

MINUTES

**North Dakota Public Employees Retirement System
Thursday, December 19, 2003
North Dakota Association of Counties, Bismarck
BCBS, 4510 13th Ave SW, Fargo**

Members Present:

Mr. David Gunkel
Ms. Rosey Sand
Mr. Howard Sage
Mr. Weldee Baetsch
Ms. Arvy Smith

Via Video Conference:

Chairman Jon Strinden

Members Absent:

Ms. Sandi Tabor

Others Present:

Bismarck Location:

Mr. Scott Miller, Attorney General's Office
Ms. Denise Curfman, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Sharmain Dschaak, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Jamie Kinsella, NDPERS
Ms. Cheryle Masset, NDPERS
Mr. Tom Tupa, AFPE/INDSEA
Ms. Rhonda Peterson, BCBS
Ms. Chris Runge, NDPEA AFT 4660
Mr. Howard Snortland, AFPE
Mr. Jerry Hugginn, ICMA Retirement Cord.
Mr. David Peske, ND Medical Association
Mr. Howard C. Anderson Jr., ND Board of Pharmacy
Mr. Galen Jordie, ND Pharmaceutical Association
Ms. Barb Aasen, Eide Bailly, LLP
Ms. Mary Niles, Health Tracer
Mr. Howard Snortland, AFPE

Via Video Conference:
Fargo

Mr. Sparb Collins, Executive Director NDPERS
Mr. Larry Books, BCBS

Chairman Strinden called the meeting to order at 8:30 AM.

Minutes

Chairman Strinden called for any questions or comments regarding the November 20, 2003 NDPERS Board minutes.

Ms. Sand moved approval of the November 20, 2003 NDPERS Board minutes. Mr. Baetsch seconds.

National Guard/Law Enforcement Retirement Plan (Board Action Requested)

Mr. Collins indicated that in preparation to administer the Law Enforcement plan two situations arose and involve enhancements to the PERS computer system and programming. The first enhancement would be to the PERS' employer profile and the need to be able to record two different employer retirement contributions rates. At present, the system cannot accommodate an employer who has elected to join both retirement plans and have two different employee contribution payment methods. This enhancement would cost PERS at least \$10,000.00

The second enhancement relates to potential simultaneous employee membership in the Main system and the Law Enforcement system. At present, PERS cannot administer this type of dual membership. Further investigation is needed to determine the cost to implement this change and to review of dealing with this legislatively. We will report back to you in the near future about this issue with a recommended course of action.

Mr. Collins indicated at this time, staff would like to go forward with the first enhancement. The reason we are bringing this to the board's attention is that this was not anticipated in our budget. Two options are available. The first is to authorize a transfer from the contingency line item immediately. The second is to wait and do the transfer later. This later approach would allow staff to better project its operating line item and to address any other implementation issues as a single transfer.

Ms. Sand moved approval of the project and to wait for the transfer to a later date. Mr. Gunkel seconds.

Ayes: Baetsch, Gunkel, Sand, Sage, Smith, and Chairman Strinden.

Nays:

Absent: Tabor

PASSED

RX (Informational)

Mr. Collins indicated that at the last meeting the board discussed the issue of obtaining Rx from Canada. At that meeting it was decided to gather additional information by requesting presentations from the Board of Pharmacy, BCBS and our member groups.

Bob Stroup, legal council for BCBS, appeared before the board via video conferencing to provide the Board BCBS position on obtaining RX from Canada.

Howard Anderson, Executive Director, State Board of Pharmacy appeared before the Board to provide them with the State Board of Pharmacy's position on obtaining RX from Canada.

Chris Runge, NDPEA AFT 4660 and Tom Tupa, INDSEA, also appeared before the Board on behalf of their Association's position on obtaining prescription drugs at a lower cost.

**Ms. Sand motioned to have PERS continue to monitor any changes in the law and to look at other ways to reduce the cost of drugs.
Mr. Baetsch seconds.**

Ayes: Baetsch, Gunkel, Sand, Sage, Smith, and Chairman Strinden.

Nays:

Absent: Tabor

PASSED

Audit Report (Board Action Requested)

Mr. Collins indicated that in the board materials was the most recent audit report for the PERS agency.

Ms. Barb Aasen, Eide Bailly, LLP, appeared before the Board to present the audit report.

Mr. Gunkel moved approval of the Audit Report. Mr. Sage seconds.

Ayes: Baetsch, Gunkel, Sand, Sage, Smith, and Chairman Strinden.

Nays:

Absent: Tabor

PASSED

Surplus/Affordability (Informational)

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

Wellness Benefit (Board Action Requested)

Ms. Allen indicated that the Wellness Committee met on November 24, 2003 to discuss the agenda driven program approved by the Board in July, 2002. This program is a supplement to the application based program in place since the plan's inception in 1994. The intent of the agenda driven program was to develop and maintain a list of wellness initiatives that could assist employers in selecting and conducting on-site programs for their employees. The Board selected the 10K-A-Day program from the list provided by the wellness committee. This program was offered from November 1, 2002 through June 30, 2002 and at its May meeting, the Board approved extending the availability of this program through December 31, 2003.

Ms. Allen indicated that the Committee is in the process of investigating the feasibility of some new initiatives to add to the program agenda.

At this time, the Committee recommends that we retain the 10K program with the intention to supplement this with additional programs subject to research and recommendations.

Mr. Sage moves approval of extending the 10-K-A-Day program and to talk with BCBS in working with their 10-K-A-Day program. Ms. Sand seconds.

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

Nays:

Absent: Tabor, Smith

PASSED

Smoking Cessation (Informational)

Mr. Collins indicated the grant application for the Smoking Cessation Program was submitted to the Health Department. A copy of that grant was included in the board materials.

Dr. Rice appeared before the board via video conferencing and provided the Board with an overview of the Smoking Cessation Program. Dr. Rice presented the board with a draft of the brochure that would be going to all NDPERS members the first of the year.

Deloitte & Touche (Informational)

Mr. Pat Pechacek of Deloitte & Touche provided the board with the presentation given to the Legislative Employee Benefits Committee and reviewed with the board what some other states are doing relating to the health insurance crisis facing employees and employers. States reviewed included Alaska, Minnesota, Wisconsin, Iowa and Illinois.

External Health Strategies (Board Action Requested)

Mr. Collins indicated that at the last meeting the board discussed the various issues facing the plan. The issue relating to the EPO was the reluctance of some providers to accept the risk associated with capitated reimbursement. Consequently, the plan does not have managed care options in the Bismarck, Minot and Dickinson areas. In August the board discussed this and it was decided to explore two alternative approaches:

1. Review using a target methodology in the EPO (presently PERS use a capitation/target methodology) which could be more acceptable to a broader group of providers.
2. Review the concept of having a physician based EPO program instead of a clinic based program. In concept this program would be at the physician level meaning that PERS would contract with one more physicians in a given geographical area to provide services to our members. The physician could be reimbursed under an alternative methodology then fee for service and would likely have a large part of their practice devoted to PERS members. This would give the physician the opportunity to focus more on the needs of PERS members and managing the health care of the PERS group. Like the EPO our members would be able to receive services from this physician with less out of pocket expenses.

For the last several months staff has been working with BCBS on the two options. In the board materials was the product of that effort.

Mr. Collins indicated that concerning the target methodology staff would recommend continuing to explore this option by reviewing it with our existing EPO providers to determine their interest or lack of interest in changing methodologies.

Mr. Collins indicated that concerning the physician based EPO program it was concluded that it could be difficult to generate a sufficient number of office visits to warrant a meaningful contractual relationship with a single physician or more than a single physician in a given area. However this does present another opportunity for contracting that would be based upon this approach. Pursuant to this idea staff would put out an RFP to purchase a block of office calls that would be contracted for on a prepaid basis. Based upon the responses to the bid the board could award a prepaid contract to a particular clinic. Members in the area could access services at that clinic at the lower cost. The cost that the member would have to pay would be based upon the results of the bid. If the bid amount was low enough it is possible that no co-payment would apply. This latter strategy is designed to add some additional competition for providing basic services to PERS members. Staff is suggesting continuing to explore how this concept could be piloted in a specific area of the state. If the board is interested in further exploring this concept staff would work with BCBS to refine the idea, develop an implementation and bidding methodology for the boards review.

Mr. Gunkel moved approval for staff to move forward with the target based reimbursement methodology for the EPO. Mr. Sage seconds.

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

Nays:

Absent: Tabor, Sand, and Smith
PASSED

Mr. Sage moved approval of staff moving forward with developing a pilot program to bid out certain service. Mr. Gunkel seconds.

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

Nays:

Absent: Tabor, Sand, and Smith
PASSED

Medicare Prescription Drug Program (Informational)

Mr. Collins indicated that the Medical RX Program passed Congress and was signed by the President. Staff will begin to look into the bill in more detail to determine how it may affect the PERS retiree plan. A summary of the bill was included in the board materials.

FlexComp Plan Document Amendments (Board Action Requested)

Ms. Allen indicated that the amendment to the FlexComp plan document was included in the board materials.

Mr. Sage moved approval of the amendments to the FlexComp Plan document. Mr. Baetsch seconds.

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

Nays:

Absent: Tabor, Sand, and Smith
PASSED

Board Meetings (Informational)

At the last meeting the Board discussed the need for two special meetings in February & March for the vendor selection for the 401(a) and 457. Mr. Collins indicated that February 12, 2004 and March 11, 2004 have been identified.

The board requested staff to look at another day in March besides the 11th.

Mr. Collins indicated that staff would e-mail the board additional dates.

Quarterly Consultant Fees (Informational)

Mr. Collins indicated that this was informational for the boards review.

IT Billing (Board Action Requested)

Mr. Collins indicated that during the last legislative session the legislatures considered SB 2015 which made changes to the IT Department. The Bill anticipated transferring some of PERS IT cost and staff to the IT department to offset some of the General funds. The April 10th memo from the Attorney Generals office reviewed the proposal in SB 2015 and indicated that there may be some fiduciary problems. After going to the legislative leadership PERS was excluded from SB 2015.

We recently received a notice from the IT Department stating that they had a million dollar short fall and they were going to be making this up in two ways:

1. Reduce their costs
2. IT billing surcharge

Mr. Collins indicated that the surcharge fee is \$6,000.00. This surcharge is similar in concept to the proposal in SB 2015 and raises the same fiduciary concerns. Therefore staff has not paid the surcharge and is seeking the Board's direction on how to proceed. At this point staff identified the following three options:

1. Pay the bill.
2. Go back to the IT department and indicate that based on the April 10, 2003 letter from the Attorney General's Office PERS is unable to pay this surcharge unless the IT department can present to PERS an alternative legal basis for PERS to pay.
3. Go to the Attorney General's office and ask for an opinion as to whether PERS can pay this or not.

Mr. Gunkel moved approval of option 2.

Mr. Sage seconds.

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

Nays:

Absent: Tabor, Sand, and Smith

PASSED

Appeal 2003-001H (Board Action Requested)

Ms. Allen indicated that the member is appealing the repayment arrangements for an underpayment of premiums for group health coverage. In February, 2003 the member cancelled the Medicare Part B coverage. Retirees must have both Medicare Parts A & B in order to be eligible for coverage under the Dakota Retiree Plan. Blue Cross Blue Shield notified us in November that the member was no longer covered under Medicare. Staff verified this with the member and changed the premium from the Medicare single rate to the non-Medicare single rate. In addition, BCBS requested payment of the difference in premium between the single Medicare rate and the single non-Medicare rate retroactive to February. The total underpaid premium is \$1,254.00.

According to Section 71-03-05-08 of the Administrative Code, "If underpayment is the result, in whole or in part, of the wrongdoing, negligence, misrepresentation, or omission of the individual, underpayments must be made in full with sixty days of written notification." Staff sent written notification to the member on November 20, 2003 in compliance with the policy set forth in the code. A copy of the letter is included for your information. Section 71-03-05-09 states, "A person not satisfied with the repayment arrangements made under this policy may appeal the executive director's decision in writing to the board." The member sent a written response dated November 25, 2003 proposing a payment schedule of \$150 a month for repayment of the premium.

Mr. Gunkel moved approval to allow the member to pay \$150 per month based upon the Administrative Rules allows the latitude to do so. Mr. Baetsch seconds.

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

Nays:

Absent: Tabor, Sand, and Smith

PASSED

Formulary Program (Informational)

Mr. Collins indicated that the board requested information from BCBS on their formulary program. The information was handed out to the board.

Job Service (Informational)

Mr. Collins indicated that at the last board meeting the question came up as to why Job Services cost of living increase is set at December 1st. Staff visited with Job Service and they indicated the reason for December 1st is that their program is patterned after the Federal Civil Service which uses December 1st.

Health RFP (Informational)

Mr. Collins indicated that at the last board meeting the board approved the format for the health RFP and asked if the board like to see the final RFP prior to sending it out?

The board decided that PERS staff could send out the RFP and that it does not need to be viewed by the board.

Overpayment (Informational)

Mr. Collins indicated that at the last board meeting the board discussed the overpayment of retirement contributions by one county. At that meeting the Board decided, based upon the advice of our attorney, that interest was not payable on refunded amount. Staff indicated that there were a couple of other entities in the past for which refunds were given with interest. For those larger amounts staff is going back and asking for the interest payments back. Mr. Collins indicated that at the next board meeting staff will bring the small amounts to the Board and request that they be written off as de minimus.

Executive Director Review (Board Action Requested)

Mr. Baetsch indicated that the committee has completed the Executive Director's review. Mr. Baetsch handed the review out to the board members. Mr. Baetsch indicated that there are two recommendations:

1. Salary adjustment
2. Process the board/committee goes through annually to review the Executive Director.

One recommendation was for a 3% salary adjustment based upon a review of the salaries of other state administrators. The other recommendation was to not provide a salary increase this year since no general salary increase was provided to classified state employees. Discussion followed.

Mr. Baetsch motioned for the increase. Mr. Gunkel seconds.

Mr. Sage motions to call the question. Question fails.

It was noted that several Board members were absent and it was suggested that this topic be deferred to the next meeting when others could be present.

Mr. Baetsch withdraws his motion, Mr. Gunkel withdraws.

Chairman Strinden defers this to the January Board meeting.

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