

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

EMPLOYEE BENEFITS PROGRAMS COMMITTEE

Thursday, September 1, 2016
Harvest Room, State Capitol
Bismarck, North Dakota

Senator Karen K. Krebsbach, Chairman, called the meeting to order at 10:00 a.m.

Members present: Senators Karen K. Krebsbach, Dick Dever, Ralph Kilzer, Carolyn C. Nelson, Erin Oban, Nicole Poolman; Representatives Pamela Anderson, Randy Boehning, Jason Dockter, Jessica Haak, Vernon Laning, Kenton Onstad

Members absent: Representative Gary Kreidt

Others present: Todd Porter, State Representative, Mandan
Allen H. Knudson, Legislative Budget Analyst and Auditor, and Jennifer S. N. Clark, Legislative Council, Bismarck
See [Appendix A](#) for additional persons present.

It was moved by Senator Nelson, seconded by Senator Dever, and carried on a voice vote that the minutes of the April 28, 2016, meeting be approved as distributed.

**OVERVIEW OF RETIREMENT, INSURANCE,
AND RETIREE HEALTH INSURANCE PROGRAMS**

Mr. David J. Hunter, Executive Director and Chief Investment Officer, Retirement and Investment Office, presented information ([Appendix B](#)) regarding investment allocations and strategies and recent investment returns for the Public Employees Retirement System (PERS) fund and the Teachers' Fund for Retirement (TFFR). He said the PERS and TFFR pension plans had a net investment return of 0.28 percent for fiscal year 2016. He said over the last 30 years, the PERS and TFFR pension plans have had net investment returns of 7.89 percent and 7.73 percent, which is near their long-term net investment return assumptions of 8.00 percent and 7.75 percent, respectively. He said the State Investment Board's focus on investment management fees and expenses have reduced client investment fees from 0.65 percent in fiscal year 2013 to 0.45 percent in fiscal year 2016, which translates to over \$20 million in annual fee savings.

In response to a question from Representative Laning, Mr. Hunter said 74 percent of all government bond yields are less than 1 percent. He said that percentage includes 36 percent of all government bond yields which have a negative yield.

In response to a question from Representative Onstad regarding long-term investment returns, Mr. Hunter said meeting the long-term investment return targets is difficult in the current low interest rate environment.

In response to a question from Representative Onstad, Mr. Hunter said the PERS and TFFR plans have performed better than two-thirds of other public pension plans in the country.

In response to a question from Senator Kilzer regarding government bonds with negative return yields, Mr. Hunter said those governments are trying to encourage investment in areas other than the government by essentially charging investors to invest in government bonds.

In response to a question from Senator Dever regarding legacy fund investment returns, Mr. Hunter said the Retirement and Investment Office has attempted to be conservative when estimating future returns for the legacy fund.

Ms. Becky Sicble, Interim Director, Human Resource Management Services, Office of Management and Budget, presented information ([Appendix C](#)) regarding the implementation, progress, and bonuses provided by state agency programs to provide bonuses to recruit or retain employees in hard-to-fill positions pursuant to North Dakota Century Code Section 54-06-31. She said state agencies awarded \$422,726 in recruitment bonuses, \$49,000 in referral bonuses, and \$214,359 in retention bonuses in fiscal year 2016. She said the total amount of

retention bonuses awarded in fiscal year 2016 represents a decrease of over \$1.2 million from the \$1.45 million of retention bonuses awarded in fiscal year 2015.

In response to a question from Senator Kilzer, Ms. Sicble said recruitment bonuses are paid to new employees.

In response to a question from Representative Onstad regarding the timing of the bonus payments, Ms. Sicble said some bonuses were awarded after the February 2016 allotment.

In response to a question from Senator Nelson, Ms. Sicble said the negative bonus amounts in the report represent bonuses which were repaid to the state when employees did not maintain employment with the state for the required period of time or did not meet some other criteria for the bonuses.

In response to a question from Senator Oban, Ms. Sicble said she would provide the committee with additional information regarding the effectiveness of the bonuses. Chairman Krebsbach asked Ms. Sicble to prepare the requested information for the next committee meeting.

In response to a question from Representative Boehning, the Legislative Budget Analyst and Auditor said the Emergency Commission did not approve any agency requests for energy impact funding pool allocations for the second year of the 2015-17 biennium.

In response to a question from Representative Boehning, Ms. Sicble said retention bonuses do not affect employees' base salaries. She said retention bonuses are a one-time payment.

Mr. Sparb Collins, Director, Public Employees Retirement System, said he would provide additional information to the committee regarding the effect bonuses have on retirement plan contributions.

Mr. Collins presented information regarding political subdivision participation in PERS ([Appendix D](#)) and an update on the uniform group insurance contract renewal process ([Appendix E](#)). He said political subdivisions are eligible to participate in the PERS retirement plan and the PERS group health insurance program.

In response to a question from Senator Dever, Mr. Collins said the PERS group health insurance plan would not be allowed to maintain its grandfathered governmental status if it would allow nongovernmental entities to participate.

Mr. Collins said PERS has received the group health insurance plan renewal proposal from Sanford Health. He said the increase in premium rates included in the Sanford Health bid is 17.4 percent for active employees. He said the proposed increase in premium rates would result in an estimated total cost increase of \$55.7 million, of which \$30.6 million is from the general fund. He said the PERS Board will meet twice in September 2016 to review the renewal bid and to make a final decision regarding acceptance of the renewal bid or to issue a request for proposal.

In response to a question from Senator Kilzer, Mr. Collins said the proposed 17.4 percent increase in premiums does not account for potential changes in the design of the group health insurance plan.

BILL DRAFTS

Bill Draft No. 172

At the request of Chairman Krebsbach, Ms. Jennifer S. N. Clark, Counsel, Legislative Council, provided information on Bill Draft No. 172 [[17.0172.01000](#)]. She said the bill draft amends Section 54-52.1-05, relating to the term of the group health insurance plan contract. She said the bill draft would eliminate the 2-year renewal option for the contract and require the insurance plan to be bid every 2 years.

Representative Anderson expressed support for retaining the option to renew the health insurance plan.

In response to a question from Chairman Krebsbach regarding the effects of changing the state law on the current contract with Sanford Health, Ms. Clark said generally state contracts with other entities have provisions stating the contract is subject to changes in state law.

In response to a question from Senator Dever, the Legislative Council staff said the Employee Benefits Programs Committee is to take jurisdiction over measures and proposals which affect, actuarially or otherwise, the retirement programs of state employees or employees of any political subdivision, and health and retiree health plans of state employees or employees of any political subdivision.

In response to a question from Senator Poolman, Mr. Collins said bills which do not have an actuarial impact are still reviewed by PERS.

It was moved by Senator Poolman, seconded by Representative Boehning, and carried on a roll call vote that the committee assume jurisdiction over Bill Draft No. 172 [17.0172.01000] and that the PERS Board be requested to obtain an actuarial analysis of the bill draft or, if the bill draft does not have an actuarial effect on a fund, to provide any other information that would assist the committee in making a recommendation concerning the bill draft. Senators Krebsbach, Dever, Kilzer, Nelson, Oban, and Poolman and Representatives Anderson, Boehning, Dockter, Haak, and Onstad voted "aye." Representative Laning voted "nay."

Bill Draft No. 109

Chairman Krebsbach called on Representative Porter to present Bill Draft No. 109 [17.0109.01000], relating to firefighters joining PERS. He said the bill would allow firefighters employed by political subdivisions to participate in PERS.

Ms. Sharon Schiermeister, Chief Operating Officer and Finance Manager, Public Employees Retirement System, presented information ([Appendix F](#)) regarding the impact of Bill Draft No. 109 on PERS. She said the actuary estimates the bill will have no actuarial impact on the PERS fund.

In response to a question from Senator Nelson, Ms. Schiermeister said the decision to join the plan would be made by the political subdivision, not the individual employees. Representative Porter said only full-time firefighters would be eligible.

In response to a question from Senator Oban, Representative Porter said other emergency first responders did not ask to participate and are typically not employed by a political subdivision.

In response to a question from Representative Haak, Ms. Schiermeister said an estimate of the number of firefighters that would join the PERS plan was not available.

It was moved by Senator Nelson, seconded by Senator Dever, and carried on a roll call vote that the committee give Employee Benefits Programs Committee Bill Draft No. 109 [17.0109.01000] a favorable recommendation. Senators Krebsbach, Dever, Kilzer, Nelson, Oban, and Poolman and Representatives Anderson, Boehning, Dockter, Haak, Laning, and Onstad voted "aye." No negative votes were cast.

Bill Draft No. 118

Ms. Schiermeister presented information ([Appendix G](#)) regarding Bill Draft No. 118 [17.0118.01000]. She said the bill draft decreases employee contributions under PERS for peace officers employed by the Bureau of Criminal Investigation and security officers employed by the National Guard and makes other technical adjustments. She said the actuary estimates the bill will have no actuarial impact on the PERS fund.

Ms. Schiermeister also presented an amendment ([Appendix H](#)) proposed by PERS. She said the proposed amendment makes changes to Section 54-52.6-06, relating to a continuing appropriation to pay the administrative expenses of the defined contribution plan.

It was moved by Representative Anderson, seconded by Senator Nelson, and carried on a voice vote that the committee accept the proposed amendment for Bill Draft No. 118 [17.0118.01000] and that the PERS Board be requested to obtain an actuarial analysis of the amended bill draft or, if the amended bill draft does not have an actuarial effect on a fund, to provide any other information that would assist the committee in making a recommendation concerning the amended bill draft.

Bill Draft No. 119

Ms. Schiermeister presented information ([Appendix I](#)) regarding the effects of Bill Draft No. 119 [17.0119.01000]. She said the bill draft represents the fourth year of the PERS recovery plan. She said the bill draft provides for a 1 percent contribution increase by the employer and a 1 percent contribution increase by the employee beginning January 1, 2018. She said the contribution increases are anticipated to enable the PERS pension fund to be fully funded in 30 years. She said the estimated 2017-19 biennium cost to the state of implementing the fourth year of the PERS recovery plan is \$8,267,084, of which \$4,960,250 is from the general fund.

In response to a question from Representative Haak, Ms. Schiermeister said about 70 employees are still participating in the defined contribution plan.

Representative Anderson expressed support for the bill draft.

In response to a question from Representative Boehning, Ms. Schiermeister said she would provide additional information, regarding the current state and employee contribution percentages, to the committee.

It was moved by Representative Anderson, seconded by Representative Onstad, and carried on a roll call vote that the committee give Employee Benefits Programs Committee Bill Draft No. 119 [17.0119.01000] a favorable recommendation. Senators Krebsbach, Dever, Kilzer, Nelson, Oban, and Poolman and Representatives Anderson, Boehning, Dockter, Haak, Laning, and Onstad voted "aye." No negative votes were cast.

Bill Draft No. 120

Ms. Kathy Allen, Benefits Program Manager, Public Employees Retirement System, presented information ([Appendix J](#)) regarding the impact of Bill Draft No. 120 [[17.0120.01000](#)], which provides for mandated insurance coverage of telehealth services. She said the PERS group health insurance plan already provides coverage for telehealth services and would not be significantly affected by the bill.

In response to a question from Representative Boehning, Ms. Allen said telehealth services can be provided in many ways, including remote monitoring, via computer, and via telephone.

Senator Kilzer expressed concern regarding mandating additional health insurance benefits for private insurers.

Representative Onstad commented on the importance of telemedicine for rural health care.

Ms. Lisa Carlson, Senior Director of Planning and Regulation, Sanford Health Plan, presented a proposed amendment ([Appendix K](#)) for the bill draft. She said the amendment would make multiple technical and material changes to the bill draft.

In response to a question from Senator Dever, Ms. Carlson said she does not believe the amendment would affect the results of the actuarial study. Ms. Carlson said the services being proposed are also provided to Sanford Health Plan's non-PERS plan customers.

In response to a question from Representative Boehning, Ms. Carlson said the amendment was modeled on the North Dakota Board of Medicine administrative rules regarding telemedicine.

The Legislative Council staff said 2015 House Bill No. 1038 requires PERS to introduce a bill to the 2017 Legislative Assembly which expands the telemedicine mandate approved by the 2015 Legislative Assembly bill to all health insurance plans. He said a materially amended bill would not satisfy a statutory requirement. He said the proposed amendment may be introduced for consideration during the 2017 legislative session.

Representative Onstad expressed support for waiting to address the amendment until the 2017 legislative session.

Representative Boehning suggested the amendment provisions be prepared as a bill draft and introduced in the 2017 legislative session.

It was moved by Representative Onstad, seconded by Senator Nelson, and carried on a roll call vote that the committee give Employee Benefits Programs Committee Bill Draft No. 120 [17.0120.01000] a favorable recommendation. Senators Krebsbach, Nelson, Oban, and Poolman and Representatives Anderson, Boehning, Dockter, Haak, Laning, and Onstad voted "aye." Senator Kilzer voted "nay."

Bill Draft No. 117

Ms. Allen presented information ([Appendix L](#)) regarding Bill Draft No. 117 [[17.0117.01000](#)], relating to the eligibility of disabled judges to continue participating in the PERS group health insurance plan. She said the bill draft is not anticipated to have a material actuarial impact on the PERS group health insurance plan.

In response to a question from Representative Boehning, Justice Daniel J. Carothers, Supreme Court, said funding for the disabled judges' insurance premiums would be provided from the judicial branch's biennial appropriation.

In response to a question from Representative Boehning, Ms. Allen said state employees on disability may still participate in the PERS health plan, but premiums are paid by the employee rather than the state agency.

In response to a question from Representative Haak, Justice Carothers said there is a process to remove judges through the Judicial Conduct Committee, but the process can take many months.

It was moved by Senator Poolman, seconded by Representative Boehning, and carried on a roll call vote that the committee give Employee Benefits Programs Committee Bill Draft No. 117 [17.0117.01000] no recommendation. Senators Krebsbach, Dever, Kilzer, Nelson, Oban, and Poolman and Representatives Boehning, Dockter, and Laning voted "aye." Representatives Anderson, Haak, and Onstad voted "nay."

Chairman Krebsbach said the committee will meet again in late October 2016.

No further business appearing, Chairman Krebsbach adjourned the meeting at 2:35 p.m.

Alex J. Cronquist
Fiscal Analyst

ATTACH:12