

**Minutes**  
**North Dakota Public Employees Retirement System**  
**Thursday, December 21, 2000**  
**Lecture Room B**  
**Heritage Center**  
**Bismarck, North Dakota**

Members Present: Mr. Joseph Maichel, Chairman  
Mr. Weldee Baetsch  
Mr. David Gunkel  
Mr. Ron Leingang  
Mr. Howard Sage  
Mr. Robert Barnett  
Ms. Rosellen Sand

Others Present: Mr. Sparb Collins, Executive Director NDPERS  
Ms. Kim Humann, NDPERS  
Ms. Denise Curfman, NDPERS  
Ms. Deb Knudsen, NDPERS  
Ms. Kathy Allen, NDPERS  
Ms. Sharon Schiermeister, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Mr. Tom Tupa, INDSEA  
Ms. Sue Tibiatowski, BLBS  
Mr. Howard Snortland, AFPE  
Mr. Scott Miller, Attorney General's Office  
Ms. Fay Kopp, NDRIO  
Mr. Cal Fleischer, VALIC  
Ms. Audrey Otte, National Guard  
Mr. Al Dohrman, National Guard  
Mr. Chris Runge, NDPEA AFT 4660  
Ms. Nancy Kopp, NDOA  
Mr. Bob Evans, NDDOT

Chairman Maichel called the meeting to order at 8:00 a.m.

**Minutes**

Chairman Maichel called for any questions or comments regarding the minutes of the November 30, 2000 meeting. Mr. Leingang pointed out the name of the person who made the motion was missing on page 5.

**Mr. Leingang moved approval of the minutes pending correction to minutes.**

**Mr. Baetsch seconded the motion.**

**Ayes:** Mr. Baetsch, Mr. Gunkel, Mr. Leingang, Mr. Sage, Ms. Sand, Mr. Barnett, Chairman Maichel

**Nays:** None

**PASSED**

## **RETIREMENT**

### **FICA – Board Action**

Mr. Scott Miller indicated the IRS notified the Fargo School District that it was dropping its inquiry. There will be no revenue ruling or formal service directive. Ms. Carol Calhoun joined this meeting via telephone conference call. Ms. Calhoun conveyed she spoke with Mr. Bob Architect, (primary section 414 expert in the IRS). Mr. Architect was not in position to discuss the Fargo audit directly due to rules. However, was able to provide the following:

1. They are still considering this issue.
2. There were some instances in which the employer was making a contribution that would not be subject to FICA but he distinguished those from either a situation in which there was a salary reduction or one in which there was a reduction of a salary increase. They are unsure at this time of the difference. He indicated some concerns with respect to 403(b) contract instances.

Ms. Calhoun pointed out that:

1. They are not confining themselves.
2. This is in the very early stages and the National Office will not be giving any guidelines until they know what their position is.

Ms. Calhoun recommended waiting to move forward with the legislation. Mr. Rod Crane concurred with Ms. Calhoun's recommendation not to move forward with the legislation at this time.

**Mr. Gunkel moved to withdraw legislation – Retirement Bill #191. Mr. Baetsch seconded the motion.**

**Ayes:** Mr. Baetsch, Mr. Gunkel, Mr. Leingang, Mr. Sage, Ms. Sand, Mr. Barnett, Chairman Maichel

**Nays:** None

**PASSED**

### **MetLife – Board Action**

Mr. Miller indicated about a year and half-ago NDPERS received materials from MetLife on their plans of demutualization. NDPERS is effected because MetLife was a provider for the old defined contribution program from the 1970's. There are a few individuals who continue to receive annuity payments from MetLife. NDPERS is still the contract holder on the accounts. As a result of this, NDPERS received a \$2.00 dividend check. NDPERS now owns 10 shares of MetLife current value is about \$34.00 per share. When this arose with Equitable in the early 90's, NDPERS requested the Attorney General for an opinion. The opinion of the Attorney General was to sell the stock and give the proceeds to the participating members. Mr. Miller will contact MetLife and get the names of the individuals who are receiving the annuity and try and determine their percentage of interest in the funds at the time of sale.

**Mr. Sand moved to sell the stock. Mr. Sage seconded the motion.**

**Ayes:** Mr. Baetsch, Mr. Gunkel, Mr. Leingang, Mr. Sage, Ms. Sand, Mr. Barnett, Chairman Maichel

**Nays:** None

**PASSED**

### **National Guard – Board Action**

LTC. Al Dohrman, Judge Advocate General (Attorney for the National Guard) appeared before the Board and conveyed the National Guard met with Mr. Collins November 1, 2000 regarding to giving the National Guard Personal (Firefighters and Security Police in the Fargo area) a second chance at participating in the Defined Contribution Plan and the Board suggested that they not be allowed a second chance until the actuarial effect could be determined. November 2, 2000, Brigadier General Gangness sent a letter to PERS voicing their support of allowing their members a second chance in the same manner as a new window for other eligible members of the main system.. Mr. Collins indicated that information was also reviewed from

the Boards actuary, The Segal Company, concerning this issue. That information indicated that allowing another election opportunity for the Guard Defined Benefit Plan members would not adversely effect the actuarial position of that system.

Mr. Collins requested direction from the Board whether he should continue to suggest the National Guard be excluded until funding has been analyzed. Mr. Baetsch inquired if the Wald/Grande bill is passed would this take care of this particular question. Mr. Collins said that the Wald/Grande bill does include the National Guard at this time.

**Mr. Gunkel moved to drop our opposition to exclude the National Guard from this window of opportunity. Mr. Leingang seconded the motion.**

**Ayes:** Mr. Baetsch, Mr. Gunkel, Mr. Leingang, Mr. Sage, Ms. Sand, Mr. Barnett, Chairman Maichel

**Nays:** None

**PASSED**

#### **Joint & Survivor – Informational**

Mr. Collins indicated staff added this to the work plan for next year. He contacted the Segal Company and requested them to submit memo outlining their work efforts and it was included in the Board materials. Mr. Collins asked the Board to review this work plan to insure it was consistent with the Boards expectations. It was indicated the work plan was acceptable.

#### **DEFERRED COMP**

##### **Mutual Fund Windows- Informational**

Mr. Robert Liberto, Gina Reina, Regina Kilayko, the Segal Advisors joined us via conference call.

Mr. Liberto addressed the Self-Directed Brokerage Option (SDO) as follows:

- Consider whether fiduciary due diligence requires the Board to conduct comparative analysis of multiple SDO vendors.
- Develop a formal SDO investment policy.
- If plan wants to pay for window access, serious fiduciary issues may arise regarding charging all participants fees for only those few who actually use the SDO.
- Identify limitations
- Limited to mutual funds or also allow individual stocks and bonds.
- Will SDO provider be a plan fiduciary as to executing the SDO transaction?
- If you just want the brokerage window under VALIC there is a \$50.00 fee per participant, a member can buy into any one of the 1100 mutual funds with no loads or transaction fees.
- If a member wants to buy into the other 800 publicly traded mutual funds that Schwab offers through VALIC, there are additional fees associated with this on top of the 90 basis points.
- A member could not take half of their contributions and go into the Brokerage Window and half into the other core options.
- Concern on not being able to monitor what they are doing. Now you are able to monitor the performance, make decisions and change when needed.

Mr. Baetsch inquired if Mr. Liberto knew of others doing Self-Directed Brokerage Options now and if he knew what the results have been. Mr. Liberto knew of one other state offering this but did not know how it was doing. He would research and get back to the Board. Mr. Collins informed the Board that the Investment Committee would continue to look at this and will present a recommendation at the January or February meeting.

### VALIC Proposal – Informational

Mr. Keith Poch joins the meeting via conference call. Mr. Cal Fleischer and Mr. Poch provided the Board with their thoughts concerning:

1. This election of funds in the Deferred Compensation Companion Plan The selection related to the addition of high yield bond fund, balanced fund, large cap growth fund and small cap growth fund.
2. They recommended some potential changes for the PERS Companion Plan.
  - Add additional funds to allow members to do asset allocation.
  - Suggested that the Board adopt a net pricing strategy. A net pricing strategy would provide a standard fee for all members with the 12b-1 fees off setting the cost to VALIC.

Mr. Collins informed the Board that the Investment Committee would continue to look at these proposals and would present a recommendation at the January or February meeting.

### Provider Issues- Board Action

Ms. Deb Knudsen provided the Board with four recommendations that staff has put together regarding the provider training provision of the contract that NDPERS holds with most of the provider companies participating in the Deferred Compensation Program.

### **Mr. Sage moved to adopt option number 3.**

*(Reminding the authorized agent of each deferred comp company that has at least one representative who has not attended training as prescribed, of the contract requirements in this area. This would formally notify them that their company is out of compliance with the contract requirements. As specified by the contract, the Board could require the company to produce an alternative training program, subject to Board approval. Either/or another round of training would be offered by PERS to facilitate the company to bring their agents into compliance. This approach requires the company to bear the responsibility for ensuring compliance, rather than leaving it a matter to be decided between the individual reps and NDPERS staff.)*

**Ms. Sand seconded the motion.**

**Ayes:** Mr. Baetsch, Mr. Gunkel, Mr. Leingang, Mr. Sage, Ms. Sand, Mr. Barnett, Chairman Maichel

**Nays:** None

**PASSED**

### GROUP INSURANCE

#### Health Plan-Informational

Mr. Collins informed the Board of Governor Schafer's proposed funding:

- The level of funding for the group health insurance plan for the next biennium of \$409.09. This premium level is sufficient to fund alternative number one.
- The Governor also included funding for the weight management program and the smoking sensation program.

Ms. Allen addressed the Flu Shot Clinic results with the Board. UND Family Practice suggested that the vaccinations be administered using a 3 tiered approach designated by age group. UND Family Practice held 3 clinic dates. Total participation of the 3 dates was 696, which were down from the previous year of just under 1,100 participants. These vaccinations were provided to NDPERS members at no cost.

#### Litigation – Informational

Mr. Scott Miller conveyed the lawsuit that PERS was brought into earlier has been settled by BCBS.

#### Coordination of Benefits- Informational

Mr. Collins indicated an issue has arisen regarding the coordination of benefits and how they are processed for the Medicare group. The Insurance Department will be reviewing this and feels the coordination of benefits division should be applied differently than what has been done since the 80's. If the Insurance Department makes the determination to requires a change, there would be several implications:

1. This would mean that the retiree rates that we received in the renewal will need to be increased to pay for the additional liability. The level of this increase is not known but could raise premiums several percent.
2. If the Insurance Department requires a reprocessing of claims going back several years those reprocessing costs could be charged against the PERS Plan. This could reduce the estimated ending balance at the end of this biennium.

Staff is waiting the review from the Insurance Department.

## **FLEX**

### **Enrollment – Informational**

Ms. Allen provided an overview the FlexComp annual enrollment:

Dependent Care did not have much of a change. Mr. Collins felt that the changes made due to the clarifications of the IRS regulations might have had some impact. Ms. Allen addressed some of those changes as:

- Can no longer pay in advance.
- No longer cover the cost of food, nursery school and transportation if listed separately.

The medical spending had a significant increase in number of participants. The total amount increased almost 10% over the previous year.

### **Administrative Budget – Informational**

Mr. Collins conveyed Governor Schafer released his recommendation concerning the PERS administrative budget. Governor Schafer funded:

- Adding back our internal audit intern.
- The IT Plan.
- The additional benefits specialist.
- The reinstatement of the active/retired newsletter.
- The IT Plan hardware replacement.

The next steps will be Governor Hoeven's review, then the legislative session.

### **Next Meeting**

The next meeting of the PERS Board was scheduled for January 25, 2001 at 8:30 AM, Heritage Center, Bismarck, North Dakota.

### **Other Business**

Chairman Maichel has resigned his position and would not be attending the meeting in January. Chairman Maichel inquired if Mr. Barnett would conduct the next meeting if the Governor has not selected his appointee. Mr. Barnett agreed to Chair the January meeting.

On behalf of the PERS Board, Chairman Maichel presented Ms. Sand with a plaque recognizing her years of service on the PERS Board.

On behalf of the PERS Board, Mr. Gunkel presented Chairman Maichel with a plaque recognizing his many years of dedications and service on the PERS Board.

Chairman Maichel called for any other business or comments. Hearing none, the meeting was adjourned at 11:45 AM.

Respectfully Submitted

Denise A. Curfman  
Secretary, NDPERS Board