



— State of —
North Dakota
Office of the Governor

Doug Burgum
Governor

May 2, 2017

The Honorable Larry Bellew
Speaker of the House
North Dakota House of Representatives
North Dakota State Capitol
Bismarck, ND 58505

Dear Speaker Bellew,

Pursuant to Article V, Section 9 of the North Dakota Constitution, I have signed House Bill 1023, but vetoed sections 6, 7, 8, 9, 10, 12 and 13. HB 1023 is the appropriation bill for the North Dakota Public Employees Retirement System (PERS).

Sections 7, 9, 10 and 12 propose creating an entirely new legislative committee, the Public Employee Health Care Coverage Committee. This new committee is intended to study and make recommendations regarding, among other things, the terms of PERS requests for proposals for health insurance coverage. Section 13 refers only to sections being vetoed so it is no longer relevant.

Section 8 changes the scope of the Employee Benefits Programs Committee (EBPC) by eliminating its ability to consider legislative measures and proposals which impact health insurance, effectively splitting the review of employee benefits into two competing committees. Section 8 also eliminates any committee oversight during the 2017-2019 interim for retiree health insurance coverage. Retirement and health insurance benefits must be considered together in a unified, holistic way, along with salary and all other forms of compensation, to optimize value to both recipients and taxpayers as a complete package.

The North Dakota Century Code authorizes PERS to manage the retirement and insurance plans to ensure a comprehensive package of benefits that assists in the recruitment and retention of high-performing employees. Currently, 13 legislative members comprise the EBPC and two legislative members serve on the PERS Board of Trustees, providing significant legislative input to the process.

Section 6 forces early termination of the existing health insurance contract for PERS members on June 30, 2019, and proposes to restrict the next negotiated contract to a two-year period. It is an unproven hypothesis that a two-year, non-renewal contract period will produce lower rates from potential providers.

Under current law, the PERS Board of Trustees, in conjunction with the EBPC, holds the responsibility to assess market alternatives. We share the Legislature's interest in a competitive bid process for PERS health insurance coverage, whether fully or self-insured or a hybrid, that results in lower costs to the state. In addition, multiple future cost saving factors can be considered under our current provider contract.

Sincerely,

A handwritten signature in blue ink that reads "Doug Burgum".

Doug Burgum
Governor