

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

EMPLOYEE BENEFITS PROGRAMS COMMITTEE

Wednesday, May 2, 2018
Roughrider Room, State Capitol
Bismarck, North Dakota

Representative Mike Lefor, Chairman, called the meeting to order at 10:00 a.m.

Members present: Representatives Mike Lefor, Randy Boehning, Vernon Laning, Mark S. Owens; Senator Carolyn C. Nelson

Members absent: Representatives Jason Dockter, Alisa Mitskog, Roscoe Streyle; Senators Brad Bekkedahl, Dick Dever, Karen K. Krebsbach, Oley Larsen, Gary A. Lee

Others present: See [Appendix A](#)

Chairman Lefor stated that without a quorum, the committee will not be able to take any official actions at the meeting.

RETIREMENT AND INVESTMENT OFFICE

Chairman Lefor called on Mr. David J. Hunter, Executive Director/CIO, Retirement and Investment Office, for a presentation ([Appendix B](#)) regarding the status of the fund and activities of the Retirement and Investment Office (RIO).

In response to a question from Senator Nelson regarding slide 3, Mr. Hunter said the difference in the 30-year net investment returns is a result of similar but not identical asset allocations.

In response to a question from Chairman Lefor, Mr. Hunter said the rate of investment fees paid by RIO is very similar to other public investments. He said he will provide the committee with some peer comparisons regarding fees. However, he said, in considering fees, it is important to also consider the return on investment.

In response to a question from Chairman Lefor, Mr. Hunter said although RIO does not actively seek new clients, it accepts new clients. He said a benefit of political subdivisions joining with the RIO investments is a larger asset base.

In response to a question from Senator Nelson, Mr. Hunter said for the Teachers' Fund For Retirement (TFFR), RIO uses both passive and active management for the index funds.

The committee reviewed Bill Draft No. 126 [[19.0126.01000](#)], which updates North Dakota Century Code relating to the TFFR to remain in compliance with the federal Internal Revenue Code.

Chairman Lefor called on Ms. Fay Kopp, Chief Retirement Officer, Teachers' Fund for Retirement, Deputy Executive Director, Retirement and Investment Office, for a summary ([Appendix C](#)) of the bill draft.

PUBLIC EMPLOYEES RETIREMENT SYSTEM

Chairman Lefor called on Ms. Sharon Schiermeister, Interim Executive Director, Public Employees Retirement System, for comments ([Appendix D](#)) regarding the status of the Public Employees Retirement System (PERS) activities and a review of the bill drafts PERS submitted for committee review.

In response to a question from Representative Boehning, Ms. Schiermeister said the actuarial report assumes an investment return of 7.75 percent. She said if PERS fails to follow the actuarial report, it will result in the report receiving the status as a "qualified report". She said in the actuarial report for the PERS recovery bill draft, PERS can request various modeling to reflect different variables.

In response to a question from Chairman Lefor regarding slide 16, Ms. Schiermeister said if PERS goes out to bid for the health benefits plan, traditionally PERS includes a request for proposal for a self-insured plan.

In response to a question from Representative Laning regarding slide 18, Ms. Schiermeister said there is a history of premium increases over the period PERS has offered a long-term care plan.

In response to a question from Representative Boehning regarding slide 22, Ms. Schiermeister said during the transition to electronic payments, PERS has not received any "push back" from new retirees.

In response to a question from Representative Boehning, the Legislative Council staff said the law setting out the committee's duties would need to be amended to avoid having to hold meetings of the committee during legislative sessions.

The committee reviewed the following bill drafts:

- Bill Draft No. 128 [[19.0128.01000](#)], provides if health benefits are provided through a self-insurance plan, PERS is not required to provide prescription drug coverage through a third-party administrator and is not required to provide stop-loss coverage for prescription drug coverage. The bill draft also clarifies only vested members of the Highway Patrolmen's retirement system are qualified to purchase service credit and that retiree health benefits are able to be used for any dental, vision, and long-term care benefits.
- Bill Draft No. 131 [[19.0131.01000](#)], provides for an increase in employee and employer contribution for the main retirement fund and the defined contribution plan.
- Bill Draft No. 130 [[19.0130.01000](#)], for new hires, decreases the retirement multiplier from 2 to 1.75 percent until the main retirement fund is at 100 percent funding, at which time the multiplier increases back to 2 percent.
- Bill Draft No. 129 [[19.0129.01000](#)], for new hires, reallocates the 1.14 percent employer contribution currently allotted to the retiree health insurance credit fund to the general pool of funds in the main plan.
- Bill Draft No. 135 [[19.0135.01000](#)], for future terminations, provides final average salary is the higher of two alternative calculations.
- Bill Draft No. 117 [[19.0117.01000](#)], provides contracts for the provision of health benefits coverage may not exceed 2 years and may not be renewed, and updates the law relating to self-insurance plans for health benefits coverage.
- Bill Draft No. 19 [[19.0019.01000](#)], provides if a state employee elects family health benefits coverage, the employee pay the difference between the cost of the individual coverage and the family coverage.
- Bill Draft No. 20 [[19.0020.01000](#)], revises the duties of the Employee Benefits Programs Committee.
- Bill Draft No. 32 [[19.0032.01000](#)], revises the statute relating to the state's plan for high-deductible health benefits coverage.

Chairman Lefor said due to the lack of a quorum, the committee will not take any official action on these bill drafts. A future meeting date will be set at which the committee will determine whether the bill drafts affect the retirement system and therefore require an actuarial report. He requested the Legislative Council staff to send all committee members an audio recording of the meeting and copies of the bill drafts in order to prepare for the next meeting.

No further business appearing, Chairman Lefor adjourned the meeting at 11:45 a.m.

Jennifer S. N. Clark
Counsel

ATTACH:4