

MINUTES

**North Dakota Public Employees Retirement System
Thursday, December 16, 2004
ND Association of Counties, Bismarck
BCBS, 4510 13th Ave SW, Fargo**

Members Present:

Mr. David Gunkel
Mr. Howard Sage
Mr. Ron Leingang
Ms. Sandi Tabor

**Via Video Conference:
Fargo**

Chairman Jon Strinden
Ms. Rosey Sand

Others Present:

Mr. Scott Miller, Attorney General's Office
Mr. Sparb Collins, Executive Director NDPERS
Ms. Denise Curfman, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Cheryle Masset-Martz, NDPERS
Ms. Deb Knudsen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Rhonda Peterson, BCBS
Mr. Larry Brooks, BCBS – Fargo
Mr. Tom Tupa, SEA/AFPE
Mr. Howard Snortland, AFPE
Ms. Chris Runge, NDPEA AFT
Mr. David Peske, ND Medical Assoc.
Mr. Weldee Baetsch, Former Board Trustee
Ms. Patricia Hill, NDPHA & NDPSC
Mr. Bill Lardy, NDPEA/SHIX
Mr. Carl Rodlund, AFPE
Mr. Gary Rath, NDEA
Mr. Lowell Latimer, NDTFFR
Mr. Joseph Westby, NDEA
Ms. Mary Schwab, Job Service

Chairman Strinden called the meeting to order at 8:35 AM.

Minutes

Chairman Strinden called for any questions or comments regarding the NDPERS Board minutes for November 5th and November 18, 2004.

Mr. Leingang moved approval of the November 5th and November 18, 2004, NDPERS Board minutes. Ms. Tabor seconds.

Adverse Selection (Board Action Requested)

Mr. Collins indicated that this last summer the Board started a discussion of the following policy relating to the health plan:

“Premium contribution by the Employer on behalf of eligible participating employees must be administered consistently for all members. The Employer may not provide any monetary compensation to any employee in lieu of participation in the Plan.”

These discussions started because of a situation that came up in one of PERS participating political subdivisions that allowed cash in the equivalent of the premium to go into a 125 plan and then be cashed out. At that time, the board concluded the above policy is still applicable but asked staff to investigate and develop a proposed policy to more clearly define what is meant by “monetary compensation ... in lieu of participation” contained in the last sentence. At a subsequent meeting the board discussed this issue with Bill Robinson from GBS and he indicated that based upon his experience, plans such as ours limit the amount that can be offered in cash for not participating to about 25% to 33% of the premium. He indicated that this was the actuarial equivalent. Staff suggested that we develop such a policy for PERS and apply it to each classification of employee. At that time, the board asked us to survey our participating political subdivisions to determine the use of 125 plans, cash in lieu of policies and what the reaction would be if the policy was adopted. Included in the board materials is a memo from Ms. Cheryle Masset, providing the findings relating to two surveys conducted.

Ms. Masset appeared before the Board to review the survey results and comments. The survey results and comments were included in the board materials.

Mr. Sage made motion for staff to modify the policy on the health insurance premium for the cash in lieu of to the 25% -33%. Ms. Sand seconds.

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

Nays:

Absent: Smith

PASSED

Ms. Tabor made motion for staff to change the language in the administrative policy to include “each classification”. Mr. Gunkel seconds.

Discussion followed.

Ms. Tabor withdrew her motion. Mr. Gunkel withdrew his second.

Suggestion followed for staff to consult with Gallagher Benefit Services to draft a couple of statements and bring them back to the Board for approval.

Medicare Rx (Informational)

Mr. Collins indicated that the members of the Medicare subcommittee appointed by the board were present. Mr. Bill Robinson of Gallagher appeared before the Board via video conference. Mr. Robinson provided the Board with an overview of the Medicare legislation and options for the Medicare Rx provision in the PERS retire health plan. Mr. Collins indicated that the subcommittee will begin their meetings in January of 2005.

Smoking (Board Action Requested)

Mr. Collins indicated that included in the board materials was an update report from BCBS on the Smoking Cessation program. Mr. Collins indicated that several emails and payroll staffer were sent to employees. Staff and BCBS have reviewed the low utilization of this plan and with only the first quarter of next year left on this program they believe that changing the reimbursement for the last quarter from the following:

- Counseling program - \$200 per member completing 8 weeks
- Physician's office visit – 75% of member paid amount, not to exceed \$50.00 (Receipt must be presented to counseling program)
- Prescription drugs – At occurred expense rate based on receipts provided by member through counseling program *75%.
- OTC nicotine replacement – At occurred expense rate based on receipts provided by member through counseling program * 75%
- Medications are limited to \$500 total. (\$375 from the plan and \$125 from the individual)

The plan (NDPERS/BCBSND) will not be responsible for any cost share amounts for cessation medications above \$375. Those will be the responsibility of the individual.

To:

One hundred percent (100%) of the cost of the program (Physician office visit and Prescription Drugs) up to a maximum of \$500 for each member enrolling by the end of January.

Mr. Collins indicated that BCBS will develop a promotional campaign announcing this change around the theme of "New Years and New Start". Emails and post cards will be sent to all state employees by the end of the year.

Mr. Sage moved approval of the above change though the end of February. Ms. Sand seconds.

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

Nays:

Absent: Smith

PASSED

Surplus/Affordability Update (Informational)

Mr. Reinhardt provided the Board with an overview of the latest Surplus/Affordability report. The report was included in the board materials.

Purchase of Sick Leave (Board Action Requested)

Mr. Collins indicated that in the mid 1990's the legislature authorized employees to purchase sick leave in the retirement system at a rate of 8.12% of final average salary. One of the items discussed by PERS in proposing this legislation was whether such purchases should be on a pretax basis or after tax basis. At that time the method of doing it on a pretax basis would have

required all employees to purchase the sick leave at termination. In recognition that some may not want to purchase their unused sick leave as retirement credit we did not propose a mandatory election as part of the bill. Consequently sick leave purchases are done on an after tax basis.

Recently staff asked Segal to again review our options. There response was included in the board materials. Mr. Collins noted that option #1 is what was considered in the past and was not pursued. However option #2 and #3 are new. #3 would require a statutory change since only active employees can purchase. Presently the sick leave payment is in the final check and if it was transferred to the 457 plan it would be after an employee terminated. Option #2 has the limitation that it is subject to the permissive service rule.

Mr. Gunkel moved approval for staff to further look at all the options provided by Segal and to explore option 2. Ms. Tabor seconds.

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

Nays:

Absent: Smith

PASSED

Employer Based Wellness Plan (Informational)

Mr. Collins indicated that included in the board materials was the presentation on the proposed implementations of the employer based wellness plan. This presentation was given to the employee benefits subcommittee. The presentation reviewed the actions of the board at the July and August meetings. The information was also mailed to the members who were unable to attend. Since the committee membership includes some of our participating employers we were seeking their thoughts on the reasonableness of the proposed implementation. All comments were positive, along with one written comment which was included in the board materials.

Employee Based Wellness Program Initiative (Informational)

Dr. Nancy Vogeltanz-Holm and Jeff Holm appeared before the Board via video conference. They presented information on the proposed employee based wellness pilot project.

Legislative Health Insurance Study (Informational)

Mr. Collins indicated that included in the board materials was the final report of the Legislative Employee Benefits Committee concerning the interim study of the health insurance plan pursuant to the study resolution passed by the last legislature.

Proposed Legislation (Board Action Requested)

Mr. Collins indicated that included in the board materials was the two bills that have been submitted in the last several weeks relating to the PERS retirement plan and the Retiree health credit. Bill # 50248.01 relates to the retiree health credit program and provides the retiree health insurance credit may be applied to premium payments for any health insurance coverage selected by the retiree, rather than just to the PERS uniform group health insurance coverage program for retirees. The second bill is # 50201.01 and allows employees, who are eligible for normal retirement benefits to retire, begin receiving benefit payments, return to PERS-covered employment without suspension of benefit payments and elect to waive further participation in PERS. The legislative Employee Benefits Committee met on December 7 to review these bills. They took jurisdiction over the bills, reviewed the technical and actuarial reports, which were included in the board materials, and decided to meet again in the first week of the session to take action on the bills.

Bill # 50248.01- Relating to the retiree health credit

Mr. Collins noted the following issues relating to Bill # 50248.01:

- As presently drafted the bill is not actuarial sound since it does not provide funding for the additional benefit. The required additional contribution to support this benefit is .12% of payroll. This is approximately an additional 1.2 million a biennium in additional employer contributions.
- To support this program PERS would need to modify its computer software at a cost of about \$40,000. This would be a one time cost. The bill does not provide for this appropriation.
- Staff will need to authorize payments of the credit to other carriers based upon the member submitting a claim. This will require staff to review each claim, approve it and set it up for payment or reject it and send it back to the member. This could require processing 2,100 or more claims per month. To support this for the next biennium it would require the following:

• SALARY & WAGES	
• New .5 FTE (Grade 7)	\$38,000
•	
• TOTAL	38,000
•	
• OPERATING EXPENSE	
• Data Processing	
• Network Access Charge (\$29/person/month)	696
• EDMS User Fee (\$22/person/month)	528
• Telephone	
• Basic phone service (\$28.00/person/month)+installation	722
• Long distance (2% increase)	257
• Office Rent (2% increase)	3,454
• Office Supplies (2% increase)	672
• Computer software	600
• TOTAL	6,929
•	
• EQUIPMENT	
• Office furniture	2,500
• Chair	600
• Computer	1,300
• TOTAL	4,400
•	
• TOTAL COSTS	\$49,329

The bill does not presently provide for this effort.

Mr. Collins indicated that staffs recommendation is to offer an amendment to the bill to address the above and indicated that PERS opposes the bill unless it is amended to be actuarial sound and provide for the necessary administrative support and if amended PERS take a neutral position.

Mr. Sage moved approval of staffs' recommendation. Mr. Leingang seconds.

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

Nays:

Absent: Sand, Smith, and Tabor
PASSED

Bill # 50201.01 relating to retirement

Mr. Collins noted the following issues relating to Bill # 50201.01:

- The bill needs to be clearer on whether or not is both the employer and employee contribution that would not be paid if the member waives participation.
- The bill should clarify that a member can waive only if they are returning to work with a new employer.
- The bill should make it clear that when the member waives participation they are also waiving participation in the retiree health program.
- The bill should address the ADEA issue and specifically provide that a member may waive participation in PERS only if they waive they execute and ADEA waiver.
- The bill should provide guidance in how the benefits under 54-52.1 (health, life, dental, vision and LTC) should be administered for a member that waives.

Mr. Collins indicated that staffs' recommendation is to support the bill subject to the above clarifications.

Mr. Sage moved approval of staffs' recommendation. Mr. Gunkel seconds.

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

Nays:

Absent: Sand, Smith, and Tabor

PASSED

Job Service SPD (Board Action Required)

Ms. Allen indicated that included in the board materials for your review and approval was the revised Summary Plan Description for the Job Service Retirement Plan. There have been no material changes to the plan of benefits. Revisions include:

- Changing Job Service of North Dakota references to NDPERS,
- Including standard introduction used in our other benefit books.
- Incorporate information about QDROs and our confidentiality policy.

Mr. Sage moved approval of the changes to the SPD. Mr. Gunkel seconds.

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

Nays:

Absent: Sand, Smith, and Tabor

PASSED

Fargo Retirement Plan (Board Action Required)

Mr. Collins indicated that the North Dakota Century Code allows political subdivisions to join the PERS plan and each year our plan grows as a result of this provision. Generally plans join and prospectively start to accrue benefits. Since there is no past service liability they join and are charged the regular rate of 9.12%. However the law allows the following:

3. Notwithstanding any other provision of this chapter, a political subdivision of this state not currently participating in the public employees retirement system may not become a participant in the retirement system until an actuarial study is performed under the direction of the board to calculate the required employer contribution. The required employer contribution must be an amount determined sufficient to fund the normal cost and amortize any past service liability over a period not to exceed thirty years as determined by the board. Any fees incurred in performing the actuarial study must be paid for by the political subdivision in a manner determined by the board.

The city of Fargo is considering joining the PERS plan and purchasing its past service liability. Since this is a new situation staff wanted to advise the board of it and how they were proceeding.

Mr. Gunkel moved approval for staff to move forward. Mr. Leingang seconds.

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

Nays:

Absent: Sand, Smith, and Tabor

PASSED

Deferred Comp Plan (Board Action Requested)

Mr. Collins indicated that when the EGTRRA provisions were implemented in 2001, we elected to defer including in our plan the ability to accept rollover contributions from an eligible retirement plan (other than a 457 plan). At the time, we noted that the final regulations providing guidance on this matter had not been completed and there could be some administrative complexity for our providers since it would require separate accounting. The final regulations have been completed and staff is now seeking the board's direction on whether or not to add this option to the plan. If so, staff would suggest the following steps:

- Ask Segal to draft a plan amendment.
- Send the plan amendment to our providers and ask for their comments.
- Review the comments and make a final decision on the plan amendment.

Mr. Gunkel moved approval staff recommendation. Mr. Sage seconds.

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

Nays:

Absent: Sand, Smith, and Tabor,

PASSED

Companion Plan Transition (Informational)

Mr. Collins indicated that since the transition of the Companion Plan to Fidelity in August, staff has tracked the number of transfer requests. At this time 239 individuals have transferred out of the Companion Plan, with the majority of these accounts going to AIG VALIC. This is approximately \$1.8 million in funds.

Included in the board materials is a report of the total assets in the Companion Plan by quarter beginning in 2003 and through September 2004. As the funds transferred out of Fidelity did not occur until after September, this change in the fund balance will be reflected in the 4th quarter report.

Defined Contribution Plan (Informational)

Mr. Collins indicated that to assist and encourage the defined contribution members to actively plan for retirement, two years ago PERS sent a letter and worksheet to all our DC plan members. As a starting point we filled in the worksheets for each of the DC plan members with the information that we have relating to the DC plan. This year we again sent material to our members. The materials were included in the board materials. Mr. Collins indicated the following findings:

- Two years ago 52 (21%) out of 248 members were showing as adequately saving for retirement. This year 35 (14%) out of 249 members were adequately saving for retirement.
- Two years ago the shortfall averaged about \$11,186 per person in the plan. This year the shortfall averaged about \$11,664 per person.
- For this year the shortfall broken down by age is:

Age	#	\$'s	Average
28-39	89	\$143,820	\$1,616
40-49	81	\$614,681	\$7,589
50-54	24	\$635,460	\$26,478
55+	20	\$1,102,133	\$55,107

- Of the 214 people that have a shortfall 50% or 106 of them participate in the deferred comp program.

Deferred Compensation – New Provider (Informational)

Ms. Allen informed the Board of a new provider has met the requirements to provide services under the State's deferred compensation plan. American Trust Center has submitted a signed Provider Administrative Agreement along with 56 completed and signed applications (the requirement is 50) which have been verified and are ready for authorization by PERS. American Trust Center is a North Dakota chartered trust company owned equally by American State Bank, Dickinson and Bank Center First, Bismarck. American Trust Center's product consists of no-load mutual funds. The menu of investment options includes funds in all major asset classes. The product is being offered through Investment Centers of America. Ms. Allen handed out a menu of their investment options. The effective date of participation is January 1, 2005.

457 Companion Plan & 401(a) Plan 3rd Quarter 2004 Reports (Informational)

Mr. Reinhardt reviewed the 457 Companion Plan & 401(a) Plan 3rd Quarter 2004 Reports with the Board. The reports were included in the board materials.

Governors Budget Recommendation (Informational)

Mr. Collins indicated that on December 8, Governor Hoeven released his budget recommendation. The following are his recommendations relating to PERS:

Health Insurance

The following was the request on the health plan:

■ BCBS Bid	\$579.33
■ Other Initiatives	4.54
□ Less possible buy down & other	(24.72)
■ _Estimated total	\$559.15

- Employer Wellness Incentive 5.59
- \$564.74

The Governors proposed funding level is \$559.15 this includes the following initiatives proposed by the board:

- Disease Management \$2.98
- Wellness Pilot \$.41
- Rx Max \$1.15
- \$4.54

It does not include the additional 1% give back to state employers if they have a wellness program.

Employee Assistance Program

We had requested an increase from \$1.35 and we had requested an increase of 5%. The Governors requested funding level is \$1.42

Retiree Health Plan Increase

We had requested an increase in contributions from 1% to 1.45%. The Governor recommendation did not include this improvement

Administrative Budget

The Governors recommendation on the administrative budget for the agency included all our optional budget requests except our requested equity adjustment.

Chairman Strinden called for any additional items, hearing none the meeting adjourned at 11:30 AM.

Respectfully Submitted

Denise A. Curfman

*Denise A. Curfman
Secretary, NDPERS Board*