

# NDPERS BOARD MEETING

## Agenda

**Bismarck Location:**  
ND Association of Counties  
1661 Capitol Way  
**Fargo Location:**  
BCBS, 4510 13<sup>th</sup> Ave SW

**July 20, 2006**

**Time: 8:30 AM**

### **I. MINUTES**

A. June 29, 2006

### **II. GROUP INSURANCE**

- A. BCBSND Updates: (Information)
  - 1. Clinical Pharmacy Update
- B. Dental/Long Term Care Insurance Update – Sparb (Information)
- C. Dental Self Funding – Bill Robinson, GBS (Information)

### **III. MISCELLANEOUS**

- A. PERS 2007-09 Budget – Sharon (Board Action Requested)
- B. Business System Replacement Update – Sparb (Board Action Requested)
- C. SIB Agenda – (Information)

### **IV. DEFERRED COMP**

- A. Hardship Appeal – Kathy (Board Action Requested)

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Any individual requiring an auxiliary aid or service must contact the NDPERS ADA Coordinator at 328-3900, at least 5 business days before the scheduled meeting.

# MINUTES

## North Dakota Public Employees Retirement System

Thursday, June 29, 2006  
ND Association of Counties, Bismarck  
BCBS, 4510 13<sup>th</sup> Ave SW, Fargo  
1:30 P.M.

Members Present:

Ms. Joan Ehrhardt  
Mr. Ron Leingang  
Mr. Howard Sage  
Ms. Arvy Smith  
Ms. Sandi Tabor

Via Video Conference:

Ms. Rosey Sand  
Chairman Jon Strinden

Others Present:

Mr. Sparb Collins, Executive Director, NDPERS  
Ms. Cheryl Stockert, NDPERS  
Ms. Deb Knudsen, NDPERS  
Ms. Kathy Allen, NDPERS  
Ms. Sharon Schiermeister, NDPERS  
Mr. Ron Gilliam, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Ms. Cheryle Masset-Martz, NDPERS  
Ms. Sharmain Dschaak, NDPERS  
Ms. Lori Laschkewitsch, OMB  
Mr. Leon Wechsler, LRWL  
Mr. Andy Flewelling, LRWL  
Mr. Ron McCartney, LRWL  
Ms. Patricia Hill, ND Pharmacists Association  
Mr. David Peske, ND Medical Association  
Ms. Nancy Kopp, ND Optometric Association  
Mr. Kevin Schoenborn, BCBS  
Mr. Al Pertuz, Health Dialog  
Mr. Brad LaPorte, Health Dialog  
Ms. Chesley Chen, Health Dialog  
Mr. Weldee Baetsch

Via Video Conference:

Mr. Larry Brooks, BCBSND  
Ms. Susan Trosen, BCBSND  
Mr. Gary Dauenhauer, BCBSND  
Ms. Shari Koenig, BCBSND

Chairman Jon Strinden called the meeting to order at 1:30 p.m.

## **MINUTES**

Chairman Strinden called for any comments or corrections to the May 18, 2006 Board meeting minutes.

**THERE BEING NONE, MR. LEINGANG MOVED APPROVAL OF THE MAY 18, 2006 BOARD MEETING MINUTES. MS. SMITH SECONDED THE MOTION. THE MINUTES WERE APPROVED.**

## **MONTHLY TOPICS**

### **Business System Replacement Project**

Mr. Collins introduced Mr. Leon Wechsler of L. R. Wechsler, Ltd, the PERS business system replacement project consultant. LRWL was contracted to examine the current strengths and weaknesses of the legacy system and determine whether the current system will sustain NDPERS into the future or an alternative solution should be pursued. LRWL has provided similar analysis for approximately 24 other public employee retirements systems across the country. Mr. Wechsler presented the business issues and challenges regarding the current system which is approximately 30 years old. As a result of discussions with PERS management and staff, the required operating environment was identified. LRWL presented three possible options: continued enhancement of the system, build a system, or buy a system. LRWL recommendation is to elect the buy approach to obtain an integrated proven state of the industry system and to phase it over a 30-36 month time frame. The remainder of this biennium should be used to develop the RFP with the system phase in starting July of 2007. Mr. Collins indicated staff is in agreement with the Wechsler recommendation to buy and that if the Board elects to move forward, staff will present a funding plan and budget to the Board at the July meeting.

The Legacy Application System Review (LASR) Project Feasibility Study report is available at the PERS office.

**MR. LEINGANG MOVED TO APPROVE STAFF RECOMMENDATION TO BUY A BUSINESS REPLACEMENT SYSTEM. THE MOTION WAS SECONDED BY MS. SMITH.**

**Ayes:** Leingang, Sage, Sand, Smith, Tabor, Ehrhardt, and Chairman Strinden.

**Nays:** None

**PASSED**

### **Project Charter**

Mr. Collins indicated that since the Board has approved moving ahead with the business system replacement project, the next phase of the project would fall under the "large project" guidelines of ITD. The project charter included in the board book is for the next phase of the project which is development of a Request for Proposal (RFP) for the Legacy Application System Replacement (LASR) project. It is for the period July 1, 2006 through June 30, 2007.

**MS. TABOR MOVED TO APPROVE THE PROJECT CHARTER FOR THE LEGACY APPLICATION SYSTEM REPLACEMENT PROJECT. THE MOTION WAS SECONDED BY MS. EHRHARDT.**

**Ayes:** Leingang, Sage, Sand, Smith, Tabor, Ehrhardt, and Chairman Strinden.  
**Nays:** None

**PASSED**

### **GROUP INSURANCE**

#### **BCBSND Health Dialog Update**

Mr. Collins introduced representatives from Health Dialog to present an update. The Health Dialog program began last October through BCBSND and is a disease management program at a cost of \$2.98 per contract. Representatives from Health Dialog indicated that the total estimated savings for year one was \$1,077,240. The Health Dialog program summary report is available at NDPERS office.

#### **Coordination of Benefits**

Mr. Collins reviewed the Board's previous discussions on the banking issue from the last two meetings. He also reviewed new information from BCBS which showed that if the Board maintained the existing COB process it would cost \$17,000. Mr. Collins also reviewed the information from BCBSND relating to benefit provisions that are a part of other BCBS plans but not PERS and that could be provided to members at a cost comparable to the cost of the banking provision. Finally, Mr. Collins reviewed with the Board information from BCBS stating that the savings from not continuing the COB would be not subject to the financial closeout procedures at the end of the contract period.

**MS. SAND MOVED TO DISCONTINUE COORDINATION OF BENEFITS BANKING AND NOT ADD ADDITIONAL BENEFITS. THE MOTION WAS SECONDED BY MS. TABOR.**

**Ayes:** Leingang, Sage, Sand, Smith, Tabor, Ehrhardt, and Chairman Strinden.  
**Nays:** None

**PASSED**

**Health Plan Renewal**

Mr. Collins stated the Benefits Committee met in May to discuss the health plan. The general consensus of the Benefits Committee was that the existing plan design should be maintained for the 2007-09 biennium. As done in the past, the committee is offering several lower cost alternative designs so there is a clear concept of the effect on benefits/premiums that occurs as a result of a lower level of funding. The Benefits Committee is not recommending these alternative plan designs; these are just to show the range of additional options and give a perspective of what the costs of these options would be.

**MS. SAND MOVED TO PROCEED WITH THE HEALTH PLAN RENEWAL PER STAFF RECOMMENDATION. THE MOTION WAS SECONDED BY MS. TABOR.**

**Ayes:** Leingang, Sage, Sand, Smith, Tabor, Ehrhardt, and Chairman Strinden.  
**Nays:** None

**PASSED**

**Wellness Benefit Program**

Mr. Collins indicated that the Wellness Benefits Program has experienced an increase in applicants requesting funding to conduct on-site wellness programs. Two issues have resulted: one relates to requests for reimbursement for incentive prizes/food and the other relates to inquiries from larger employer groups regarding the reimbursement schedule limits. The Wellness Committee met on June 14, 2006 to develop guidelines regarding these requests and to review the current reimbursement schedule. The Board discussed the committee's recommendation and requested clarification and additional information and will make a decision at the next meeting regarding the reimbursement schedule.

**MS. SAND MOVED TO APPROVE THE WELLNESS COMMITTEE'S RECOMMENDATION TO EXCLUDE FUNDING FOR WELLNESS PROGRAM INCENTIVE PRIZES AND FOOD AND NOT ALLOW WELLNESS FUNDS TO EMPLOYER GROUPS NOT PARTICIPATING IN THE EMPLOYER BASED WELLNESS PROGRAM. ACTION WAS DEFERRED ON THE PROPOSED**

**REIMBURSEMENT SCHEDULE UNTIL THE NEXT MEETING. THE MOTION WAS SECONDED BY MS. TABOR.**

**Ayes:** Leingang, Sage, Sand, Smith, Tabor, Ehrhardt, and Chairman Strinden.  
**Nays:** None

**PASSED**

**Vision Plan Renewal**

Mr. Collins reported that Ameritas has submitted a renewal rate notification and no increase in rates is being proposed for the January 1, 2007 through December 31, 2008 contract period. Ameritas is also offering an increased the benefit for an annual eye exam from \$35 to \$40 effective January 1, 2007.

**MS. TABOR MOVED TO ACCEPT STAFF RECOMMENDATION TO ACCEPT THE AMERITAS PROPOSAL FOR THE BENEFIT PERIOD JANUARY 1, 2007 THROUGH DECEMBER 31, 2008. THE MOTION WAS SECONDED BY MR. LEINGANG.**

**Ayes:** Leingang, Sage, Sand, Smith, Tabor, Ehrhardt, and Chairman Strinden.  
**Nays:**

**PASSED**

**Group Medical Plan Surplus/Affordability Update**

Mr. Reinhardt presented the May surplus projection and affordability analysis for the NDPERS group medical plan. The projection for the 2003-05 biennium shows an ending balance of \$15.6 million; the targeted amount for the 2005-07 buydown is \$14.3 million. The early projection for the 2005-07 biennium shows an ending balance of \$1.75 million.

**HIPAA Security Update**

Mr. Reinhardt reported that NDPERS continues to maintain compliance with HIPAA security through staff training. HIPAA policies and procedures are evaluated and updated as necessary.

**Dental/LTC Insurance Update**

Mr. Collins indicated the bid is out to market. Proposals are due July 6, then Gallagher Benefit Services will begin their analysis, and the Board will meet in August to interview companies.

## **DEFERRED COMPENSATION**

### **Ameriprise**

Mr. Collins indicated Scott Miller has been in contact with Ameriprise relating to a misplaced laptop computer from their company. He has negotiated credit monitoring services at no charge for affected PERS members and that members will receive a letter from Ameriprise. Ms. Tabor indicated that Consumer Protection in the Attorney General's Office can offer assistance if needed.

### **First Quarter 2006 Investment Report**

Mr. Reinhardt presented information relating to the 401(a) and 457 Companion Plan. Assets in the 401(a) plan increased to over \$15.0 million as of March 31, 2006 with 294 participants. Assets in the 457 Companion Plan increased to about \$17.7 million as of March 31, 2006 (up from \$12.1 million on 12-31-03 which is a 46% increase) and has 1,212 participants.

## **MISCELLANEOUS**

### **Board Meeting Schedule**

Mr. Collins stated we will need to discuss the schedule for August to convene two special meetings, one relating to the health plan renewal and the other for interviews of dental/long term care voluntary insurance providers. The Board decided to meet on August 24 beginning at 1:30 p.m. and August 29 beginning at 8:30 a.m.

### **IT Strategic Plan**

Mr. Collins indicated that the IT Strategic Plan for the 2007-09 biennium must be submitted by July 15, 2006. A draft plan was submitted to the Board for review.

### **Board Website Information**

Mr. Collins reported the Board reference website has been developed and activated. To go to this site, click on the PERS logo to access state statutes, administrative rules, plan documents, PERS Board materials, as well as legislative employee benefits committee information. Much of the information on this reference website is also available on the main PERS website.

**Audit Committee Charter**

Mr. Collins stated the revised Audit Committee Charter includes addition of a third member, the member being from outside the organization. An internal auditor from MDU would be interested in serving on our Audit Committee.

**MS. TABOR MOVED TO ADOPT THE REVISED AUDIT COMMITTEE CHARTER. THE MOTION WAS SECONDED BY MS. SMITH.**

**Ayes:** Leingang, Sage, Sand, Smith, Tabor, Ehrhardt, and Chairman Strinden.  
**Nays:** None

**PASSED**

**Audit Committee and Internal Audit Activity for the Year 2005**

Information included in Board book. No further questions or comments.

**Audit Committee Minutes of February 15, 2006**

Minutes included in Board book. No further questions or comments.

**Retiree Conference**

Mr. Collins indicated that the Retiree Conference is scheduled for Medora. Brochure and registration information included in Board book.

**SIB Minutes**

SIB Minutes of April 21, 2006 and May 19, 2006 included in Board book.

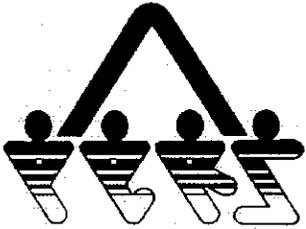
**NAGDCA Conference**

Conference brochure included in Board book.

The meeting adjourned at 3:55 p.m.

Prepared by,

Cheryl Stockert  
Secretary to the NDPERS Board



**North Dakota  
Public Employees Retirement System**  
400 East Broadway, Suite 505 • Box 1657  
Bismarck, North Dakota 58502-1657

**Sparb Collins**  
Executive Director  
(701) 328-3900  
1-800-803-7377

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FAX: (701) 328-3920 • EMAIL: [NDPERS@state.nd.us](mailto:NDPERS@state.nd.us) • [discovernd.com/NDPERS](http://discovernd.com/NDPERS)

# Memorandum

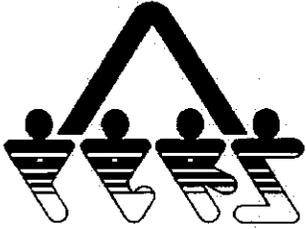
**TO:** PERS Board

**FROM:** Sparb

**DATE:** July 12, 2006

**SUBJECT:** BCBS Clinical Pharmacy Update

The last educational item we have before we begin our renewal considerations with BCBS is a presentation providing an update on pharmacy issues. Tom Christensen, Director of Pharmacy Management for BCBS, will be at the meeting to give this presentation.



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Public Employees Retirement System**  
400 East Broadway, Suite 505 • Box 1657  
Bismarck, North Dakota 58502-1657

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Executive Director  
(701) 328-3900  
1-800-803-7377

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FAX: (701) 328-3920 • EMAIL: [NDPERS@state.nd.us](mailto:NDPERS@state.nd.us) • [discovernd.com/NDPERS](http://discovernd.com/NDPERS)

# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** July 12, 2006  
**SUBJECT:** Dental/LTC Update

We received the following proposals for the dental plan:

**Ameritas Group**  
**CIGNA Dental**  
**Delta Dental of Minnesota**  
**MetLife**  
**Mutual of Omaha**  
**Reliance Standard**  
**UniCare/WellPoint, Inc.**  
**Unimerica Workplace Benefits**

We received no LTC proposals.

GBS is beginning their review and will report the findings to you at the Board meeting on August 17. We will conduct interviews at the special meeting scheduled for August 29.

**NORTH DAKOTA PERS  
VENDOR RESPONSE**

Proposed Effective Date: January 1, 2007

**The following vendors submitted proposals:**

VENDOR	AM Best Rating (1)	VOLUNTARY DENTAL						Voluntary Long Term Care	Notes
		Current Plan Design	PPO Plan Design	Carrier Suggested Plan Design	Aggregate Stop Loss				
		Self-funded / Insured	Self-funded / Insured	Self-funded / Insured	Self-funded / Insured	Self-funded / Insured			
Advanced Resources Marketing									
Aetha, Inc.	-								NO RESPONSE TO RFP.
AlwaysCare Benefits, Inc. (A Starmount Life Insurance Company)	-								DECLINED TO QUOTE. The major factor was the lack of network panel providers. ND is one of the few states in which they do not have a network panel. They do not feel it would be appropriate, given the RFP requirements, to provide a proposal with non-network plans.
Ameritas Life Insurance									DECLINED TO QUOTE. Unable to provide a competitive bid.
Asset Management Group, Inc.									DECLINED TO QUOTE. Due to the limited time to communicate the program and the past enrollment history.
Assurant / Fortis	-								NO RESPONSE TO RFP.
Benefit Specialists									DECLINED TO QUOTE. Unable to provide a competitive bid.
Blue Cross Blue Shield of ND (Noridian)									NO RESPONSE TO RFP.
Cigna	A-	QUOTED	QUOTED				QUOTED		
C.N.A.									NO RESPONSE TO RFP.
Country Life Ins. Co.									NO RESPONSE TO RFP.
Delta Dental of Minnesota	A	QUOTED (Offered a PPO plan design vs. an indemnity plan)	QUOTED (Offered a PPO plan design vs. an indemnity plan)	QUOTED	QUOTED	QUOTED	QUOTED		
Doral Dental USA									NO RESPONSE TO RFP.
Equitable Life and Casualty									NO RESPONSE TO RFP.



VENDOR	AM Best Rating (1)	VOLUNTARY DENTAL						Notes		
		Current Plan Design		PPO Plan Design		Carrier Suggested Plan Design			Aggregate Stop Loss	Voluntary Long Term Care
		Self-funded	Insured	Self-funded	Insured	Self-funded	Insured			
Schmidt Insurance Agency									NO RESPONSE TO RFP.	
Securian Dental Plans (Delta Dental of MN)									NO RESPONSE TO RFP.	
Standard									DECLINED TO QUOTE. May not be able to meet the requirements concerning the transfer of data with NDPERS. Further, the requirement to maintain 28 separate billing accounts would present a problem.	
SunLife									DECLINED TO QUOTE. Do not have dental or LTC insurance products at this time.	
Total Dental									NO RESPONSE TO RFP.	
Trustmark Insurance									NO RESPONSE TO RFP.	
Trustmark Insurance									NO RESPONSE TO RFP.	
UniCare (Wellpoint)	A	QUOTED	QUOTED	QUOTED	QUOTED	QUOTED	QUOTED		NO RESPONSE TO RFP.	
Unimerica	A								NO RESPONSE TO RFP.	
United Concordia									NO RESPONSE TO RFP.	
United HealthCare of IL									DECLINED TO QUOTE. Cannot be competitive on the dental piece and do not cover LTC.	
UnumProvident (INCUMBENT)									NO RESPONSE TO RFP.	
Wellpoint (Golden West Dental) (INCUMBENT)									NO RESPONSE TO RFP.	
Wellpoint pays claims; ING is insurer									PROPOSAL PROVIDED BY UNICARE.	

Strength/Secure Ratings	Vulnerable Ratings
A++ and A+	Superior
A and A-	Excellent
B++ and B+	Very Good
	C and C-
	D



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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** July 12, 2006  
**SUBJECT:** Dental Plan – Self funded

One of the options we bid for the dental plan was to self fund the plan. The statute allows this option:

**54-52.1-04.7. Uniform group insurance program - Vision and dental plans.** The board may establish a dental plan, a vision plan, or both, for eligible employees. The board shall receive bids for the plan or plans pursuant to section 54-52.1-04. The board may reject any or all bids and provide a plan of self-insurance. Premiums for this coverage must be paid by the eligible employee. Any refund, rebate, dividend, experience rating allowance, discount, or other reduction of premium must be credited as provided by section 54-52.1-06.

In consideration of reviewing this option in August, GBS has developed the attached memos to provide you with background information. Bill Robinson will also be at the meeting to discuss the memos and answer questions.

# GALLAGHER BENEFIT SERVICES, INC. **Memo**

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**To:** Sparb Collins, NDPERS  
**From:** Bill Robinson, Denver Office  
**Date:** July 3, 2006  
**Re:** Voluntary Dental RFP

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As requested, this memo will provide the NDPERS Board with a general overview of the issues associated with continuing to insure or to consider self-funding PERS' voluntary dental plan beginning in 2007.

Conventional benefits underwriting wisdom states that voluntary programs should not be self-funded. Without a reasonable employer contribution, the potential for adverse selection against voluntary plans create too great of a financial risk for most plan sponsors to assume. This is certainly true with voluntary/supplemental life insurance where the potential exists for several large claims to occur in one year. Long term disability with its extended payment and reserve requirements is another voluntary coverage that is insured for all but the very largest plan sponsors.

Dental and vision are two voluntary coverages that can be considered for self-funding under certain circumstances. Unlike medical, there are no "catastrophic" dental or vision claims that can radically skew claim experience in a plan year. Both coverages usually have annual benefit payment maximums, which allow the plan sponsor's optimal yearly claim liability to be easily determined. From an underwriting standpoint, what is needed to determine the feasibility of self-funding dental or vision is an adequate number of insured lives and claim experience for an extended period of time. With almost 4000 covered employees and detailed claim experience for the past three years, NDPERS meets both of these underwriting requirements.

The State of Wyoming, a current GBS client, has successfully self-funded its voluntary major services dental plan for years. Basic (diagnostic and preventative) dental receives a state contribution in Wyoming. All other dental services are covered under a voluntary plan with no direct employer contribution. Wyoming initially insured the voluntary coverage for a number of years until the enrollment was sufficient and the claim experience stabilized. This is the same progression that NDPERS could elect to follow.

NDPERS current voluntary dental RFP allows for insured and self-funded proposals. For those carriers submitting a self-funded proposal, we have ask them to also include an aggregate stop-loss (ASL) insurance quote along with an annualized expected claims calculation. GBS will analyze and evaluate the insured and self-funded proposals, showing total biennium costs using the carriers' own expected claims projections. Additionally, GBS will develop its own expected claims projections for comparison purposes. All this information will be presented to the Board in our final report to assist

them in determining whether it is financially advantageous to its plan participants to self-fund the NDPERS voluntary dental plan.

Naturally, the Board will be concerned with assuming any claim risk by self-funding the dental plan. As explained above, for larger groups such as NDPERS, dental claim experience is relatively predictable. However, at least for the first biennium, the potential for any adverse risk can be mitigated by including a claim fluctuation reserve (CFR) in the initial self-funded contribution rates. Further, the initial self-funded contribution rates can be established at a level that approximates the insured premiums to ensure that an adequate Incurred But Not Reported (IBNR) claim reserve is established. For any self-funded health coverage, an actuarially adequate IBNR should be maintained at all times to fund claims run-out should the plan terminate. Should the Board decide to self-fund the dental coverage, we can develop recommended contribution rates that include actuarially recommended CFR and IBNR margins.

In conclusion, conceptually there is no reason for NDPERS not to consider self-funding its voluntary dental plan. It has sufficient size and years of experience to permit underwriting of the plan. Wyoming has demonstrated the feasibility of self-funding its voluntary employee dental plan. By thoroughly analyzing and evaluating the proposals received, GBS can provide the data to the Board that will allow it to make an informed decision whether to insure or self-fund PERS' voluntary dental plan.

Please let me know if we can provide any additional information on this issue prior to the submission of proposals in response to the dental plan RFP.

# GALLAGHER BENEFIT SERVICES, INC. **Memo**

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**To:** Sparb Collins, NDPERS  
**From:** Bill Robinson, Denver Office  
**Date:** July 9, 2006  
**Re:** Dental Self-Funding Questions

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As requested, we are providing the following responses to questions concerning dental self-funding.

1. How does PERS prevent claims (plus administration) from exceeding premiums (contributions)? As mentioned in our previous memo, dental claims are much more predictable and less variable than medical claims. Given that NDPERS has almost 4000 employees/retirees in its dental plan and there are four years of dental claim experience available, an actuary should be able to very accurately project claims for the first biennium should PERS decide to self-fund the coverage. To minimize risk, an actuary could put in a claim fluctuation reserve into the initial rates. Another common approach for the first year of self-funding is to set the contribution rates which consist of expected claims, administrative costs and reserves (both Incurred But Not Reported and Claim Fluctuation) at a level equivalent to fully insured premium rates. Carriers are very conservative with their voluntary rates and matching those rates for the first experience period would essentially assure that they would be sufficient to cover all self-funded costs, including reserves. If PERS wanted to be ultra-conservative, it could purchase aggregate stop-loss (ASL) insurance (we asked carriers to quote at 125% of expected claims) and establish the self-funded contribution rates to cover the 25% corridor above the carrier's expected claim level and the attachment point where ASL coverage would start. After the first biennium, PERS could then decide if its reserves were adequate and the claim experience stable enough to drop ASL coverage.
2. How will self-funded contribution funding levels be established? GBS and its health actuarial division, Apex Consulting, are available to establish self-funded dental rates for PERS. Our analysis of the insured and self-funded proposals will include projected **total** maximum biennium costs for all options submitted. Actual contribution rate development will depend on the amount of risk PERS is willing to assume for the initial biennium. As described in our response to question one above, there are numerous actuarial and underwriting techniques available to mitigate or even eliminate financial risk of self-funding. These are employed by our many self-funded public sector clients.
3. Benefit Payment Allowances: Just like an insured plan, self-funded dental coverage can reimburse claims using two primary methodologies. The more common is to pay claims based on usual, reasonable and customary (UCR) at a predetermined percentile of submitted claims. It is our understanding that your current insured plan uses UCR at the 80<sup>th</sup> percentile as a basis for determining allowable amounts for

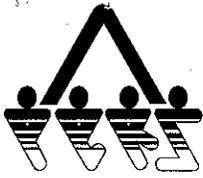
adjudication. The other option, although less common, is to use a predetermined fee schedule which would only change over time upon PERS' direction. As stated, either of these approaches can be used for insured or self-funded dental plans. Whether PERS selects a dental carrier to pay claims on an Administrative Services Only (ASO) basis or an independent third party administrator (TPA), either should be able utilize a fee schedule or UCR. Our dental RFP asks several questions about the respondents' methodology for determining UCR. We will thoroughly summarize the responses in our report to PERS. If the dental vendor proposes a PPO network, then it is very probable that network dentists have either agreed to a fee schedule or a maximum fee allowance.

4. Claim appeals and other administrative issues: With any self-funded plan, the plan sponsor retains the ultimate claim decision making authority. Regardless of whether PERS selects an ASO carrier or a TPA to adjudicate claims, either will traditionally handle the first and second level of appeals. ASO dental carriers will have licensed dentists on staff to review claim appeals. TPAs may not and that will need to be addressed in any finalist interviews. Claims that appealed after the second level will go to PERS for an ultimate decision. Compared to medical, dental claim appeals are much less frequent and involved. Many of the potential disputes are eliminated by a pre-authorization requirement above a predetermined amount (often \$250). However, appeals or grievances can occur. Wyoming has a statutory grievance process that its self-funded medical, Rx and dental carriers must agree to as a condition of contracting. If PERS does not have such a process already established, we suggest that it adopt one if it decides to self-fund its dental plan in 2007.
5. Cash flow under self-funded plans: As explained above, there are three pieces to a self-funded contribution rate: administration, claims and reserves. Administrative fees are paid monthly to the ASO carrier/TPA on a PEPM basis. Submitted and adjudicated claims are funded on a predetermined schedule with the administrator, usually weekly or bi-weekly. Funds are usually transferred electronically. Reserves are held by the plan sponsor. Assuming that you collect contributions from your participating employers and covered participants in advance, PERS should have adequate funds the first month to pay the fixed administration fees and the variable claim costs. Reserves are accumulated over the biennium. Because there is no such thing as a "catastrophic" dental claim, it is extremely unlikely that PERS would not have sufficient funds on hand to cover fixed and variable claim costs early in the biennium before reserves have had time to accumulate.
6. Aggregate stop-loss (ASL): ASL coverage for dental is very rare. The only place where I have encountered it is in Iowa, where it was required of public sector plans by an arcane state law, which has since been revised. Nonetheless, we requested it in PERS dental RFP for two reasons. First, is to have the carriers provide the expected annual claims projections that are needed to establish ASL coverage limits. This information will be provided in our analysis as a means of comparing insured and self-funded projected claim costs. Second, in the event that PERS wants to establish a maximum annual liability for its initial experience with self-funding, ASL insurance will provide this protection. It may be something that the Board elects to purchase for the first biennium until adequate reserves are established.

I believe that this addresses all of the questions submitted to us. If we can provide any additional information prior to our RFP analysis, please let me know.

Regards

c: Don R. Heilman, GBS



## MEMORANDUM

**TO:** NDPERS Board

**FROM:** Sharon Schiermeister

**DATE:** July 12, 2006

**SUBJECT:** 2007-2009 Biennium Budget Request

In March 2006, Governor Hoeven released the budget guidelines for the 2007-2009 biennium. He indicated that agencies would be required to submit their budget at the same funding level as the current biennium, with the addition of the cost to continue the fiscal year 2007 4% salary increase. Appropriation requests are not limited for agencies with special funds; however, OMB has encouraged us to take this opportunity to examine the level of spending in all areas to ensure the most efficient operation and most effective use of resources from all funding sources. The budget being presented to you today is for \$4,748,158 which is equal to our 05-07 appropriation, plus the cost to continue the 4% salary increase of \$47,921. Attached is a spreadsheet which provides the details of the budget request. Here are the highlights:

1. The budget provides funding to maintain the existing level of services provided by the agency.
2. An increase of \$46,700 has been included to provide funding for 24 months for 2 temporary employees in the accounting division.
3. An increase of \$81,300 has been included for inflation.
  - primarily data processing, postage, office rent, telephone and travel costs
4. Information Technology (IT) activities resulted in a net decrease of \$122,900
  - Lower hardware and software costs. Since we are on a 4 year replacement cycle, these costs will be incurred every other biennium.
  - Lower postage and printing costs due to the increased use of website and email for providing forms, publications and communications to employers and employees
  - Reduced level of maintenance for mainframe system as a result of LASR project
5. Miscellaneous reductions in office equipment and equipment rent.

The budget guidelines also provide agencies with an opportunity to submit optional funding requests that are in addition to the base budget request. Staff is proposing 2 optional funding packages.

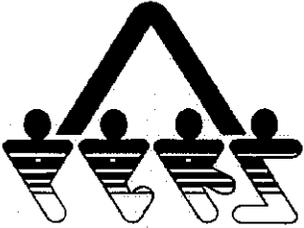
1. **Salary equity package.** Since 1999, PERS has been working to provide increases to PERS staff whose salaries are less than the statewide or national average for the respective pay grade or position, by years of service. Currently, the statewide average comp ratio for all state agencies is .96 and for PERS it is .896. This option includes funding for salary equity increases which would move staff to an average comp ratio of .959.
2. **Legacy Application System Replacement (LASR) project.** Last month, the Board approved moving forward with the LASR project. This optional funding request includes the system replacement costs (\$8.9, as estimated by Wechsler), funding for 4 additional FTE, funding to lease and furnish additional office space for the project team, computer and phone connections, and additional salary for overtime and workload adjustments. The system replacement cost of \$8.9 million will be spent over a 3 year period from July 2007 – June 2010; we will be requesting that the balance of this appropriation authority be carried over into the 2009-2011 biennium. The remaining \$400,000 represents the 4 new FTE and project team costs for the 2007-09 biennium. The funding for the 3<sup>rd</sup> year of these project costs will be requested in the 2009-11 biennium budget.

**Board Action Requested:**

Approve 2007-09 base budget request and optional funding request to be submitted to OMB

# North Dakota Public Employees Retirement System

	Current Budget 05-07	Request 07-09	Request + (-) Difference	Optional Adjustments		Request 07-09
				Salary Equity Package	IT Project	
<b>SALARIES AND WAGES</b>						
FTE EMPLOYEES (Number)	29.00	29.00	0.0	0.00	4.00	33.0
Salaries	2,124,800	2,189,340	64,540	120,000	214,492	2,523,832
Temporary, Overtime	9,874	5,000	(4,874)		5,000	10,000
Benefits	750,852	762,168	11,316	20,136	90,620	872,924
<b>TOTAL</b>	<b>2,885,526</b>	<b>2,956,508</b>	<b>70,982</b>	<b>140,136</b>	<b>310,112</b>	<b>3,406,755</b>
General Fund						
Special Funds	2,885,526	2,956,508	70,982	140,136	310,112	3,406,755
<b>OPERATING EXPENSES</b>						
Travel	66,700	73,100	6,400			73,100
IT - Software/Supp.	26,200	13,000	(13,200)		2,400	15,400
Professional Supplies & Materials	11,550	11,550	0			11,550
Miscellaneous Supplies	0	0	0			0
Office Supplies	33,191	34,851	1,660		8,400	43,251
Postage	207,600	184,732	(22,868)			184,732
Printing	106,356	85,233	(21,123)			85,233
Utilities	0	0	0			0
Insurance	4,800	4,800	0			4,800
Lease/Rentals - Equipment	58,374	54,800	(3,574)			54,800
Lease/Rentals - Buildings	172,700	181,900	9,200		84,768	266,668
Repairs	9,000	9,000	0			9,000
IT - Data Processing	577,552	577,389	(163)		12,192	589,581
IT - Telephone	43,148	49,583	6,435		6,048	55,631
IT - Contractual Services	0	0	0		8,900,000	8,900,000
Professional Development	43,444	45,616	2,172			45,616
Operating Fees & Services	45,866	48,159	2,293			48,159
Professional Services	110,215	167,937	57,722			167,937
IT-Consolidation	0	0	0			0
<b>Sub Total Operating</b>	<b>1,516,696</b>	<b>1,541,650</b>	<b>24,954</b>	<b>0</b>	<b>9,013,808</b>	<b>10,555,458</b>
IT Equip Under \$5000	17,937	(0)	(17,937)		6,400	6,400
Office Equip Under \$5000	30,078	0	(30,078)		21,700	21,700
<b>TOTAL</b>	<b>1,564,711</b>	<b>1,541,650</b>	<b>(23,061)</b>	<b>0</b>	<b>9,041,908</b>	<b>10,583,558</b>
General Fund						
Special Funds	1,564,711	1,541,650	(23,061)	0	9,041,908	10,583,558
<b>CAPITAL ASSETS</b>						
Office Equip >= \$5000		0	0			0
IT Equip >= \$5000		0	0			0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
General Fund						
Special Funds	0	0	0	0	0	0
<b>SPECIAL LINE ITEMS</b>						
Public Employee Contingency	250,000	250,000	0			250,000
<b>TOTAL</b>	<b>250,000</b>	<b>250,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>250,000</b>
General Fund						
Special Funds	250,000	250,000	0	0	0	250,000
<b>AGENCY TOTAL</b>						
<b>TOTAL</b>	<b>4,700,237</b>	<b>4,748,158</b>	<b>47,920</b>	<b>140,136</b>	<b>9,352,020</b>	<b>14,240,313</b>
General Fund	0	0	0	0	0	0
Special Funds	4,700,237	4,748,158	47,920	140,136	9,352,020	14,240,313



**North Dakota**  
**Public Employees Retirement System**  
400 East Broadway, Suite 505 • Box 1657  
Bismarck, North Dakota 58502-1657

**Sparb Collins**  
Executive Director  
(701) 328-3900  
1-800-803-7377

FAX: (701) 328-3920 • EMAIL: [NDPERS@state.nd.us](mailto:NDPERS@state.nd.us) • [discovernd.com/NDPERS](http://discovernd.com/NDPERS)

# Memorandum

**TO:** PERS Board

**FROM:** Sparb

**DATE:** July 13, 2006

**SUBJECT:** Legacy Application System Replacement Project (LASR)

## Background

At the last meeting we discussed the Legacy Application System Replacement Project (LASR). As noted in the LASR feasibility report and discussed in our proposed budget the cost of the project is approximately 9.6 million. As we have discussed this with OMB and ITD they have indicated that we include the full amount in our 2007-2009 biennium budget and then carryover the remaining authorization to 2009-2011 to complete the project in the 3<sup>rd</sup> year. It was also noted that we will need additional staffing during the project (4 FTE) with us possibly needing to retain 2 FTE after the project (in the finance area).

## Issue

As we move forward, the primary question that needs to be addressed is how to fund this project. In order to address this question we need to make an assessment about:

- how the costs of this program will be charged to our various programs (Program Costs),
- the available resources in those programs to pay the allocated costs (Resources),
- determine needed resources.
- Identify funding alternatives for needed resources.

The remainder of this memo will develop an initial concept on how this may be done.

Program Costs

To allocate the cost of this project, staff would suggest that we use the method the board has previously adopted and referred to in Attachment #1. For the 4 major program areas, the allocation method would be the percent of FTE method under operating expenses. For the Retiree Health Credit, Defined Contribution and Job Service plans, the allocation method would be a percent of membership. Pursuant to this method the allocation of costs would be (details provided in Attachment #2):

Project Costs	9,563,000					
Program	<u>Initial Percentage</u>	<u>Initial allocation</u>	<u>Allocation to RHC, DC, JS</u>	<u>Adjusted Allocation</u>	<u>Allocation Percentage</u>	<u>Funding source</u>
Retirement	40.00%	3,825,200	(162,188)	3,663,012	38.30%	trust assets
Gr Insurance	30.00%	2,868,900	(121,641)	2,747,259	28.73%	health/life surplus
Deferred Comp	20.00%	1,912,600	(81,094)	1,831,506	19.15%	retirement, insurance or FICA
FlexComp	10.00%	956,300	(40,547)	915,753	9.58%	FICA savings
Retiree Health Cr	3.68%			351,918	3.68%	trust assets
Defined Contribution	0.29%			27,733	0.29%	forfeiture account
Job Service	0.27%			25,820	0.27%	trust assets
	4.24%					
				9,563,000	100.00%	

Resources

For each of the areas allocated a cost above the following is the available resources to meet that allocation:

<b>Program area</b>	<b>Funding source and available funds</b>
Retirement	Assets of the various trusts
Gr Insurance	\$3,200,000 Health Funds \$1,500,000 Life Insurance Funds Pursuant to statute these expenses are paid from Retirement, Health or FICA savings. Pursuant to Board action these costs have been paid from FICA tax savings
Deferred Comp	\$1,000,000 FICA tax savings
FlexComp	
Retiree Health Cr	Assets of the trust
Defined Contribution	\$80,000 Forfeiture account
Job Service	Assets of the trust

Needed Resources

<b>Program</b>	<b>Resources Required</b>	<b>Available Resources</b>	<b>Needed Resources</b>
Retirement	3,663,012	3,663,012	0
Gr Insurance	2,747,259	4,700,000	0
Deferred Comp	1,831,506	0	1,831,506
FlexComp	915,753	1,000,000	0
Retiree Health Cr	351,918	351,918	0
Defined Contribution	27,733	80,000	0
Job Service	25,820	25,820	0
<b>TOTAL</b>	<b>9,563,000</b>		<b>1,831,506</b>

Funding Alternatives for Needed Resources

As noted above we have sufficient resources for the allocation to each area except the deferred comp program which is \$1,831,506. As noted above the statute allows:

11. The board shall fund the administrative expenses of chapter 54-52.2 from funds collected under chapters 54-52, 54-52.1, and 54-52.3 and from fines collected from deferred compensation services providers, subject to appropriation by the legislative assembly.

Based upon this authority and the available resources identified the board could allocate the deferred comp expenses to:

1. To the retirement plan, which has sufficient income to pay these expenses.
2. To the group insurance plan which has a remaining amount of \$2 million after paying its allocations
3. Prorate the cost to the retirement plan and the health plan.

Recommendation

Staff would recommend alternative #3, prorating the \$1,831,506 50% to retirement and 50% to group insurance.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM  
PROCEDURES FOR  
ALLOCATING INCOME/EXPENDITURES**

**Effective date:** April 1, 1989  
**Revised:** July 1, 1990  
**Revised:** April 1, 1992  
**Revised:** October 1, 1993  
**Revised:** July 1, 1999  
**Revised:** July 1, 2006

**ADMINISTRATIVE EXPENSES**

Salary and Fringe Benefits

The method of allocation for each Full-time Equivalent (FTE) between the programs (Retirement, Group Insurance, Deferred Compensation and FlexComp), will be based upon the nature of the position.

An FTE whose time is spent entirely for one program will be charged directly to that program. FTE's spending time on more than one program will be allocated based upon one of the following methods:

1. Percent of membership - This method will be used for FTE's that can reasonably be allocated based upon the number of members being served by each program.
2. Percent of program benefits paid out - This method will be used for FTE's that can reasonably be allocated based upon the amount of benefits being paid out by each program.
3. Equally - This method will be used for FTE's that can reasonably be allocated equally across all programs.
4. Time estimation - This method will be used for FTE's which can not be reasonably allocated using any of the above methods. An estimation of the time spent for each program will be used to determine the allocation percentage.

To ensure the reasonableness of the allocation methods listed above, time studies will be conducted periodically. In October of each year, the allocation will be evaluated and updated prospectively.

Operating Expenses

Operating expenses that are clearly identifiable as being incurred solely for one program will be directly charged to that program.

Operating expenses not clearly identifiable will be allocated to each program using one of the following methods:

1. Percent of FTE's - This method will be used for expenses which can be allocated based upon the number of staff members for each program. This includes expenses such as office rent, copier supplies, office supplies, insurance, equipment rent, repairs and service contracts.
2. Percent of membership - This method will be used for expenses which can be allocated based upon the number of members being served by each program. This includes expenses such as mailing service, postage, telephone and printing.

In October of each year, the allocation will be evaluated and updated prospectively.

### Equipment

All equipment purchased (with the exception of equipment purchased for the FlexComp program) will be charged to Retirement. Depreciation expense will be allocated to each of the programs based upon percent of FTE's.

### Data Processing

Data processing expenses are directly allocated to each of the programs.

### **RETIREMENT INCOME/EXPENSES**

The retirement income/expenses are allocated annually between the Public Employees Retirement System, Highway Patrolmen's Retirement System and Judges Retirement System. The two methods used for allocation are:

1. Percent of market value of investment portfolio at fiscal year-end (calculated by Northern Trust)
2. Percent of membership at fiscal year-end

### Income

Employee and employer contributions are allocated to each retirement system based upon actual contributions. Investment income is allocated based upon market value and all other income is allocated based upon membership.

### Expenses

Retirement benefits paid are allocated to each retirement system based upon actual payments. Investment expenses are allocated based upon market value and all other expenses are allocated based upon membership.

**RETIREE HEALTH INSURANCE CREDIT, DEFINED CONTRIBUTION PLAN AND JOB SERVICE RETIREMENT PLAN ADMINISTRATIVE EXPENSES**

Administrative expenses will be allocated to these programs annually at fiscal year-end using the percent of membership methodology, as follows:

1. Determine the total number of participating employees for all the programs administered by NDPERS. This includes Retirement, Health Insurance, Life Insurance, Dental insurance, Vision insurance, Long term care insurance, Deferred Comp, FlexComp, Retiree Health Insurance Credit, Defined Contribution and Job Service Retirement.
2. Calculate the percentage of participating employees in each program to the total number of participating employees.
3. Take the percentage determined in Step 2 for Retiree Health Insurance Credit, Defined Contribution and Job Service Retirement times the total allocable administrative expenses for NDPERS for the fiscal year.



# AGENDA

## NORTH DAKOTA STATE INVESTMENT BOARD MEETING

FRIDAY, JULY 21, 2006, 8:30 AM  
FT TOTTEN ROOM, STATE CAPITOL

**I. CALL TO ORDER.**

**II. MINUTES.**

**III. ELECTION OF OFFICERS.**

- A. Chair
- B. Vice Chair
- C. Parliamentarian (Appointed by Chair)

**IV. SELECTION OF AUDIT COMMITTEE MEMBERS (enclosed).**

**V. BOARD EDUCATION.**

- A. Core Plus Fixed Income, Insurance Trust - Peter Taggart, Dave Bessey, Prudential Financial
- B. Hay Group Compensation Study- Neville Kenning, Hay Group

**VII. GOVERNANCE.**

- A. Investments
  - 1. Work on Fixed Income, Insurance Trust - Mr. Cochrane
- B. Administration
  - 1. CEO/CIO Compensation Study - Committee, Board
  - 2. Work on FY 2007 Work Plan - Mr. Cochrane (enclosed)
  - 3. Report on Estimated Returns - Mrs. Flanagan (enclosed)
- C. Entertainment
  - 1. The Minot Saga - Mr. Cochrane

**VIII. MONITORING (questions only – Board approval needed).**

- A. Quarterly Report on Executive Limitations/Staff Relations - Mr. Cochrane (enclosed).
- B. Quarterly Report on Budget and Financial Conditions - Mrs. Flanagan (to follow).
- C. Investment Program Quarterly Report - Mr. Cochrane (enclosed).
- D. Retirement Program Quarterly Report - Mrs. Kopp (enclosed).

**IX. OTHER.**

SIB meeting - August 18, 2006, 8:30 a.m. - Job Service -1601 E Century Ave Bismarck ND 58503  
SIB Audit Committee meeting - August 18, 2006, 1:00 p.m. - Job Service -1601 E Century Bismarck ND 58503

**X. ADJOURNMENT.**

**STATE INVESTMENT BOARD  
MINUTES OF THE  
MAY 19, 2006, BOARD MEETING**

**BOARD MEMBERS PRESENT:**

Lt. Governor Jack Dalrymple  
Howard Sage, Vice Chair  
Sandy Blunt, Workforce Safety & Insurance  
Clarence Corneil, TFFR Board  
Barb Evanson, TFFR Board  
Ron Leingang, PERS Board  
Gary Preszler, Land Commissioner  
Rosey Sand, PERS Board  
Mark Sanford, TFFR Board  
Kelly Schmidt, State Treasurer

**MEMBERS ABSENT:**

Jim Poolman, Insurance Commissioner

**STAFF PRESENT:**

Steve Cochrane, Executive Director  
Fay Kopp, Deputy Executive Director  
Connie Flanagan, Fiscal & Investment Officer  
Susan Gefroh, Investment Accountant  
Bonnie Heit, Office Manager  
Les Mason, Supervisor Internal Audit

**OTHERS PRESENT:**

Weldee Baetsch, former SIB trustee  
Lowell Latimer, TFFR/NDRTA  
Chuck Martin, State Street Global Advisors  
Scott Miller, Attorney General's Office  
Bryan Reinhardt, PERS  
Ken Rood, Insurance Dept.  
David Sandy, Workforce Safety & Insurance  
Joe Westby, NDEA  
LaDonna Whitmore, NDRTA  
George Primm, out-of-state visitor

**CALL TO ORDER:**

Lt. Governor Dalrymple, Chair of the State Investment Board (SIB), called the meeting to order at 8:30 a.m. on Friday, May 19, 2006, at the State Capitol, Ft. Union Room, Bismarck, ND.

**THE FOLLOWING MEMBERS WERE PRESENT REPRESENTING A QUORUM: MR. BLUNT, MRS. EVANSON, MR. LEINGANG, MR. SAGE, TREASURER SCHMIDT, MS. SAND, MR. CORNEIL, DR. SANFORD, AND LT. GOVERNOR DALRYMPLE.**

**ABSENT: COMMISSIONER POOLMAN, COMMISSIONER PRESZLER**

**MINUTES:**

The Board considered the minutes of the April 21, 2006, meeting,

TREASURER SCHMIDT MOVED AND DR. SANFORD SECONDED TO APPROVE THE APRIL 21, 2006, MEETING.

AYES: MR. BLUNT, MRS. EVANSON, MR. LEINGANG, LT. GOVERNOR DALRYMPLE, MR. SAGE, MS. SAND, DR. SANFORD, MR. CORNELL, AND TREASURER SCHMIDT  
NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER POOLMAN, COMMISSIONER PRESZLER

BOARD EDUCATION:

Enhanced Fixed Income - Mr. Ben Lazarus and Mr. Rick Ballsrud, The Clifton Group, Minneapolis, MN, reviewed the firm's Enhanced Fixed Income product with the Board.

A copy of their presentation is on file at the Retirement and Investment Office (RIO).

The Board recessed at 9:20 a.m. and reconvened at 9:43 a.m.

GOVERNANCE:

INVESTMENTS

Work on Fixed Income - Mr. Steve Cochrane, Executive Director, reviewed the concept of incorporating The Clifton Group's Enhanced Fixed Income product into the Insurance Trust. He recommended allocating \$50 million of the Insurance Trust's fixed income assets into The Clifton Group's Enhanced Fixed Income product.

MR. BLUNT MOVED AND MRS. EVANSON SECONDED TO ACCEPT STAFF RECOMMENDATION AND INVEST \$50 MILLION OF THE INSURANCE TRUST'S FIXED INCOME PORTFOLIO INTO THE CLIFTON GROUP'S ENHANCED FIXED INCOME PRODUCT. A ROLL CALL VOTE WAS TAKEN AS FOLLOWS:

AYES: DR. SANFORD, TREASURER SCHMIDT, MR. BLUNT, MR. LEINGANG, COMMISSIONER PRESZLER, MRS. EVANSON, MR. CORNELL, MR. SAGE, LT. GOVERNOR DALRYMPLE, AND MS. SAND

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER POOLMAN

ADMINISTRATION

Appointment of Compensation Committee - Mr. Cochrane updated the Board on contracting with the Hay Group. He has been in contact with Mr. Neville Kenning of the Hay Group who will be analyzing the ED/CIO position. The Board felt it important to get a true independent market value of the position because one has never been done and also it is important to have good sound data to justify any decisions the Board should make regarding compensation.

MR. BLUNT MOVED AND MR. SAGE SECONDED TO HIRE THE HAY GROUP TO DO A STUDY ON THE ED/CIO POSITION AND TO CAP THE COST AT \$5,000. A ROLL CALL VOTE WAS TAKEN AS FOLLOWS:

AYES: MR. SAGE, LT. GOVERNOR DALRYMPLE, COMMISSIONER PRESZLER, TREASURER SCHMIDT, MR. BLUNT, MR. LEINGANG, MRS. EVANSON, AND MR. CORNEIL

NAYS: MS. SAND

MOTION CARRIED.

ABSENT: COMMISSIONER POOLMAN, DR. SANFORD

Lt. Governor Dalrymple will appoint a Compensation Committee after he receives nominations from the PERS/TFFR representatives.

MONITORING:

Included in the board member's packets were the following quarterly monitoring reports: Manager Review Status Report, Pension Trust Investment Report, and Insurance Trust Investment Report.

Trust Company of the West (TCW) and Bank of Ireland are currently on the review list. Mr. Cochrane will be bringing recommendations before the Board on TCW. Bank of Ireland's guidelines have been adjusted and they are responding well and staff will continue to monitor that firm.

OTHER:

Mr. Cochrane informed the Board the NDSIB has requested the appointment of a special assistant attorney general to represent it in an adversary proceeding in the United States Bankruptcy Court for the District of New Jersey. The Official Committee of Asbestos Claimants of G-1 Holdings commenced the proceeding against Building Materials Corporation of America and holders of notes issued by BMCA including the NDSIB. The Committee alleges that after G-1 Holdings' predecessor transferred all of its operating assets to its wholly owned subsidiary, BMCA, in order to reduce financial losses resulting from asbestos-related personal industry suits, BMCA granted liens on the acquired assets in favor of the noteholders through the issuance of notes. The Committee seeks to recover from the noteholders the property transferred or the value of such property. The NDSIB must file an answer to the complaint by June 1, 2006.

The New Jersey bankruptcy court rules require that all pleadings, briefs and other papers filed with the court be signed by local counsel of record who are members in good standing of the New Jersey Bar and who shall be responsible for the conduct of the case, therefore, the Board is unable to utilize North Dakota counsel.

The ND Attorney General's office has identified the law firm of Kaplan Fox & Kilsheimer, LLP, New York, NY as an appropriate counsel to represent it in the proceeding. Mr. Cochrane requested a consensus from the Board to proceed with representation.

TREASURER SCHMIDT MOVED AND MS. SAND SECONDED TO ALLOW STAFF TO WORK WITH THE OFFICE OF ATTORNEY GENERAL FOR PROPER REPRESENTATION.

AYES: TREASURER SCHMIDT, LT. GOVERNOR DALRYMPLE, MR. BLUNT, COMMISSIONER PRESZLER, MR. LEINGANG, MS. SAND, MR. SAGE, MR. CORNEIL, AND MRS. EVANSON  
NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER POOLMAN, DR. SANFORD

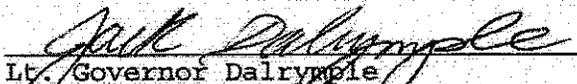
Mrs. Evanson will be retiring effective June 1, 2006. Lt. Governor Dalrymple on behalf of the Board, teachers, and the legislators thanked Mrs. Evanson for her service, time, support, and accomplishments for the State of North Dakota.

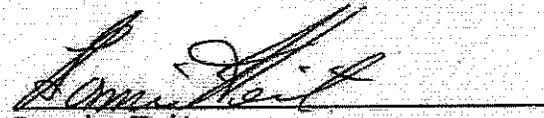
Lt. Governor Dalrymple also recognized Mr. Howard Snortland and his wife Adeline. Lt. Governor Dalrymple thanked Mr. Snortland for his support of the state education system and the teachers and his many interests in promoting North Dakota. He noted Mr. Snortland is truly one of the giants of North Dakota's history.

ADJOURNMENT:

With no further business to come before the Board, Lt. Governor Dalrymple adjourned the meeting at 11:00 a.m.

Respectfully Submitted:

  
Lt. Governor Dalrymple  
Chair, State Investment Board

  
Bonnie Heit  
Reporting Secretary