

**Minutes**  
**North Dakota Public Employees Retirement System**  
**Thursday, January 25, 2001**  
**Project Room**  
**Heritage Center**  
**Bismarck, North Dakota**

Members Present:                   Mr. Weldee Baetsch  
  Mr. David Gunkel  
  Mr. Ron Leingang  
  Mr. Howard Sage  
  Mr. Robert Barnett  
  Ms. Sandi Tabor

Others Present:                   Mr. Sparb Collins, Executive Director NDPERS  
  Ms. Kim Humann, NDPERS  
  Ms. Denise Curfman, NDPERS  
  Ms. Deb Knudsen, NDPERS  
  Ms. Kathy Allen, NDPERS  
  Mr. Bryan Reinhardt, NDPERS  
  Ms. Cheryle Masset, NDPERS  
  Mr. Tom Tupa, SEA/AFPE  
  Ms. Sue Tibiatowski, BCBS  
  Mr. Larry Brooks, BCBS  
  Mr. Don Schott, BCBS  
  Mr. Howard Snortland, AFPE  
  Mr. Scott Miller, Attorney General's Office

Mr. Barnett called the meeting to order at 8:30 a.m.

Mr. Barnett recognized Ms. Sandi Tabor, a new statutory member of the NDPERS Board appointed by the Attorney General's Office.

**Minutes**

Mr. Barnett called for any questions or comments regarding the minutes of the December 21, 2000 meeting.

**Mr. Leingang moved approval of the minutes. Mr. Gunkel seconded the motion.**

**Ayes:** Baetsch, Gunkel, Leingang, Sage, Tabor, Barnett

**Nays:** None

**PASSED**

## **RETIREMENT**

### **QDRO – Board Action**

Ms. Knudsen appeared before the Board requesting proposed Qualified Domestic Relations Order (QDRO) revisions to the model language previously approved by the Board for use in assisting members and their attorneys for establishing a QDRO with any of the NDPERS defined benefit retirement plans.

Ms. Knudsen indicated in reviewing this language with Mr. Crane, the Segal Company, and Mr. Miller, Assistant Attorney General, that some of the existing language in the models is not consistent with retirement provisions in the NDPERS Law. Specifically, in Section III, option C. However, the TFFR statute does allow non-spouse beneficiaries for joint and survivor options. Therefore, it would seem that the model language to be used for NDPERS plans should be amended. Mr. Miller and Mr. Crane concur that it would be advisable to remove the language. Staff recommended deleting option C under Section III *Duration of Payments* on page 13 of the active model and option C under Section III of the *Retired Model* on page 21 and revise applicable instructions for those Sections.

#### **Mr. Sage moved to adopt staff recommendation.**

(To delete option C under Section III *Duration of Payments* on page 13 of the active model and option C under Section III of the *Retired Model* on page 21 and revise applicable instructions for those Sections.)

#### **Mr. Leingang seconded the motion.**

**Ayes:** Baetsch, Gunkel, Leingang, Sage, Tabor, and Barnett.

**Nays:** None

**PASSED**

### **Disability Contract – Board Action**

Ms. Allen indicated that the Disability Consulting Contract with Mid Dakota Clinic expires June 30, 2001. She indicated that Mid Dakota Clinic renewal rate for the contract period of July 1, 2001 through June 30, 2002 remained the same.

#### **Mr. Baetsch moved to renew the contract with Mid Dakota Clinic.**

#### **Mr. Sage seconded the motion.**

**Ayes:** Baetsch, Gunkel, Leingang, Sage, Tabor, and Barnett.

**Nays:** None

**PASSED**

### **FICA Issue – Informational**

Mr. Collins indicated House Bill 1099 was withdrawn.

### **Department of Public Instruction –Board Action**

Ms. Allen indicated during the 1999 legislative session, the Legislature approved Senate Bill 2204. This Bill allowed a person, except for the Superintendent of Public Instruction, who is certified to teach by the Education Standards and Practices Board and who is first employed and entered upon the payroll of Superintendent of Public Instruction after January 6, 2001, to elect to become a participating member of NDPERS. Ms. Allen indicated that NDPERS, RIO and DPI met to define the implementation policies and procedures for this legislation with guidance provided to RIO by their counsel, Scott Miller. Ms. Allen is requesting Board Action to approve the implementation guidelines/policy. (“*DPI Employees Retirement Plan Election N.D.C.C. 15-39.1-09*”).

**Ms. Tabor moved to adopt the policy.** (“ *DPI Employees Retirement Plan Election N.D.C.C. 15-39.1-09*”).  
**Mr. Leingang seconded the motion.**

**Ayes:** Baetsch, Gunkel, Leingang, Sage, and Tabor.  
**Nays:** None

**PASSED**

**Early Retirement Reduction Factors – Board Action**

Mr. Collins indicated several months ago the Board authorized staff to review the current aged based methodology for the early retirement reduction factors and to look at alternatives. Mr. Collins referred to a memo from the Segal Company showed some change to the current age based methodology and an alternative service based methodology along with observations on the advantages and disadvantages. Mr. Collins requested direction from the Board to continue this study based upon age based reduction factors or to review the alternative service based methodology the Segal Company proposed. Mr. Collins stated that based on the direction given by the Board the next step would be to have the Segal Company develop some actuarial cost for your consideration. The Board would like to review this issue further with the Segal Company before making a decision and also requested examining another alternative this would be age and service based. The Board requested to defer the early retirement reduction factor to February’s Board meeting.

**Pension Payments for Late Retirees – Board Action**

Mr. Collins requested guidance on a policy relating to pension payments for late retirees. Specifically, the issue, of a person not electing to begin retirement payments at the date they are eligible for unreduced benefits but rather beginning payment at a later date, such as a year or two or even longer after normal retirement date. What should be the policy of PERS relating to the period from which members become eligible to draw and when they actually begin to draw? Mr. Collins referred to a letter from the Segal Company outlining some considerations. Mr. Collins relayed that the staff recommendation is to accept method two in the Segal letter. (*To make back payments to the normal retirement age instead of age 65 without interest and there would be no back payment for the Retiree Health Insurance Credit Program. This policy would only apply if an individual were no longer under covered employment*).

**Mr. Gunkel moved to adopt staff recommendation.**  
**Mr. Sage seconded the motion.**

**Ayes:** Baetsch, Gunkel, Leingang, Sage, Tabor, and Barnett.  
**Nays:** None

**PASSED**

**DEFERRED COMP**

**Mutual Fund Windows- Board Action**

Mr. Collins indicated that several months ago the Board decided to study the possibility of adding a Mutual Fund Window to the Defined Contribution Plan and the Deferred Compensation Plan. At the December Board meeting the Segal Company reported its assessment of offering such windows. Their primary concern was the fiduciary responsibility of the Board as it relates to allowing a member the opportunity to access funds that are not part of the core group of funds. The Segal Company’s recommendation was to ask legal counsel for an opinion as to the applicable fiduciary duties and standards of conduct that will apply to

such an arrangement under state law. Mr. Miller indicated he did not see restrictions on the Board's ability to offer a Mutual Fund Window, whether from a fiduciary perspective or otherwise, as long as the risk of choosing that option was clearly communicated to the participants. Requiring the participants to agree to assume those risks in the application materials would further protect the Board. Mr. Collins requested direction from the Board on whether they wish to continue to move forward in developing the possibility of a Mutual Fund Window and its costs.

**Mr. Gunkel moved to continue to develop the possibility of a Mutual Fund Window.  
Mr. Baetsch seconded the motion.**

**Ayes:** Baetsch, Gunkel, Leingang, Sage, Tabor, and Barnett.  
**Nays:** None

**PASSED**

**Investment Subcommittee – Informational**

Mr. Collins indicated that the Investment Sub-Committee is continuing to work on the feasibility of adding additional Funds to the 457 Plan and the 401(a) Plan.

**GROUP INSURANCE**

**Benefit Provisions – Informational**

Mr. Collins indicated that this issue was presented as informational only. Staff will continue to monitor this situation and provide updates as decisions are made.

**Blue Cross Blue Shield of North Dakota (BCBSND) Annual Report -Informational**

Mr. Larry Books, BCBSND, provided an overview of the BCBSND annual report to the Board. This report is on file at the North Dakota Public Employees Retirement System office.

**Blue Cross Blue Shield of North Dakota (BCBSND) Survey –Informational**

Ms. Sue Tibiatowski, BCBSND, provided an overview of the BCBSND survey to the Board. The survey is on file at the North Dakota Public Employees Retirement System office.

**Blue Cross Blue Shield of North Dakota (BCBSND) EPO Survey –Informational**

Mr. Don Schott, BCBSND, provided an overview of the EPO Survey to the Board. The survey is on file at the North Dakota Public Employees Retirement System office.

**Blue Cross Blue Shield Claims Audit – Informational**

Mr. Reinhardt addressed the following audit findings:

- Medicare carve-out coinsurance rate is 20%. BCBS is processing Medicare retiree claims at a PPO provider at the PPO 15% coinsurance and is not processing any PPO provider discounts for these claims.
- Issue from last year where there is no PPO discount for COB claims.
- PSA tests have a DXL copayment in addition to the coinsurance.
- BCBS is still not going back to review previous claims after a Workers Compensation claim/notification comes in.
- Mammograms are processed so the first occurrence is treated as preventative (paid 100%) and the rest are treated as medical, regardless of the diagnosis codes.

Mr. Collins indicated that this audit report would be sent to BCBS and they would go through the audit findings and would provide a follow-up report.

**Surplus/Affordability Update – Informational**

The surplus projection and affordability analysis for the NDPERS group medical plan was included with the board materials.

**HIPAA – Informational**

Mr. Collins indicated staff would continue to monitor HIPAA and noted staff has not made any provisions for it in the budget. Mr. Collins indicated he advised the House Appropriations Committee this would continue to be an item for review. Staff's assumption was that most of the requirements would be relating to BCBS claims processing.

**Dental Enrollment – Informational**

Ms. Allen indicated for the contract years 12/31/00 –1/1/01 there is an approximate 11.5% decrease for the active and retiree groups combined. Ms. Allen conveyed she felt the decrease was a result of the premium increase.

**3<sup>rd</sup> Quarter Health Graphs – Informational**

Mr. Reinhardt indicated the overall trend for the NDPERS group (active employees and dependents) is favorable. The retiree groups show an increasing trend line. This appears to be due to their higher use of prescription drugs. The quarterly graphs for health insurance were included in the board materials.

**Indemnity Agreement –Board Action**

Ms. Allen indicated at the May 2000 board meeting the Board was informed that the indemnity provisions contained within the Employer Participation Agreements for the Health, Life and FlexComp programs do not comply with NDCC 32-12.2-13. This law went into effect August 1, 1997 and stated the indemnity must arise under a separate contract. Staff sent separate indemnity contracts to those political subdivisions that joined one of the programs effective August 1, 1997 to the present. The deadline for their response was August 31, 2000. Ms. Allen informed the Board one political subdivision has refused to sign and return its Indemnity Agreement. Mr. Collins requested direction from the Board on what to do since there is no authority to enforce our request that participating employers agree to indemnify us.

**Ms. Tabor moved that Staff follow-up with the political subdivision and their attorney. Upon the subdivisions decision the Board will then look at other options if needed**

**Mr. Baetsch seconded the motion.**

**Ayes:** Baetsch, Gunkel, Leingang, Sage, Tabor, and Barnett.

**Nays:** None

**PASSED**

**EAP Proposal – Board Action**

Mr. Collins indicated that the Employee Assistance Program (EAP) services contract for 2001 –2003 biennium is up for renewal. Mr. Collins requested approval of the draft Request for Proposal (RFP) and to begin the process for bid by sending out the RFP to our current vendors and placing an ad in several publications throughout North Dakota.

**Mr. Gunkel approves the methodology of notification for the EAP RFP.**

**Ms. Tabor seconds the motion.**

**Ayes:** Baetsch, Gunkel, Leingang, Sage, Tabor, and Barnett.

**Nays:** None

**PASSED**

## **Miscellaneous**

### **Proposed Legislation**

Mr. Collins informed the Board that all the Senate Bills have passed the Senate as of last week. The House Bills were heard in the Government and Veterans Affairs Committee. All House Bills received a unanimous do pass out of Committee.

Questions that were brought up on our appropriations bill were in the following two areas:

1. The IT position
2. The additional Benefit Specialist for investment education.

Mr. Collins continued on with HB1216, he presented testimony to modify language in the bill to subtract PEP money when doing the calculation so we would not be double counting employer contribution. Mr. Collins indicated that in the interim committee on HB 1217 many items were offered and only one item was accepted which was to move back the implementation date from this January to the following January.

They did not include our suggestions on:

- Enrollment Procedures
- Transfer Calculation
- Investment Education
- Administrative Cost Methodology
- Disability Insurance
- Administrative Support
- Funding a non-classified employee

Mr. Collins indicated he would be giving testimony asking for the above to be included. Mr. Collins also addressed the Board regarding a bill that is being proposed which would require the State Investment Board to fund one-tenth of one percent of their money into the North Dakota Mutual Fund (this is an ETI type project). Mr. Sage indicated that the investment guidelines state “ investing in an ETI can not be done”. Therefore, the Board advised Mr. Collins to testify regarding their guidelines and policy.

### **Annual Report – Informational**

Mr. Collins indicated the 2000 comprehensive annual financial report was included in the board materials.

### **Next Meeting**

The next meeting of the PERS Board was scheduled for February 28, 2001 at 8:30 AM, Heritage Center, Lecture Room A, Bismarck, North Dakota.

### **Other Business**

Mr. Gunkel 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