb Collins: The only alternative to that is that you can take two single plans. There is one in their name and one in the other name. The dilemma that happens is that a husband and wife who retire about the same time, but still have a dependant at home. If they take two single plans, the dependant isn't covered. They have got to take a family plan and that is where the credit starts to fall away. This would mean that this credit could be combined.

Rep. Amerman: Could they take a single dependant?

Sparb Collins: We don't have that rate.

Rep. Kasper: How did you come up with your definition for qualification for the temporary employee?

Sparb Collins: That is actually the active employee. The active eligibility for a full time employee is in a position for 20 or more hours a week.

Rep. Kasper: An employee that only works 20 hours a week and only works for 20 weeks out of the year is part time. Right now everybody can join. Every temporary employee can join. This will make it a little more restrictive?

Sparb Collins: Yes.

Rep. Kasper: I'm wondering that if you looked at language that would require more weeks per year to be eligible.

Sparb Collins: Actually, there certainly would be an argument that more restrictions need to be in place. Potentially, that is better for the plan. What we are doing is that we are looking to let the equivalent one on the active side, at a minimum it should be quite similar to what it is on the active side. Our concern is the temporary right now.

Jody Bohrer: I am the executive director of NDPEA. We stand before you in support of SB 2045 which we testified in support of this when it was in the Senate. I just want to mention that it did receive a unanimous do pass out of the committee. We think that the change in the life insurance is long overdue. It has been awhile. If you think of the minimum requirements of life insurance that is in the environment, quite frankly is not enough. We also think that the change in the Medicare would work with our retiree's. We think this would ensure that we don't have people having dual coverage. People may be prevented from two things, a prescription plan

that may benefit them better without losing the coverage. We also think that the change is necessary. NDPEA urges a do pass on SB 2045.

Rep. Haas: Is there additional testimony for SB 2045?

Rep. Kasper: I would like to ask Sparb another question.

Rep. Haas: I have a question for him also.

Rep. Kasper: On the life insurance, are the temporary employees also eligible for the life insurance? Or must you be a full time employee for life insurance?

Sparb Collins: For the employer sponsored portion, they can take it.

Rep. Kasper: Even on the base of 5,000 the temporary must pay the premium.

Sparb Collins: Right, the employer doesn't pay for the temporary.

Rep. Haas: On the amendment that you brought to us, can we modify the amendment and simply put the total dollar amount in there, or do we have to include this list?

Sparb Collins: You need the list. What we thought would happen is that normally at the end of the session all the appropriation bills would be rerun because there is a new salary. At that time, on the payroll system, you would add in everyone's appropriation bill. That may not occur this time. This would just add that right into there.

Rep. Grande: Is that because we passed out the payment already?

Rep. Haas: Yes.

Sparb Collins: I'm just speculating here the possibility that it has occurred and the pay plans aren't going to be rerun. What I thought we may be able to do is if this bill was successful I could go to legislative council and say that we need to add more into the payroll system for this. If it doesn't then there is a short for some agencies if the appropriation is not there.

Rep. Amerman: Life insurance of \$5,000, is it currently now \$1,000.

Sparb Collins: It was \$1,000. It is now \$1,300. Keep in mind that the employees can buy additional coverage to a higher amount. WE do have a lot of employees who do that.

Rep. Haas: Is there any additional testimony on SB 2045? If not we will close the hearing on SB 2045.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2045

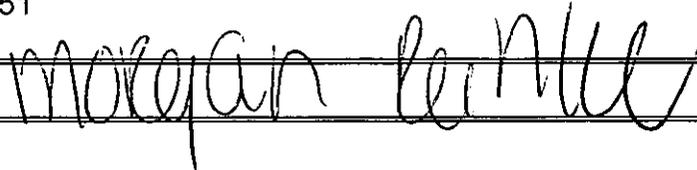
House Government and Veterans Affairs Committee

Check here for Conference Committee

Hearing Date: March 2, 2007

Recorder Job Number: 4251

Committee Clerk Signature



Minutes:

Rep. Kasper: I have an amendment that is being passed out right now. I would like to consider it.

Rep. Haas: Do you want to explain your amendment?

Rep. Kasper: Yes, the bill on page 1 line 13 increases the life insurance from \$1,000 to \$5,000. This amendment keeps the life insurance at \$1,000. The fiscal note is something that is concern forming. The rest of the bill is probably fine. This went through the Employee Benefits Committee but I'm not sure what the recommendation was.

Rep. Haas: Favorable.

Rep. Kasper: They aren't always right. Sometimes the decisions aren't the way they ought to be. I would like to consider keeping that life insurance at \$1,000. So I move the amendment.

Rep. Haas: This amendment only puts this back to \$1,000 dollars for life insurance coverage through the PERS program.

Rep. Froseth: I second that.

Rep. Haas: Is there discussion?

Rep. Froseth: Just a point of clarification. They can increase their life insurance by paying that premium themselves.

Rep. Haas: Absolutely. Is there any further discussion on the amendment?

Rep. Wolf: Does that wipe out the whole fiscal note?

Rep. Kasper: Yes.

Rep. Haas: Is there any further discussion? If not we will take a voice vote on the amendment for SB 2045. All in favor say 'aye' all opposed say 'no'. The amendment is carried.

Rep. Grande: I move a do pass as amended.

Rep. Meier: I second that.

Rep. Haas: Is there any more discussion? If not we will take a roll call vote on a do pass as amended motion for SB 2045. The do pass as amended motion passes with a vote of 12-1-0. Is there a volunteer to carry this?

Rep. Kasper: I will.

Date: 3-2-07
Roll Call Vote #:j

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. "Click here to type Bill/Resolution No."

House Government and Veterans Affairs Committee

Check here for Conference Committee

Legislative Council Amendment Number SB 2045

Action Taken more amendment

Motion Made By Rep Kasper Seconded By Rep Froseth

Representatives		Yes	No	Representatives		Yes	No
Rep. C. B Haas	Chairman			Rep. Bill Amerman			
Rep. Bette Grande	VC			Rep. Louise Potter			
Rep. Randy Boehning				Rep. Jasper Schneider			
Rep. Stacey Dahl				Rep. Lisa Wolf			
Rep. Glen Froseth							
Rep. Karen Karls							
Rep. Jim Kasper							
Rep. Lisa Meier							
Rep. Dave Weiler							

Total (Yes) _____ No _____

Absent _____

Floor Assignment Rep.

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

REPORT OF STANDING COMMITTEE

SB 2045: Government and Veterans Affairs Committee (Rep. Haas, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (12 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). SB 2045 was placed on the Sixth order on the calendar.

Page 1, line 3, remove "subsection 7 of section 54-52.1-01,"

Page 1, line 4, remove the first comma

Page 1, line 5, remove "minimum life insurance benefits coverage,"

Page 1, remove lines 9 through 14

Renumber accordingly

2007 TESTIMONY

SB 2045

TESTIMONY OF
SPARB COLLINS
ON
SENATE BILL 2045

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.

Senate Bill 2045 relates to the group insurance program and retiree health plans administered by PERS.

Section 1 of the bill increases the employer sponsored life insurance coverage to \$5,000. Initially employers paid 28 cents per \$1,000 of coverage. Since the early 1990's and presently, employers continue to pay 28 cents for \$1,300 of coverage. To increase the employer paid life insurance coverage to \$5,000 it will cost an additional 80 cents per month for a total of \$1.08 per month per employee. The fiscal note indicates the cost of adding this coverage for all employees for the biennium:

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$65,750	\$216,400	\$65,750	\$216,400
Appropriations			\$65,750	\$216,400	\$65,750	\$216,400

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

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
			\$50,500	\$3,100	\$1,200	\$50,500	\$3,100	\$1,200

The fiscal note also indicates that agencies would need additional appropriations to fund this coverage since it is not included in the proposed budget at this time.

Section 2 and 5 of the bill relate to prescription drug coverage for retirees. As you may know the federal government recently enhanced Medicare coverage to include prescription drug coverage. In making this enhancement the government set up this coverage through employers and private prescription drug plans. The federal government has now created a new marketplace for retiree health insurance plans where the medical coverage is considered separately from the prescription drug coverage. However, our retiree plan for Medicare beneficiaries provides for both medical and prescription drug coverage being combined in the traditional manner. This section of the statute would allow PERS retirees to separately consider the medical coverage and prescription coverage.

Section 3 of the bill relates to the retiree health credit program administered by PERS. This program provides assistance to PERS retirees in purchasing

health insurance coverage from PERS. Specifically a member gets \$4.50 times the number of years of service they have in the retirement plan to offset their health premium. For example, a member that has 20 years of service would get \$90 ($\4.50×20). Under present statute each member uses the credit to offset their premium. However, we have members whose spouses also participate in the system. The present statute allows them to each use their credit to offset the cost of single premium but it does not allow them to combine their credit amount to purchase family coverage. This section of the bill would allow married members to combine their credit amounts.

Section 4 of the bill relates to participation of temporary employees in the group health insurance plan. This section defines participation by temporary employees to those employees that work at least 20 hours per week for at least 20 weeks per year. The purpose of this amendment is to reduce the possibility of adverse selection against the plan. As presently written a participating employer can hire a temporary employee that has significant health issues for one hour a month and they could elect to join the plan. The cost of providing that coverage to that member could be many times the cost of the premium. When a plan allows the opportunity for this type of adverse selection it could cause the plans costs to increase at an atypical rate thereby causing premiums to rise faster. Establishing this minimum requirement would insure that temporary employees are similar to

active employees with a similar risk profile. This section would also allow a participating employer to pay the temporary employees premium if they so elect.

Mr. Chairman, member of the committee, the provisions of this bill have been reviewed by the Legislative Employee Benefits Committee and given a favorable recommendation. This concludes my testimony and thank you for your consideration of this bill.

TESTIMONY OF
SPARB COLLINS
ON
SENATE BILL 2045

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.

Senate Bill 2045 relates to the group insurance program and retiree health plans administered by PERS.

Section 1 of the bill increases the employer sponsored life insurance coverage to \$5,000. Initially employers paid 28 cents per \$1,000 of coverage. Since the early 1990's and presently, employers continue to pay 28 cents for \$1,300 of coverage. To increase the employer paid life insurance coverage to \$5,000 it will cost an additional 80 cents per month for a total of \$1.08 per month per employee. The fiscal note indicates the cost of adding this coverage for all employees for the biennium:

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$80,900	\$200,300	\$80,900	\$200,300
Appropriations			\$80,900	\$200,300	\$80,900	\$200,300

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
			\$52,000	\$3,100	\$1,900	\$52,000	\$3,100	\$1,900

The fiscal note also indicates that agencies would need additional appropriations to fund this coverage since it is not included in the proposed budget at this time. Also attached is a proposed amendment to this bill to provide the necessary appropriation to the state agencies to pay for the additional coverage. Since the state employee salary decision has been made by the legislature, it is likely that the agency pay plans will not be rerun which would have provided the opportunity for these costs to be incorporated into the agency budgets. Since that likely will not occur, we need to add the necessary authority to this bill so it will be provided should you accept this change.

Sections 2 and 5 of the bill relate to prescription drug coverage for retirees. As you may know the federal government recently enhanced Medicare coverage to include prescription drug coverage. In making this enhancement, the government set up this coverage through employers and private prescription drug plans. The federal government has now created a new marketplace for retiree health insurance plans where the medical coverage is considered separately from the prescription drug coverage. However, our retiree plan for Medicare beneficiaries provides for both medical and prescription drug coverage being combined in the traditional manner. This section of the statute would allow PERS retirees to separately consider the medical coverage and prescription coverage.

Section 3 of the bill relates to the retiree health credit program administered by PERS. This program provides assistance to PERS retirees in purchasing health insurance coverage from PERS. Specifically a member gets \$4.50 times the number of years of service they have in the retirement plan to offset their health premium. For example, a member that has 20 years of service would get \$90 ($\4.50×20). Under present statute each member uses the credit to offset their premium. However, we have members whose spouses also participate in the system. The present statute allows them to each use their credit to offset the cost of single premium but it does not allow them to combine their credit amount to purchase family coverage. This section of the bill would allow married members to combine their credit amounts.

Section 4 of the bill relates to participation of temporary employees in the group health insurance plan. This section defines participation by temporary employees to those employees that work at least 20 hours per week for at least 20 weeks per year. The purpose of this amendment is to reduce the possibility of adverse selection against the plan. As presently written, a participating employer can hire a temporary employee that has significant health issues for one hour a month and they could elect to join the plan. The cost of providing that coverage to that member could be many times the cost of the premium. When a plan allows the opportunity for this type of adverse selection it could cause the plans costs to increase at an atypical rate thereby causing premiums to rise faster. Establishing this minimum requirement would insure that temporary employees are similar to

active employees with a similar risk profile. This section would also allow a participating employer to pay the temporary employees premium if they so elect.

Mr. Chairman, members of the committee, the provisions of this bill have been reviewed by the Legislative Employee Benefits Committee and given a favorable recommendation. This concludes my testimony and thank you for your consideration of this bill.

PROPOSED AMENDMENT TO SENATE BILL 2045

Page 1, line 7 after "program" insert ", and to provide an appropriation"

Page 3, after line 24, insert:

SECTION 6. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, and from other funds derived from federal funds and other income, to the following departments for the purpose of defraying the cost of additional life insurance premiums necessary to pay the cost of the provision of this bill, for the biennium beginning July 1, 2007 and ending June 30, 2009 as follows:

Department	General	Other
101 Office of the Governor	\$346	\$0
108 Office of the Secretary of State	\$497	\$21
110 Office of Management and Budget	\$2,047	\$497
112 Information Technology Department	\$376	\$5,618
117 Office of the State Auditor	\$730	\$322
120 Office of the State Treasurer	\$115	\$0
125 Office of the Attorney General	\$2,893	\$588
127 Office of the Sate Tax Commissioner	\$2,554	\$0
140 Office of Administrative Hearings	\$0	\$154
150 Legislative Assembly	\$0	\$0
160 Legislative Council	\$634	\$0
180 Judicial Branch	\$6,416	\$170
188 Legal Counsel of Indigents	\$557	\$0
190 Retirement and Investment Office	\$0	\$326
192 Public Employees Retirement System	\$0	\$634
201 Department of Public Instruction	\$565	\$1,321
226 State Land Department	\$0	\$360
250 State Library	\$493	\$78
252 School for the Deaf	\$885	\$45
253 N.D. Vision Services	\$399	\$120
270 Dept of Career and Technical Ed	\$489	\$39
301 North Dakota Department of Health	\$1,958	\$4,407
313 Veterans Home	\$522	\$1,225
316 Indian Affairs Commission	\$77	\$0
321 Department of Veterans Affairs	\$115	\$0
325 Department of Human Services	\$25,273	\$14,773
360 Protection and Advocacy Project	\$104	\$424
380 Job Service North Dakota	\$26	\$5,887
401 Office of the Insurance Commissioner	\$0	\$893
405 Industrial Commission	\$953	\$110
406 Office of the Labor Commissioner	\$151	\$60
408 Public Service Commission	\$530	\$276
412 Aeronautics Commission	\$0	\$115
413 Department of Financial Institutions	\$0	\$518
414 Office of the Securities Commissioner	\$173	\$0
471 Bank of North Dakota	\$0	\$3,389
473 North Dakota Housing Finance Agency	\$0	\$826
475 North Dakota Mill & Elevator Association	\$0	\$2,515
485 Workforce Safety & Insurance	\$0	\$4,284
504 Highway Patrol	\$2,497	\$1,286
530 Department of Corrections and Rehabilitation	\$12,820	\$750
540 Adjutant General	\$1,559	\$2,895
601 Department of Commerce	\$1,026	\$376
602 Department of Agriculture	\$683	\$603
616 State Seed Department	\$0	\$576
627 Upper Great Plains Transportation Institute	\$90	\$744
628 Branch Research Centers	\$1,348	\$481
630 NDSU Extension Service	\$2,821	\$2,130
638 Northern Crops Institute	\$121	\$94
640 NDSU Main Research Center	\$4,566	\$2,117
649 Agronomy Seed Farm	\$0	\$58
670 Racing Commission	\$7	\$32
701 State Historical Society	\$1,024	\$128
709 Council on the Arts	\$96	\$0
720 Game & Fish Department	\$0	\$2,976
750 Department of Parks & Recreation	\$921	\$49
770 State Water Commission	\$1,465	\$148
801 Department Of Transportation	\$0	\$20,208
Total	\$80,919	\$85,645

Renumber accordingly

CHAPTER 54-52.1
UNIFORM GROUP INSURANCE PROGRAM

54-52.1-01. Definitions. As used in this chapter, unless the context otherwise requires:

1. "Board" means the public employees retirement board.
2. "Carrier" means:
 - a. For the hospital benefits coverage, an insurance company authorized to do business in the state, or a nonprofit hospital service association, or a prepaid group practice hospital care plan authorized to do business in the state, or the state if a self-insurance plan is used for providing hospital benefits coverage.
 - b. For the medical benefits coverage, an insurance company authorized to do business in the state, or a nonprofit medical service association, or a prepaid group practice medical care plan authorized to do business in the state, or the state if a self-insurance plan is used for providing medical benefits coverage.
 - c. For the life insurance benefits coverage, an insurance company authorized to do business in the state.
3. "Department, board, or agency" means the departments, boards, agencies, or associations of this state, and includes the state's charitable, penal, and higher educational institutions; the Bank of North Dakota; the state mill and elevator association; and counties, cities, district health units, and school districts.
4. "Eligible employee" means every permanent employee who is employed by a governmental unit, as that term is defined in section 54-52-01. "Eligible employee" includes members of the legislative assembly, judges of the supreme court, paid members of state or political subdivision boards, commissions, or associations, full-time employees of political subdivisions, elective state officers as defined by subsection 2 of section 54-06-01, and disabled permanent employees who are receiving compensation from the North Dakota workforce safety and insurance fund. As used in this subsection, "permanent employee" means one whose services are not limited in duration, who is filling an approved and regularly funded position in a governmental unit, and who is employed at least seventeen and one-half hours per week and at least five months each year or for those first employed after August 1, 2003, is employed at least twenty hours per week and at least twenty weeks each year of employment. For purposes of sections 54-52.1-04.1, 54-52.1-04.7, 54-52.1-04.8, and 54-52.1-11, "eligible employee" includes retired and terminated employees who remain eligible to participate in the uniform group insurance program pursuant to applicable state or federal law.
5. "Health maintenance organization" means an organization certified to establish and operate a health maintenance organization in compliance with chapter 26.1-18.1.
6. "Hospital benefits coverage" means a plan which either provides coverage for, or pays, or reimburses expenses for hospital services incurred in accordance with the uniform contract.
7. "Life insurance benefits coverage" means a plan which provides both term life insurance and accidental death and ~~dismemberment~~ insurance in amounts determined by the board, with a minimum of one thousand dollars provided for the term life insurance portion of the coverage.