

MINUTES

North Dakota Public Employees Retirement System
Thursday, January 17, 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
Dr. Terry L. Dwelle M.D., MPHTM

Others Present: Mr. Sparb Collins, Executive Director NDPERS
Mr. Scott Miller, Attorney General's Office
Ms. Denise Curfman, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Kathy Allen, NDPERS
Mr. Bryan Reinhardt
Mr. Larry Brooks, BCBS
Ms. Rhonda Peterson, BCBS
Mr. Don Schott, BCBS
Mr. Tom Tupa, INASEA
Mr. Howard Snortland, AFPE
Mr. David Peske, ND Medical Association
Ms. Sharon Schiermeister, NDPERS
Ms. Sharmain Dschaak, NDPERS
Ms. Cheryle Masset, NDPERS
Mr. John Mongeon, Brady Martz

Mr. Gunkel is acting Chairman for this meeting. Mr. Gunkel called the meeting to order at 8:30 AM.

Minutes

Mr. Gunkel called for any questions or comments regarding the December 20, 20021 NDPERS Board minutes.

Ms. Tabor moved approval of the December 20th Board meeting minutes. Mr. Baetsch seconds the motion.

RETIREMENT

Legislation (Informational)

Mr. Collins indicated that staff has been developing a list of legislative administrative changes to our retirement statutes. The list was included in the board materials for the Boards review. concurrence Mr. Collins indicated that the next step in this process is for staff to prepare proposed legislation to bring back to the board in March.

Consultant (Board Action Requested)

Mr. Collins indicated that in 1998 PERS went out for bids on the retirement actuarial services with Teachers Fund for Retirement. The bid provided that it would be for a six-year contract, with the first two years bid included in the RFP, and the latter four years subject to renewal based upon acceptable performance and renewal cost. Enclosed with the Board material was a proposed renewal for the last two years of the six year period.

**Mr. Baetsch moved to approve the renewal with Segal.
Ms. Tabor seconds the motion.**

Ayes: Baetsch, Gunkel, Leingang, Sage, Tabor and Dr. Dwelle.

Nays: None

Absent: Chairman Strinden

PASSED

DC Enrollment Update (Informational)

Ms. Knudsen indicated that the election window provided by HB1216 expired December 14, 2001. Of the pool of approximately 421 eligible individuals, 4 individuals elected to transfer to the Defined Contribution Plan. Initial calculations indicate that this group has about \$73,860.68 that is potentially transferable. This does not include 14 other individuals who experienced the regular six month window available to newly eligible individuals who elected to transfer to the Defined Contribution Plan. This election process was conducted in a manner as identical as possible to the original defined contribution election initially offered. However, PERS experienced low attendance at the educational meetings and a relatively small number of individuals elected to transfer during the second election period.

GROUP INSURANCE

Legislation (Informational)

Mr. Collins indicated that staff has identified the following areas as potentially needing to be considered by the next legislation session:

1. Political Subdivision premiums – providing authority to the Board to require a minimum employer contribution.
2. Definition of Eligible Employee – Change the definition from 17 1/2 hours per week to 20 hours per week. This would standardize the definition for all programs instead of one for retirement and one for group insurance.

3. Definition of political subdivision – Political Subdivisions are allowed to participate in PERS but no definition is provided.
4. On going eligibility – Place into statute a definition that is consistent with the considerations of the Board at the last meeting.
5. Ownership of records – Some clarification may need to be made based upon federal statute.

The next step is to put together proposed legislation for the Boards review at its March meeting.

Consultant (Board Action Requested)

Mr. Collins indicated that our contract with Deloitte & Touche for consulting assistance for the Group Insurance Program expires June 30, 2002. Deloitte & Touche was selected several years ago after going through the RFP process for a six year contract subject to renewal every two years. Enclosed in the board materials was the renewal proposal from Deloitte & Touche for the upcoming two years.

**Ms. Tabor moves approval of renewing the contract with Deloitte & Touche.
Mr. Leingang seconds the motion.**

Ayes: Baetsch, Gunkel, Leingang, Sage, Tabor and Dr. Dwelle

Nays: None

Absent: Chairman Strinden

PASSED

Request for Proposal of Voluntary Products (Board Action Requested)

Mr. Bill Robinson for the Segal Company joined the meeting via conference call to go over the RFP. Mr. Robinson presented a timetable for this process and asked if there were any questions of the proposed RFP that were included in the board materials. Mr. Scott Miller requested that the standard state contract be added to the RFP. Mr. Miller will e-mail the standard state contract to agree to Mr. Robinson.

**Ms. Tabor moves approval to move forward with the proposed time table and RFP with the standard state contract.
Mr. Leingang seconds the motion.**

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

Nays: None

Absent: Chairman Strinden, Dr. Dwelle

PASSED

Minimum Participation Requirements (Board Action Requested)

Mr. Collins indicated that the Board previously discussed the need to establish a minimum participation requirements for the PERS plan as a result of the actions of some political subdivisions that have recently joined the plan and have no employer contribution. This creates a situation where the PERS plan can be adversely selected. The Board asked that BCBS develop an idea for consideration; in the board materials was that suggestion. Mr. Collins also indicated that staff had done a survey of the political subdivision and asked them about the present level of participation. That survey was also in the board materials. Mr. Collins indicated that staff is suggesting that we take the BCBS suggestion and write up a memo to participating political

subdivision indicating that the Board is considering adding this requirement. Staff would ask for comments for the Boards consideration at the March meeting.

Mr. Sage moved to approve Staff's recommendation to send a memo to all participating political subdivisions.

Ms. Tabor seconds the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage, Tabor and Dr. Dwelle

Nays: None

Absent: Chairman Strinden

PASSED

Dental Enrollment (Informational)

Ms. Allen indicated that the dental annual enrollment increased by approximately 3.8% for the active and retiree groups combined.

Member Service Survey (Informational)

Mr. Larry Brooks and Ms. Rhonda Peterson, from BCBS presented the Member Service Survey that is conducted in February and August of each year. This survey is on file at the NDPERS office.

Formulary Changes (Informational)

Ms. Allen indicated that the BCBSND pharmacy committee made up of North Dakota physicians, pharmacists and BCBS staff regularly reviews all prescription drugs on the formulary list. Based on its review, the committee has removed four drugs from the formulary list effective January 1, 2002. Ms. Allen indicated that letters were sent to those NDPERS subscribers that currently use these drugs. The letter identifies the drug and the available alternative drugs that are on the formulary list. The letter also provides an appeal procedure if there is not an appropriate alternative to the prescription drug.

Wellness Benefit Program Review (Board Action Requested)

Ms. Allen indicated that at the December meeting, the Board requested that staff provide an outline of the criteria related to the administration of the Wellness benefit Program. Ms. Allen indicated that this program was initiated by the PERS Board in 1994. The program is funded out of the BCBS administrative expense fees. The program provides an incentive to our participant employers to initiate and promote on-site wellness programs for their employees. Ms. Allen indicated that the Wellness Benefit Program guidelines adopted by the Board in 1994 were in the Board material.

Ms. Tabor moved to have the 3 Board members on the benefit committee to be added to the Wellness Program Committee. For that new committee to put together the purpose and criteria for the Wellness Program and bring it back to the Board. Also until the board reviews and acts on the committees report all requests for wellness program dollars should be presented to the board for approval regardless of the amount they are requesting.

Dr. Dwelle seconds the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage, Tabor and Dr. Dwelle

Nays: None
Absent: Chairman Strinden
PASSED

Annual Health Care Utilization Report (Informational)

Mr. Donald Schott from BCBS presented the Annual Health Care Utilization Report. This report is on file at the NDPERS office.

Surplus Affordability Update (Informational)

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

Central Valley Health District (Board Action Requested)

Ms. Allen indicated that Chapter 54-52.1 authorizes district health units to participate in the PERS health plan. Historically, the flat rate that applies to state agency contracts also applies to health units electing to participate in the health plan. On January 1, 2002, Central Valley Health District joined the NDPERS plan. At the time they joined, they were under the assumption that the single/family rate applied to their group and the district's Board approved participation subject to this information. Central Valley Elected the EPO only option which has a single/family premium structure. PERS staff notified the health district of the error and explained the premium policy. Central Valley's Board requested the right to appeal this issue to the PERS Board.

Ms. Sharon Unruh, from central valley district appeared before the Board and indicates that Central Valley District is unable to finance health coverage for its employees based on the flat rate. The Central Valley Board approved the health plan on the single/family rate that was initially provided to them in error.

Ms. Tabor moved to allow Central Valley District to have the EPO rate through this budget cycle.

Mr. Sage seconds the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage and Tabor

Nays: None

Absent: Chairman Strinden, Dr. Dwelle

PASSED

FLEXCOMP

Enrollment (Informational)

Ms. Allen indicated that the total salary dollars redirected for the 2002 plan year compared to 2001 with dependent care -3.4% and medical spending +11.9%. The average amount pre-taxed per person for 2002 compared to 2001 with Dependent Care was up 2% and for Medical Spending was up 6.2%. The number of participants for the dependent care program decreased by 5.5% and increased for the medical spending program by 5.4%. The participation in the pre-tax premium accounts increased by 5%.

DEFERRED COMP

Provider Contracts (Informational)

Ms. Allen indicated that staff has not yet received contracts back from Bank of North Dakota, Hartford, Sunset Life and Zurich Kemper. Each of the companies have been contacted by phone, Zurich Kemper indicated that the contract is in the mail. The other 3 indicated that the amendment was being reviewed by its legal department.

Zurich Kemper 457 Plan Survey (Informational)

Mr. Reinhardt provided a brief overview of the survey of Zurich Kemper members to the Board.

MISCELLANEOUS

Audit Report (Informational)

Mr. Mongeon from Brady Martz provided an overview of the audit report to the Board. This report is on file at NDPERS office.

Annual Report (Informational)

Ms. Schiermeister indicated that the report was published in December and distributed to all employers participating in the retirement system. The report was submitted to the Government Finance Officers Association with the application for the GFOA Certificate of Excellence in Financial Reporting. The 2001 Comprehensive annual financial report was included in the board materials.

Biennial Survey Results (Informational)

This item was moved to the March Board Meeting.

Administrative Rules (Board Action Requested)

Ms. Knudsen indicated that the hearing was held on Thursday, December 13, 2001 regarding the proposed administrative rules. Ms. Knudsen indicated that there were no oral or written comments received at the hearing that were pertinent to the rules being promulgated. However, the Board directed staff to review the timetable for mailing the Summary Plan Description pursuant to comments received at the hearing. A copy of the minutes of the hearing as well as the proposed changes were provided in the board's materials. The required comment period extended through January 16, 2002. No written comments were received during the comment period.

Mr. Sage moved approval of the rules subject to staff receiving the Attorney General's approval of their legality. Mr. Leingang seconded the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage.

Nays: None

Absent: Chairman Strinden, Tabor and Dwelle

PASSED

NCPERS and Fidelity Conference (Board Action Requested)

Mr. Collins indicated that the annual National Council of Public Employees Retirement Systems conference and Fidelity's Conference is coming up this spring. In the past the Board has approved sending one or two members of the Board to this meeting.

Mr. Sage motions to approve up to two Board member to go to the NCPERS conference and up to two to go to Fidelity's Conference. Mr. Leingang seconded the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage.
Nays: None
Absent: Chairman Strinden, Tabor and Dr. Dwelle
PASSED

Mr. Gunkel calls for any other business, hearing none the meeting adjourned at 12:00 PM.

Respectfully Submitted

Denise A. Curfman

*Denise A. Curfman
Secretary, NDPERS Board*