

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

EMPLOYEE BENEFITS PROGRAMS COMMITTEE

Thursday, January 13, 2005
Missouri River Room, State Capitol
Bismarck, North Dakota

Senator Karen K. Krebsbach, Chairman, called the meeting to order at 4:00 p.m.

Members present: Senators Karen K. Krebsbach, Richard L. Brown, Ralph L. Kilzer, Carolyn Nelson; Representatives Bill Amerman, Al Carlson, Jim Kasper, Francis J. Wald

Others present: See Appendix A

It was moved by Senator Nelson, seconded by Representative Carlson, and carried on a voice vote that the minutes of the December 6, 2004, meeting be approved as distributed.

EMPLOYEE BENEFITS PROGRAMS COMMITTEE BILL NO. 248 - USE OF RETIREE HEALTH BENEFITS CREDIT TO PURCHASE HEALTH INSURANCE - REPRESENTATIVE DUANE DEKREY

Chairman Krebsbach called on Representative Duane DeKrey who reviewed Employee Benefits Programs Committee Bill No. 248 [50248.0100]. He said the bill draft relates to use of the retiree health benefits fund credit to purchase health insurance and permits the retiree health insurance credit payment to be applied to premium payments for any health insurance coverage selected by the retiree, rather than just to the uniform group health insurance program for retirees governed by the Public Employees Retirement System Board.

Chairman Krebsbach called on Mr. Ernest Reinert, Bismarck, who addressed the committee. Mr. Reinert said he is in his first full week of retirement from the state of North Dakota after working for the state for 34 years. Prior to working for the state, he said, he served three years in Vietnam as a helicopter pilot. He said following his service in Vietnam he joined the North Dakota National Guard from which he retired approximately five years ago. As a retired National Guard member, he said, he is eligible for Tricare, the military health insurance plan. He said since the plan does not cover 100 percent of medical costs, members usually require a supplemental policy. He said he would like to apply his credit in the retiree health credit fund toward purchasing supplemental coverage for his Tricare policy. He said the bill draft as currently drafted would allow any employee to apply the credit to any insurance program selected by

the employee. He said if the committee is concerned with the cost of the proposal, the proposal could be limited to members of the North Dakota National Guard with 20 years of service who are eligible for the Tricare program.

In response to a question from Representative Kasper, Mr. Reinert said he pays \$729 per month to participate in the state health insurance plan. He said the premium for Tricare is \$34 per month for himself and \$34 per month for his wife or \$68 per month. He said the deductible for the Tricare plan is \$600 per year.

In response to a question from Senator Nelson, Mr. Reinert said the bill draft as drafted applies to any retired state employee. However, he said, the bill draft could be narrowed to apply to retired state employees who are age 60 and who are eligible for Tricare.

Chairman Krebsbach called on Mr. Sparb Collins, Executive Director, Public Employees Retirement System, who reviewed the actuarial and technical comments for Employee Benefits Programs Committee Bill No. 248 [50248.0100]. He said a .12 percent increase in contributions is required to fund the proposal. He said the Public Employees Retirement System Board is proposing an amendment to increase the employer contribution from 1 percent to 1.12 percent to fund the program. He said the amendment also includes an appropriation to implement the new benefit. He said the \$89,329 appropriation includes \$40,000 for information technology modifications and \$49,329 for operations. He said the appropriation also authorizes the Retirement Board to add a .5 full-time equivalent position. A copy of the amendment is attached as Appendix B. He also distributed a schedule detailing the appropriation request, a copy of which is attached as Appendix C.

In response to a question from Representative Carlson, Mr. Collins said the utilization rate for the retiree health benefits credit is approximately 70 percent. He said the board is anticipating that if this proposal is enacted, utilization will increase significantly.

In response to a question from Representative Kasper, Mr. Collins said the 1 percent health credit costs \$3,031,697 per year. He said a .12 percent increase is \$363,804 per year, of which \$189,178 are

general funds and \$174,626 are other funds. However, he said, the increase would also apply to political subdivisions that participate in the uniform group insurance program. A schedule of the annual cost of the program is attached as Appendix D.

In summary, Mr. Collins said, two issues concerning the bill draft are the funding issue and the fact that the fund does not have a sufficient margin to pay for the benefit enhancement.

**HOUSE BILL NO. 1266 - RETURNING TO
EMPLOYMENT AFTER RETIREMENT
UNDER THE PUBLIC EMPLOYEES
RETIREMENT SYSTEM -
REPRESENTATIVE RAEANN G. KELSCH**

Chairman Krebsbach called on Representative RaeAnn G. Kelsch who reviewed House Bill No. 1266 [50201.0300]. Representative Kelsch said the bill relates to returning to employment after retirement under the Public Employees Retirement System and provides that an employee who is eligible for normal retirement and who accepts a retirement benefit under North Dakota Century Code (NDCC) Chapter 54-52 or 54-52.6 and who subsequently becomes employed with a participating employer under one of those chapters may elect to permanently waive future participation in the retirement plan and maintain that employee's retirement status. Since she introduced this bill, she said, she has received an e-mail from a Highway Patrolmen's retirement system retiree who intended to take a job with the University of North Dakota who may be prevented from doing so because of this provision. Thus, she said, this is not a unique provision but may affect many state employees.

Chairman Krebsbach called on Mr. Roger Roehl, Mandan, who addressed the committee. He said he is not asking to be allowed to participate in the Public Employees Retirement System through his subsequent employer but merely being able to opt out of participation with a future employer and still receive other benefits such as annual leave and sick leave.

Chairman Krebsbach called on Mr. Collins who said the Public Employees Retirement System Board does not have any information that was not presented at the last meeting but has determined that the Age Discrimination in Employment Act does not impact the proposed legislation. A copy of a letter from the Attorney General's office concerning this issue is attached as Appendix E.

In response to a question from Senator Kilzer, Mr. Collins said the bill has no fiscal impact.

**EMPLOYEE BENEFITS PROGRAMS
COMMITTEE BILL NO. 598 -
CONFIDENTIALITY OF TEACHERS' FUND
FOR RETIREMENT RECORDS -
REPRESENTATIVE LISA MEIER**

Chairman Krebsbach called on Representative Lisa Meier who reviewed Employee Benefits Programs Committee Bill No. 598 [50598.0100]. Representative Meier said the bill draft relates to confidentiality of Teachers' Fund for Retirement records and would allow member interest groups to access information relating to a member's participation in the fund, as well as the member's name and address.

Senator Krebsbach called on Mr. Ken Tupa, North Dakota Retired Teachers' Association, who addressed the committee. He said this proposal would allow groups such as the Retired Teachers' Association to access certain records of the fund and allow that organization to better serve its members.

In response to a question from Representative Kasper, Mr. Tupa said the Retired Teachers' Association does not sell its membership lists to any other organization.

Chairman Krebsbach called on Ms. Fay Kopp, Executive Director, Retirement and Investment Office, who addressed the committee. Ms. Kopp said the bill draft expands the information that the Teachers' Fund for Retirement would be required to provide to member interest groups. However, she said, this provision was deleted from a bill the Teachers' Fund for Retirement Board submitted several sessions ago and the board would not be opposed to this proposal.

**EMPLOYEE BENEFITS PROGRAMS
COMMITTEE BILL NO. 597 -
COMPUTATION OF SERVICE CREDIT
UNDER THE TEACHERS'
FUND FOR RETIREMENT -
REPRESENTATIVE MIKE NORLAND**

Chairman Krebsbach called on committee counsel who reviewed Employee Benefits Programs Committee Bill No. 597 [50597.0100]. Committee counsel said the bill draft relates to computation of service credit under the Teachers' Fund for Retirement and provides that a nonretired member of the Teachers' Fund for Retirement who is a member of the fund on August 1, 2005, who received less than one year of service credit for teaching kindergarten programs in a public school before July 1, 1987, is entitled to retroactive service credit as provided in NDCC Section 15-39.1-27. He said the service credit is based on the number of hours the member worked in each fiscal year in proportion to 700 hours. Under procedures adopted by the board, he said, a nonretired member is entitled to apply for retroactive credit. He said the member must provide employer records or other documentation approved by the board which verifies the actual hours employed in a fiscal year. Upon review of the application and verification of the hours worked, he said, the board is required to grant applicable service credit to the member.

Chairman Krebsbach called on Ms. Kopp who reviewed the technical comments for the bill draft. A copy of the report is attached as Appendix F. She said the actuarial consultant estimates that if there are 50 affected members, it would increase the employer contribution rate .03 percent and if there are 250 affected members, it would increase the employer contribution rate .17 percent.

In response to a question from Senator Brown, Ms. Kopp said the Teachers' Fund for Retirement Board has not taken a position on the proposal but probably would have serious reservations because of the cost to the system.

**EMPLOYEE BENEFITS PROGRAMS
COMMITTEE BILL NO. 11 -
USE OF PHARMACY BENEFITS
MANAGERS BY THE PUBLIC
EMPLOYEES RETIREMENT BOARD -
SENATOR TIM MATHERN**

Chairman Krebsbach called on committee counsel who reviewed Employee Benefits Programs Committee Bill No. 11 [50011.0200]. Committee counsel said the bill draft requires the Public Employees Retirement System Board to contract with one or more domestic or nondomestic pharmacy benefits managers to facilitate the purchase of eligible Canadian prescription drugs by eligible employees and persons receiving retiree health benefits. He said the bill draft has been revised to incorporate the concerns raised by the board's actuarial consultant.

Chairman Krebsbach recognized Representative Carlson who noted the proposal still allows the board to forgive all or part of any prescription copayments as an incentive for eligible employees and persons receiving retiree health benefits to participate in the program. He said this undoubtedly would have a cost to the health insurance program.

Chairman Krebsbach called on Mr. Rod St. Aubyn, Blue Cross Blue Shield of North Dakota, Fargo, who addressed the committee. He said Blue Cross Blue Shield of North Dakota is still concerned whether the reimportation of prescription drugs from Canada is allowed under federal law. However, he said, the company has reached an agreement whereby it will reimburse individual members who individually purchase prescription drugs from Canada. He said under the agreement, Blue Cross Blue Shield of North Dakota is not allowed to incentivize this practice.

In response to a question from Senator Krebsbach, Mr. St. Aubyn said a pharmacy benefits manager is an entity hired by a provider to process claims and to negotiate with pharmaceutical manufacturers for the purchase of prescription drugs.

**PROPOSED AMENDMENTS TO
SENATE BILL NO. 2215 -**

SENATOR TIM MATHERN

At the request of Chairman Krebsbach, committee counsel reviewed proposed amendments to Senate Bill No. 2215 [50022.0102]. Committee counsel said Senator Mathern had requested the Employee Benefits Programs Committee to review the amendment in anticipation of proposing the amendment to Senate Bill No. 2215. Committee counsel said the amendment allows for participation by members of the North Dakota National Guard in the uniform group insurance program and removes the provisions providing for participation by permanent and temporary employees of private sector employers and by other persons who are otherwise without health insurance coverage.

In response to a question from Representative Kasper, committee counsel said the participant would pay the premium for the health insurance coverage being provided.

COMMITTEE ACTIONS

It was moved by Senator Nelson, seconded by Representative Carlson, and carried on a voice vote that the committee waive jurisdiction over the bill draft relating to confidentiality of Teachers' Fund for Retirement records.

It was moved by Representative Kasper, seconded by Representative Carlson, and carried on a voice vote that the committee assume jurisdiction over the remaining bills and amendments submitted to the committee.

It was moved by Senator Nelson, seconded by Representative Wald, and carried on a roll call vote that House Bill No. 1276 be given a favorable recommendation. Senators Krebsbach, Brown, Kilzer, and Nelson and Representatives Amerman, Carlson, Kasper, and Wald voted "aye." No negative votes were cast.

It was moved by Representative Wald, seconded by Senator Brown, and carried on a roll call vote that the bill draft relating to use of the retiree health benefits fund credit to purchase health insurance be given an unfavorable recommendation. Senators Krebsbach, Brown, Kilzer, and Nelson and Representatives Amerman, Carlson, Kasper, and Wald voted "aye." No negative votes were cast.

It was moved by Representative Kasper, seconded by Senator Kilzer, and carried on a roll call vote that the bill draft relating to computation of service credit under the Teachers' Fund for Retirement be given an unfavorable recommendation. Senators Krebsbach, Brown, Kilzer, and Nelson and Representatives Amerman, Carlson, Kasper, and Wald voted "aye." No negative votes were cast.

It was moved by Senator Brown, seconded by Representative Wald, and carried on a roll call vote that the bill draft relating to the use of pharmacy benefits managers by the Public Employees

Retirement System Board be given an unfavorable recommendation. Senators Krebsbach, Brown, Kilzer, and Nelson and Representatives Amerman, Carlson, Kasper, and Wald voted "aye." No negative votes were cast.

It was moved by Senator Brown, seconded by Representative Carlson, and carried on a roll call vote that the amendment to the bill draft relating to participation by members of the North Dakota National Guard in the uniform group insurance program be given an unfavorable recommendation. Senators Krebsbach, Brown, Kilzer, and Nelson and Representatives Amerman, Carlson, Kasper, and Wald voted "aye." No negative votes were cast.

No further business appearing, Chairman Krebsbach adjourned the meeting at 5:45 p.m.

Jeffrey N. Nelson
Committee Counsel

ATTACH:6