

MINUTES

North Dakota Public Employees Retirement System
Thursday, February 21, 2002
Fort Union Room
State Capital
Bismarck, North Dakota

Members Present: Mr. David Gunkel
Mr. Ron Leingang
Mr. Howard Sage
Ms. Sandi Tabor
Mr. Weldee Baetsch
Chairman Jon Strinden

Via Conference Call

Others Present: Mr. Sparb Collins, Executive Director NDPERS
Mr. Scott Miller, Attorney General's Office
Ms. Arvy Smith, Health Department
Ms. Denise Curfman, NDPERS
Ms. Kathy Allen, NDPERS
Mr. Bryan Reinhardt
Mr. Larry Brooks, BCBS
Ms. Rhonda Peterson, BCBS
Mr. Tom Christensen, BCBS
Ms. Sheila Muhle, BCBS
Ms. Kamie Kuereman, BCBS
Mr. Tom Tupa, INASEA
Mr. Howard Snortland, AFPE
Mr. David Peske, ND Medical Association
Ms. Sharon Schiermeister, NDPERS
Ms. Sharmain Dschaak, NDPERS
Ms. Rebecca Friche, NDPERS
Mr. Wayne Kinder, Job Service
Ms. Maren Daley, Job Service
Ms. Gisele Barth, NDPEA, AFT #4660

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

Minutes

Chairman Strinden called for any questions or comments regarding the January 17, 2002 NDPERS Board minutes.

Ms. Tabor moved approval of the January 17th Board meeting minutes. Mr. Leingang seconds the motion.

RETIREMENT

Job Service (Board Action Requested)

Mr. Collins indicated that for the last several years PERS has administrated the Job Service Retirement Plan on an administrative services only basis. PERS processed the monthly retirement payments as directed by Job Service.

Ms. Maren Daley, Executive Director of Job Service and Mr. Wayne Kindem from Job Service appeared before the Board to request the Boards' support of legislation in the 2003 legislative session designating the NDPERS Board as the Administrator of the Retirement Plan for the Employees of Job Service North Dakota. Mr. John Garrett, consultant from the Segal Company joined the meeting via conference call. Mr. Garrett is the consultant to the Job Service plan and the PERS System. Mr. Garrett indicated that from an actuarial perspective, this would not represent any change to the current arrangement, the plan would continue to be valued based upon its provisions and the assumptions and methods as used in the last valuation. Mr. Garrett also indicated that they see no actuarial impact to either the Job Service plan or the PERS System as a result of the proposal.

Ms. Tabor motions to have Mr. Scott Miller, and Job Services Attorney review the contracts, and fiduciary responsibilities and report back to the Board in March. Also to have draft legislation prepared for review at the March meeting. Mr. Leingang seconds the motion.

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

Nays: None

Absent: Dr. Dwelle

PASSED

Legislation Issues (Board Action Requested)

Mr. Collins indicated that staff is preparing legislation for the next session and the following issues staff is looking for guidance on:

Transfers – The EGTRAA tax act provides that participants may use pre-tax contributions to a 403(b) or 457 plans to make trustee-to-trustee transfers for the purpose of

1. Purchasing permissive service credits under the defined benefit plan or
2. Repaying contributions and earnings with respect to an amount previously refunded under a forfeiture of service credit under the plan.

It is staffs understanding from Segal that the amount of funds that can be transferred is not limited and therefore the amount of time that maybe purchased is limited only by the amount of funds available. Segal indicated that it maybe appropriate to have some limit. It was suggested that some systems limit the amount of time to 5 years in total for unqualified service.

Mr. Gunkel motions to a five (5) year lifetime limitation on unqualified service and no limitation on qualified.

Mr. Baetsch seconds the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage, Tabor and Chairman Strinden

Nays: None

Absent: Dr. Dwelle

PASSED

Political Subdivisions – Mr. Miller reviewed the difficulty in determining what is and what is not a political subdivision. It is written in to Century Code in several areas and not one being consistent with the other.

Mr. Gunkel motions to leave current procedures in place. To send request that are questionable to the Attorney Generals office.

Ms. Tabor seconds the motion.

Ayes: Baetsch, Gunkel, Tabor and Chairman Strinden

Nays: Leingang and Sage

Absent: Dr. Dwelle

PASSED

Pre-Medicare Rate – Mr. Collins indicate that in March of 1995 the PERS Board decided to adopt a three tier rate structure for Pre-Medicare Retiree's (single, family & family of 3 or more). The additional rate was adopted to reflect the cost for dependents and compensate the plan for this additional coverage. It was believed that a trend was developing toward more dependents in the pre-Medicare area as more people retired early. In implementing this structure it was further decided that retiree's that came from a participating employer would get the family rate even if they had 3 or more on the contract. Mr. Collins indicated that staff has reviewed this recently and that if we are going to continue to allow members from participating employers who have three or more on the contract to have the family rate we should seek clarifying language in the statute. However the other alternative is to discontinue this practice prospectively and have all members who have three or more on the contract to have that rate.

Mr. Gunkel motions to discontinue this practice prospectively and have all members who have three (3) or more in the family of 3 or more.

Mr. Leingang seconds the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage, Tabor and Chairman Strinden

Nays: None

Absent: Dr. Dwelle

PASSED

Ms. Arvy Smith, Deputy State Health Officer, had handed out a draft letter from Dr. Terry Dwelle, State Health Officer, requesting that Ms. Arvy Smith serve on his behalf due to his many responsibilities. Also to consider requesting statutory changes to allow a designee to act on behalf of the State Health Officer on the PERS Board.

Ms. Tabor motions to amend statue, include in the Administrative Bill under house keeping.

Mr. Gunkel seconds the motion.

Ayes: Gunkel, Tabor and Chairman Strinden

Nays: Baetsch, Leingang, and Sage

Absent: Dr. Dwelle

FAIL

Pre-Tax Purchase (Board Action Requested)

Mr. Collins indicated that last session the following provision was passed at the request of PERS:

Pursuant to rules adopted by the board, the board may allow a member to purchase service credit with either pre-tax or after-tax moneys, at the board's discretion.

The act also stated that the above section "becomes effective on the date the board of trustees of the public employees retirement system receives a letter ruling from the internal revenue service that section 4 of the Act does not jeopardize the qualified status of the public employees retirement system." Mr. Collins has indicated that this was given to Mr. Miller to look into the requirements for submitting such a request. Mr. Miller has determined that it requires a level of effort that he could not provide at this time. Therefore if the Board wishes to continue we will need to get some assistance. Several options are available:

1. We could request a letter proposal from Segal, GRS (formally Wyatt), Delloitte and the attorney we used out of Washington DC.
2. We could just request that Segal do it
3. We could do a general RFP

Mr. Gunkel motions to move forward with this effort. To seek a bid from Segal to have them prepare the documents. Mr. Miller would review and sign.

Ms. Tabor seconds the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage, Tabor and Chairman Strinden

Nays: None

Absent: Dr. Dwelle

PASSED

GROUP INSURANCE

Pharmacy Overview (Informational)

Mr. Tom Christensen, Assistant Professor of Pharmacy Practice at North Dakota State University and a Pharmacy Consultant to BCBS, Sheila Muhle, Manager of Claims Operations, BCBS and Kamie Kueneman, Clinical Pharmacist, appeared before the Board to provide an update on pharmacy issues and the clinical pharmacy program.

Employee Assistance Program (Informational)

Mr. Collins indicated that several meetings ago we reviewed with the Board that we did not have a policy relating to leave of absence for the EAP. The board asked staff to

look into developing a policy. One of the first steps in that process was to write to our EAP providers for their thoughts. Mr. Collins indicated that the next step would be to suggest that the Board consider adopting the following draft policy:

LEAVE OF ABSENCE

An employee may continue the employee assistance program (EAP) at their own expense. The agency is responsible for collecting the premium from the employee and submitting it with the monthly agency billing.

If this is acceptable staff would suggest sending it to state payroll contacts for their comments. Once that is completed staff would report all comments to the board for its consideration in making a final determination on the proposed policy.

Generic Utilization (Informational)

Mr. Reinhardt indicated that there has been a slight decrease in the use of generic drugs by the NDPERS membership. This has leveled off at 40% in the last three years. Mr. Reinhardt indicated that the use of a brand name drug when a generic is available has been cut almost in half in the ten years, but here has been a steady increase in brand name use when a generic is not available.

Quarterly Graphs (Informational)

Mr. Reinhardt provided an overview of the quarterly health utilization graphs with the board.

2001 BCBS Claims Review (Informational)

Mr. Reinhardt provided an overview of the BCBS claims review with the board.

Wellness Benefit Application (Board Action Requested)

Ms. Allen indicated that at the January meeting, the Board moved to conduct a review of the Wellness Benefit Program and directed that any future applications requesting benefits to fund an on-site wellness program be referred to the Board. Included in the board materials were an evaluation form and an application received from UND on January 28, 2002. The current guideline has been to approve the program if an applicant receives an average score of 70 out of a possible 100. The Board reviewed and evaluated the request.

Mr. Sage motions to approve the request from UND.

Mr. Gunkel seconds the motion.

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

Nays: None

Absent: Tabor and Dr. Dwelle

PASSED

Surplus Affordability Update (Informational)

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

Inpatient Comparison (Informational)

Mr. Reinhardt provided an overview of the 1999 comparison of NDPERS inpatient claims with the National Hospital Discharge Survey to the Board.

NDPERS Life Insurance Update (Informational)

Mr. Reinhardt provided the Board with an update on the NDPERS life insurance plan.

DEFERRED COMP

Provider Contracts (Informational)

Mr. Collins indicated that as of this date, the only provider agreements still outstanding are for Lincoln National and the Companion Plan. Lincoln has reviewed the agreement and submitted a letter. American General's legal department has completed its review of our amendment and incorporated it into its contract. Both agreements were referred to our legal counsel for review.

Provider Training Update (Informational)

Mr. Collins indicated that in December, staff conducted a series of informational meetings for deferred compensation provider representatives around the state. Nine meetings were held. Staff also put out a newsletter highlighting the EGTRRA changes that would impact the NDPERS plan and outlining the pertinent time frames that change would occur in procedures and forms. In addition, staff has scheduled additional spring training dates since some representatives are now out of compliance. In reviewing training records, staff discovered that 88 individuals who did not attend one of the trainings will need to participate in an approved training to ensure continued compliance with the provider contract. These individuals were sent a separate mailing in addition to the newsletter, reminding them of the training commitment along with the most recent copy of the Investment Options booklet.

NDPERS 401(a) Defined Contribution 4th Quarter 2001 Report (Informational)

Mr. Reinhardt provided an overview of the NDPERS 401(a) Defined Contribution 4th Quarter 2001 Report.

NDPERS 457 Companion Plan 4th Quarter 2001 Report (Informational)

Mr. Reinhardt provided an overview of the NDPERS 457 Companion Plan 4th Quarter 2001 Report.

MISCELLANEOUS

Board Election Committee (Board Action Requested)

Ms. Allen indicated that the term of retirement board member Ron Leingang expires on June 30, 2002. Pursuant to Section 71-01-02-01 of the election rules, the Retirement Board must appoint a committee of three from its membership, one of whom must be designated as chair, to oversee the election process.

Mr. Leingang motions to appoint Mr. Baetsch, Mr. Sage and Mr. Gunkel as the committee.

Mr. Sage seconds the motion.

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

Nays: None

Absent: Tabor and Dr. Dwelle

**Mr. Gunkel motions to appoint Mr. Baetsch as Chairman of the committee.
Mr. Sage seconds the motion.**

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

Nays: None

Absent: Tabor and Dr. Dwelle

PASSED

Informational Technology Strategic Plan (Informational)

Ms. Schiermeister indicated the staff is in process of putting together the Informational Technology Strategic Plan for the 2003-2005 Biennium. It is required of PERS to submit its plan to the Information Technology Department by March 15, 2002. A list of the projects was included in the board materials for boards review.

Biennial Survey Results (Informational)

This item was moved to the March Board Meeting.

PERS Audit Committee Minutes (Informational)

The approved minutes from the October 16, 2001 meeting was included in the board materials for the boards review.

Chairman Strinden calls for any other business, hearing none the meeting adjourned at 1:00 PM.

Respectfully Submitted

Denise A. Curfman

*Denise A. Curfman
Secretary, NDPERS Board*