

MINUTES

North Dakota Public Employees Retirement System
Thursday, August 30, 2001
Fort Totten Room
State Capital
Bismarck, North Dakota

Members Present: Mr. Jon E. Strinden, Chairman
Mr. David Gunkel
Mr. Ron Leingang
Mr. Robert Barnett
Mr. Howard Sage
Ms. Sandi Tabor

Members Not Present: Mr. Weldee Baetsch

Others Present: Mr. Sparb Collins, Executive Director NDPERS
Mr. Scott Miller, Attorney General's Office
Ms. Denise Curfman, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Sharon Schiermeister, NDPERS
Mr. Bryan Reinhardt, NDPERS
Mr. Larry Brooks, BCBS
Mr. Howard Snortland, AFPE
Ms. Gisele Barth, NDPEA
Mr. Tom Tupa, INASEA

Chairman Strinden called the meeting to order at 9:30 AM.

Minutes

Chairman Strinden called for any questions or comments regarding the minutes of the July 18, 2001 meeting.

Mr. Gunkel moved approval of the minutes. Mr. Leingang seconds the motion.

Ayes: Gunkel, Leingang, Sage, Barnett, and Chairman Strinden.

Nays: None

PASSED

Chairman Strinden calls for the next item of business. He introduces Dr. Tangadah, Director of UND Family Practice Center. We receive funding from patient care that is provided, federal dollars and some state dollars. For the past several years UND Family Practice Center has offered an immunization program where they provided flu shots for NDPERS members and they would like to offer this program again for 2001. For several years UND Family Practice Center have provided this program at the capital, last year they provided the service at their office location in Bismarck over several days. The location was changed for a couple of reasons. The major reason is it strengthened their accreditation. The other thing that the Family Practice Center did different last year was that in previous years PERS charged its members \$5.00 for this service. A problem with this was some of the NDPERS members where then filing that \$5.00 charge with there insurance carrier resulting in the Center doing more then \$5.00 worth of paper work. So last year the service was provided free of charge and the Family Practice Center would like to offer it again this year free of charge. Historically between 900 and 1100 flu shots have been provided. Last year about 700 shots were provided at the Family Practice Center. Part of the decline was that the flu vaccine was slow in being developed. UND Family Practice Center is propose that they do it again at the Family Practice Center and taking four evenings from 4:00 PM – 6:00 PM or 7:00 PM and have it available to all NDPERS members free of charge.

RETIREMENT

Highway Patrol Salary Indexing (Board Action Requested)

Ms. Allen indicated that the North Dakota Century Code 39-03.1-11(5) provides the final average salary used for calculating a deferred vested retirement benefit must be increased annually from the later of the date of termination of employment or July 1, 1991, until the date the contributor begins to receive retirement benefits from the fund, at a rate as determined by the board not to exceed a rate that would be approximately equal to annual salary increases provided state employees pursuant to actin by the legislative assembly. The Board has traditionally determined this rate each year. Staff has met with members of the Highway Patrol leadership and they have recommended the \$35.00 per month minimum be used as a factor for indexing this year, which equates to 1.81% for the system. Highway Patrol leadership did not favor establishing a factor over that amount because they do not believe that merit and equity issues are applicable to there terminated members.

Mr. Leingang moves to approve the final average salary for deferred vested are at 1.81%.

Mr. Gunkel seconds the motion.

Ayes: Gunkel, Leingang, Sage, Barnett and Chairman Strinden.

Nays: None

PASSED

Joint and Survivor Tables (Board Action Requested)

Mr. Collins indicated that a year ago in December the Board decided to take a look at the issue of the joint and survivor table. As a result of that we contracted with Segal and they provided a presentation on the different methodologies for using the joint and survivor table and contrasted those with the method that we currently use. Currently we are using an age difference table. After reviewing the different methodologies the Board decided to move forward and go the age based table methodology and adopted that methodology this last spring and adopted an implementation time frame of April 2002. The first phase of the implementation is the development of the actual table. Segal has completed that effort and the tables were provided in the board materials. The next step in the implementation would be inputting the tables into the computer system with the goal to be effective April of 2002. We have advised the membership of the upcoming changes in the last new letter. Staff is currently responding to the calls based upon the tables that are in your board materials. Ms. Leslie Thompson from Segal joined the meeting via telephone conference to go over the tables.

**Mr. Gunkel moves that we approve the tables on the age based methodology.
Mr. Sage seconds.**

Ayes: Gunkel, Leingang, Sage, Barnett and Chairman Strinden.
Nays: None

PASSED

DEFERRED COMP/DEFINED CONTRIBUTION

Action Plan EGTRRA (Board Action Requested)

Mr. Collins indicated at the last Board meeting Mr. Rod Crane from the Segal Company provide a presentation on the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) that was passed and goes into effect January 1, 2002 and its effect on our 457 plan. With the Boards direction staff has moved to repeal existing administrative rules that would conflict with EGTRRA so that the Board would be in a position to look at these issues and move forward to implementing them by January 2002. With that completed staff has listed all the issues that were discussed and laid them out in a table and provided a staff recommendation for each action. Conceptually the recommendation is to build into our plan all the flexibility that is being allowed under EGTRRA.

**Mr. Sage moves to approve staffs' plan of action as presented in the table provide
by staff on EGTRRA.
Ms. Tabor seconds.**

Ayes: Gunkel, Leingang, Sage, Barnett, Tabor and Chairman Strinden.
Nays: None
PASSED

HB 1216 Implementation (Informational)

Ms. Knudsen presented an update on the implementation for House Bill 1216. The following has been completed:

- Agency contact persons were notified of the additional enrollment opportunity coming up in a special newsletter
- Met with Fidelity to set up implementation schedule
- Contracted with Segal to do present value calculation
- Reviewed assumptions with NDPERS Board
- Verification of list of eligibles
- Created and maintain email distribution list of eligibles
- Set up two sets of educational meetings to be conducted
- Sent information to Segal to prepare present value calculations
- Tested PensionPlanner software on the Fidelity Plan Sponsor Website
- Provided demographic and present value information to Fidelity
- Initial editing of enrollment materials

Ongoing efforts besides the September 19th mailing include conducting educational meetings, continued verification of eligible individuals, collection of election forms and sending reminders that the election window ends on December 14th. After the election window has closed, staff will re-verify the eligibility of those who have elected to transfer to the defined contribution plan, do final calculations of transfer amounts and verify, set up new accounts, transfer funds and send notice of transfer.

Ms. Knudsen also indicated that the initial calculations provided by Segal indicate that there is a group of 424 eligible individuals (409 Main System and 15 Guard System) and \$32,202,378.20 (31,401,321.37 Main System and \$801,056.83 Guard System) is potentially transferable to the defined contribution plan.

Amended Provider Administrative Agreement (Board Action Requested)

Mr. Collins indicated that one of the items discussed at the previous Board meeting concerning the EGTRRA was the need to modify our provider contracts. Included in the board materials is the first draft of a proposed modified contract, which was put together by Segal. Staff has some suggested additional changes to it. If approved it would be sent out to our providers asking for their comments for the Board to consider at the next Board meeting. The time frame to have this completed is the end of December 2001. Therefor staff suggested the following schedule:

1. PERS Board review of first draft at August meeting. Approve a draft.
2. Send draft contract to providers and request comments by September 17 for your consideration at the September 20 PERS Board meeting.
3. PERS Board adopts a final contract at September meeting.
4. Contract is sent to providers for their signature by November 9.
5. Between November and December the Board would deal with any remaining issues relating to the contracting.

Ms. Tabor moves to approve the amended provider administration agreement as draft to go to the providers.

Mr. Sage seconds.

Ayes: Gunkel, Leingang, Sage, Barnett, Tabor and Chairman Strinden.

Nays: None

PASSED

Quarterly 457 and 401 (a) Performance Reports (Informational)

Mr. Reinhardt indicated that these reports were completed for the first time in house prior to this the Segal Company had completed them. The Quarterly 457 and 401(a) Performance Reports was included with the board materials.

Companion Plan (Board Action Requested)

Ms. Rosalia Nolan, Mr. Keith Poch and Mr. Cal Fleischer with American General appeared before the Board to review the completed audit from Price Waterhouse Coopers. Ms. Nolan and Mr. Poch presented the audit and presented a plan of action.

The following is the plan of action agreed upon:

- Update Price Waterhouse Coopers report to 8/31 including a list of all adjustments – PERS will get a copy of report and the report will also include:
 - Extent of management credentials applied to this situation
 - Investment of cost relating to correction
 - Extent of corrections
 - Controls now in place.
- Show changes on 3rd quarter statements
- Letter to members discussing review, indicating that some members may be seeing an adjustment on their statements and that statements may be late (performance fees waived if statement is late)
- Apply adjustments based upon the current allocation

Adjustments will be made to all accounts that were adversely effected.

Ongoing procedures

- Price Waterhouse Coopers report will be done at the end of this year. American General will share report with PERS and present findings to PERS Board in early 2002
- Thereafter a separate SAS 70 report will be done covering all processes not covered in the SAS 70 report of the record keeping system. American General will share the methodology with PERS for this report and invite comments by PERS prior to beginning the report. American General will share the results of this report with PERS.

Performance Standards (Informational)

At the April PERS Board meet with American General, the PERS Companion Plan provider, it was decided that a performance monitoring system should be developed

and is prepared each quarter for the Board. Reviewed was the first quarterly performance report.

Mutual Fund Windows (Board Action Requested)

Mr. Collins indicated that at the May Board meeting it was approved to offer members of the Defined Contribution Plan a mutual fund window. One of the implementation steps as the development of appropriate wording that a member would agree to in exercising this option that would protect the Board should the member make poor decisions using this option. Mr. Miller developed the following wording for the Boards review.

I understand that mutual funds purchased through the Mutual Fund Window are not bank deposits, debts or obligations of, and are not insured or guaranteed by, any federal or state entity, including the FDIC, NDPERS and the state of North Dakota. I am aware that NDPERS neither endorses nor monitors the mutual funds available through the Mutual Fund Window, nor does NDPERS make any representation that the mutual funds available through the Mutual Fund Window are proper investments for retirement monies. I agree it is my responsibility to research the funds available, and that I should review all disclosure statements and available materials for each of the funds I consider prior to investing in them. I understand that mutual funds are subject to investment risk, which includes the possible loss of the principal invested. I accept that risk, and acknowledge I am solely responsible for that risk and the investment results of my account. I release, save and hold harmless NDPERS and the state of North Dakota from any and all liability based on my participation in the Mutual Fund Window.

Ms. Tabor approved the above wording for the form to be completed by the members.

Mr. Gunkel seconds.

Ayes: Gunkel, Leingang, Barnett, Tabor and Chairman Strinden.

Nays: None

PASSED

Deferred Compensation Appeal 2001-003 (Board Action Requested)

The information was provided to the Board members as confidential for their review.

Mr. Gunkel moves to deny the appeal due to inadequate information.

Mr. Leingang seconds.

Ayes: Gunkel, Leingang, Barnett, Tabor and Chairman Strinden.

Nays: None

PASSED

GROUP INSURANCE

BCBS Administrative Agreement (Informational)

Mr. Collins indicated that the goal is to present a final draft to the Board for approval at the September Board meeting. The first draft was enclosed for the boards review and comments. Mr. Collins asked for the Boards direction on the financial arrangement. Previously it was discussed that the actual ending balance that was projected is causing PERS to not fund the Weight Management Program. Staff has reviewed the income flow and projected life insurance settlement. It is possible for PERS to fund the Weight Management Program. However, it would make the cash flow extremely tight.

Mr. Leingang moves to wait 6 months on considering funding the Weight Management Program.

Ms. Tabor seconds.

Ayes: Gunkel, Leingang, Barnett, Tabor and Chairman Strinden.

Nays: None

PASSED

Voluntary Insurance Proposal (Board Action Requested)

Mr. Collins indicated that we received proposals from our two existing consultants and they have been included with your board materials. Staff recommends retaining Segal since they have the lowest total cost.

Mr. Gunkel moves to approve staff recommendation to approve Segal as the consultant for the voluntary insurance product RFP.

Mr. Barnett seconds.

Ayes: Gunkel, Leingang, Barnett, Tabor and Chairman Strinden

Nays: None

PASSED

Formulary Changes (Informational)

Included in the board materials is a list of the drugs that will be removed effective September 1, 2001, along with an example of the letters that will be sent to the NDPERS subscribers that currently use these drugs.

BCBS Education Program (Informational)

Ms. Allen indicated that in conjunction with this year's EPO open enrollment meetings, BCBS staff presented a segment entitled Member Education. The purpose of this program was to provide information about health care, the issues that drive healthcare costs up, and how to use healthcare benefits more wisely. As a result of the positive reaction to the presentations, NDPERS has arranged with BCBS to have the Member Education program available to all participating agencies and political subdivision. BCBS will provide us with periodic detail reports that will include group name, date of contact, meeting date, number of attendees.

EPO Enrollment (Informational)

Staff reviewed a breakdown of the number of contracts by network in the EPO program as of June 30, 2001 before the annual enrollment and participation as of July 1, 2001 after the enrollment.

2000 Active Group Health Report (Informational)

Staff reviewed the 2000 Active Group Health Report.

Surplus/Affordability Update (Informational)

Mr. Reinhardt provided an overview of the Surplus/Affordability Update to the Board.

Health Discussion (Informational)

In the board materials for your information is the most recent Health Discussions newsletter from BCBS.

MISCELLANEOUS

NDAC Rules (Informational)

Staff provides the Board with the first draft of the North Dakota Administrative Rules in response to legislation passed this last session. Also additional administrative rules were proposed for issues that have arisen since our last rule promulgation. A final draft will be included in the September board materials for approval to begin the promulgation process.

College Savings Program (Board Action Requested)

Mr. Collins indicated that the Bank of North Dakota would like to send to all our active and retired members the information on the College Savings Program. A copy of the materials was provided to the Board. Mr. Collins reminded the board that they previously adopted a blind mailing methodology that allows the employee organizations to send information to our members and for state agencies to send information to their retirees. However, the Board does not have a policy relating to situations such as this. Therefore, the request of BND for a mailing list is submitted to you for your decision.

Mr. Sage moves to allow PERS to provide BND the list on a blind mailing basis in the same manner as PERS currently does for employee organizations.

Mr. Leingang seconds.

Ayes: Gunkel, Leingang, Barnett, Sage and Chairman Strinden

Nays: None

PASSED

March 28, 2001 PERS Audit Committee Minutes (Informational)

Provided in the board materials were the approved minutes for the March 28, 2001 Audit Committee.

IFE Conference

Mr. Collins indicates that Mr. Baetsch is interested in going to the IFE Conference in Phoenix in November.

**Mr. Gunkel moves to approve travel for Mr. Baetsch to attend the IFE Conference.
Mr. Sage seconds.**

Ayes: Gunkel, Leingang, Barnett, Sage and Chairman Strinden

Nays: None

PASSED

November PERS Board Meeting

Mr. Collins indicated the meeting has been scheduled for November 15th. He also indicates that it has been a while since we have had a meeting at BCBS and if interested we could do so November 15th. The Board indicated its agreement to have the November Board meeting at BCBS in Fargo with the agenda primarily focusing on health issues.

Chairman Strinden calls for any other business, hearing none the meeting adjourned at 1:15 PM.

Respectfully Submitted

Denise A. Curfman

*Denise A. Curfman
Secretary, NDPERS Board*