

Minutes
North Dakota Public Employees Retirement System
Thursday, July 21, 2005
ND Association of Counties, Bismarck
BCBS, 4510 13th Ave SW, Fargo
8:30 A.M.

Members Present:	Mr. Ron Leingang Mr. David Gunkel Mr. Howard Sage Ms. Arvy Smith Ms. Sandi Tabor
Via Video Conference	Chairman Jon Strinden Ms. Rosey Sand
Others Present:	Mr. Sparb Collins, Executive Director NDPERS Ms. Kim Humann, NDPERS Ms. Geri Frohlich, NDPERS Ms. Kathy Allen, NDPERS Mr. Bryan Reinhardt, NDPERS Ms. Deb Knudsen, NDPERS Ms. Cheryle Masset, NDPERS Ms. Diane Heck, NDPERS Mr. Scott Miller, Attorney General's Office Mr. Howard Snortland, AFPE Mr. Bill Kalanek, AFPE/INDSEA Mr. Steve Cochrane, RIO Ms. Gisele Thorson, NDPEA Ms. Kathy Mangskau, ND Dept of Health Mr. Bob Thomas, SEI Investments Mr. Don Haverly, SEI Investments Mr. Jeff Sparling, SEI Investments
Via Video Conference	Mr. Larry Brooks, BCBSND Dr. Jon Rice, BCBSND
Via Conference Call	Ms. Kamie Kueneman, Prime Therapeutics Ms. Leslie Thompson, Segal Company

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

MINUTES

Chairman Strinden called for any questions or comments regarding the minutes of the June 16, 2005 meeting.

MR. LEINGANG MOVED APPROVAL OF THE JUNE 16, 2005 NDPERS BOARD MINUTES. MS. SMITH SECONDED THE MOTION.

GROUP INSURANCE

Smoking Cessation (Board Action Requested)

At the May meeting, the Board approved NDPERS to continue its efforts to promote a smoking cessation program for state employees in conjunction with the Health Department and Blue Cross Blue Shield (BCBS). PERS staff met with BCBS to review last biennium's program and determine if any administrative changes were necessary. Included with the board materials was a memo from BCBS outlining options for consideration based on its experience with the program over the last year. Dr. Rice, BCBS, reviewed the proposed changes to the smoking cessation program. NDPERS staff distributed the proposed smoking cessation program promotion costs and administration fee from BCBS. Also included with the board materials was last year's Participation Agreement which was updated for the next two-year period based on the current reimbursement schedule. Discussion followed. Staff recommended providing for the smoking cessation plan aids through the prescription drug plan, continuing to make counseling available and putting in a proposed budget of \$14,000.00 for promotion.

MS. SMITH MOVED APPROVAL OF STAFF'S RECOMMENDATION. MS. TABOR SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sand, Sage, Tabor, Smith and Chairman Strinden

Nays: None

PASSED

EAP Renewal (Informational)

Ms. Allen indicated the EAP renewal for the 2005-2007 biennium was complete. The following providers met the minimum requirements and were available for selection by participating agencies:

St. Alexius EAP
Medcenter One EAP
Village Family Services
Deer Oaks EAP Services (San Antonio TX)

All agencies were sent a notice requesting they contact NDPERS if they wished to select another vendor. If no response was received, staff assumed they wanted to remain with the vendor currently on record. One agency changed vendors from Village Family Services to St. Alexius. No agencies selected Deer Oaks EAP Services.

Dental Renewal (Board Action Requested)

Ms. Allen conveyed the NDPERS office had received the dental renewal proposal from ING effective for January 1, 2006. The initial proposal provided for a 4.5% increase. Based on a review by Gallagher Benefit Services (GBS), it was recommended that ING re-evaluate its proposal based on several issues raised by GBS. A copy of the GBS response was included with the board materials. Subject to these observations, ING agreed to adjust its proposed increase to 3%. ING's adjusted rate renewal notification was included with the board materials. Staff recommended accepting ING's proposal for a 3% increase for the 2006 plan year.

MR. LEINGANG MOVED APPROVAL OF STAFF'S RECOMMENDATION. MS. SMITH SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sand, Sage, Tabor, Smith and Chairman Strinden

Nays: None

PASSED

RETIREMENT

Experience Study (Informational)

Mr. Collins indicated Ms. Leslie Thompson, Segal Company, would be joining the meeting via conference call due to her flight to Bismarck being cancelled. Ms. Thompson joined the meeting via conference call and provided a brief overview of the results of the experience study for the NDPERS retirement plan. Ms. Thompson conveyed she will be attending the August 18 board meeting and will provide a more detailed review at that time.

Asset Liability Study (Informational)

Mr. Bob Thomas, Mr. Jeff Sparling and Mr. Don Haverly, SEI Investments, provided the Board with the findings of the asset liability study they recently completed. The purpose of this study was to help determine if any changes need to be made in the asset allocation for the investments in order to meet the liabilities. A copy of this material is on file at the NDPERS office.

Statute Revision Project (Board Action Requested)

At the May board meeting discussion was held regarding rewriting the NDPERS statutes. Included with the board materials from Mr. Miller, legal counsel, were his thoughts and possible timeframes for the project. Discussion followed. By general consensus, the Board agreed to defer action on this project.

GROUP INSURANCE

Health Administrative Agreement (Board Action Requested)

Included with the board materials was the Administrative Agreement for BCBS. This Agreement was reviewed by the NDPERS staff and the Attorney General's office. Pursuant to statute the Agreement must be signed by the Board chair.

Also included with the board materials was an Interagency Agreement between NDPERS and UND for the wellness pilot project that was previously approved by the Board and funded by the legislature in the health premiums. This Agreement was also reviewed by NDPERS staff and the Attorney General's office.

Staff recommended approval of the Administrative Agreement for BCBS and authorize the Chairman to sign it. Staff also recommended approval of the Interagency Agreement with UND and authorize the Executive Director to sign. Discussion followed. The Board requested that Mr. Collins clarify with UND their indirect cost rate.

MR. SAGE MOVED TO APPROVE THE UND AGREEMENT CONTINGENT UPON VERIFICATION OF THE 30% INDIRECT COST AMOUNT. MS. SMITH SECONDED THE MOTION.

NDPERS Board Meeting

July 21, 2005

Page 4

Ayes: Leingang, Gunkel, Sand, Sage, Tabor, Smith and Chairman Strinden

Nays: None

PASSED

MS. SMITH MOVED APPROVAL OF THE ADMINISTRATIVE AGREEMENT WITH BCBS. MR. SAGE SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sand, Sage, Tabor, Smith and Chairman Strinden

Nays: None

PASSED

HIPAA Security Update (Informational)

Mr. Reinhardt conveyed the implementation deadline for HIPAA Security compliance passed this spring. NDPERS implemented HIPAA Security Policies & Procedures over a year before the required deadline. During the past year, annual HIPAA Security and Privacy training was attended by all NDPERS staff. All new staff are also trained on the HIPAA standards as a part of new employee orientation. During the past year, the NDPERS IT staff and Mr. Reinhardt reviewed the NDPERS HIPAA Policies & Procedures for compliance. The NDPERS Loss Control Committee recently reviewed and updated the policies & procedures. The updated NDPERS HIPAA Security Standards were sent to Mike Mullen of the Attorney General's office for review and comment.

During the next year, NDPERS staff plans to repeat the training and review and will compare the NDPERS policies and procedures with other covered entities to see if there is anything that could or should be done better.

DEFERRED COMPENSATION

Provider Education (Informational)

Provider representatives for the companies in the NDPERS 457 plan must attend an initial training within twelve months of becoming a representative in the NDPERS plan and every two years thereafter. Ms. Knudsen conveyed in June there were four provider meetings conducted. A meeting was held in Fargo and Williston and two were held in Bismarck. A total of 133 representatives attended the basic session and there were 7 new representatives that attended the PEP session that was offered. Representatives were briefed on changes in the NDPERS 457 plan and also provided with an overview of the NDPERS website area created for 457 provider representatives. A second set of trainings will be available in the fall. Locations for these trainings are Bismarck, Minot and Grand Forks.

GROUP INSURANCE

RX Information (Informational)

Included with the board materials was BCBS response to questions raised at the last meeting relating to the mail order program. Ms. Kamie Kueneman, Prime Therapeutics, joined the meeting via video conferencing and reviewed each of these questions further with the Board. Discussion followed.

DEFERRED COMPENSATION

Financial Hardships (Board Action Requested)

Appeal 2005-006DC (Board Action Requested)

Ms. Allen indicated the participant was requesting a hardship withdrawal to cover expenses incurred by a family member as a result of judgments, bail fines, and debts arising from NSF checks plus the associated fees. Ms. Allen conveyed the participant had suspended their monthly deduction to their deferred compensation account. The application, income and expense statements of the participant along with copies of the family member's judgments, arrest warrants, and outstanding debt history were included for the Board's information. The Board reviewed the application and discussed the request.

MR. GUNKEL MOVED TO DENY FINANCIAL HARDSHIP 2005-006DC. MR. SAGE SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sand, Sage, Tabor, Smith and Chairman Strinden
Nays: None

PASSED

Appeal 2005-007DC (Board Action Requested)

Ms. Allen indicated the participant was requesting a hardship withdrawal to cover expenses in arrears due to child support obligations. Ms. Allen conveyed the participant had suspended their monthly deduction to their deferred compensation account. The application, income and expense statements of the participant along with supporting documentation were included for the Board's information. Ms. Allen indicated staff did not receive a response to their request for receipts to verify rent and credit card expenses. The Board reviewed the application and discussed the request.

MR. GUNKEL MOVED TO DENY FINANCIAL HARDSHIP 2005-007DC. MR. SAGE SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sand, Sage, Tabor, Smith and Chairman Strinden
Nays: None

PASSED

Provider Administrative Agreement (Board Action Requested)

At the June meeting, the Board was informed that two providers had not returned a signed Provider Administrative Agreement acknowledging the amendments to change the current procedures to authorize new agents to provide plan services and to clarify the administrative requirements for participating deferred compensation plan providers to accept rollovers from other eligible plans. The provider companies are Chase Insurance and ING. Ms. Allen indicated she sent a letter to Chase Insurance on June 23 requesting action by July 8, 2005. A letter was also sent to ING notifying them the Board did not approve their proposed changes to the Agreement and requesting they also respond by July 8, 2005. Ms. Allen conveyed to date neither company had responded.

NDPERS Board Meeting

July 21, 2005

Page 6

According to §71-04-04-09 of the Administrative code, "The board shall suspend a provider that does not meet the requirements under article 71-04 or North Dakota Century Code chapter 54-52.2. The Board may apply either of the following two types of suspension:

1. **Loss of active provider status.** Under this type of suspension, the provider may not enroll any new participants. The provider may continue to receive contributions from existing members.
2. **Loss of provider status.** Under this type of suspension, the provider may not enroll any new participants nor receive any further contributions from existing members.

Before imposing either of the above options, the Board is required at least thirty days prior to suspension to send a certified letter to the provider indicating the Board's intent to suspend and the reasons for the suspension. Any response from the provider must be reviewed by the Board at the Board's next scheduled meeting in August. If the Board decides to suspend a provider, the Board must send a certified letter of suspension to the provider stating the reasons for the suspension and the type of suspension. Staff recommended beginning the process for loss of active provider status for Chase Insurance and ING.

MS. TABOR MOVED APPROVAL OF STAFF'S RECOMMENDATION. MS. SAND SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sand, Sage, Tabor, Smith and Chairman Strinden

Nays: None

PASSED

FLEXCOMP

Dependent Care FSA (Board Action Requested)

At the June meeting, staff recommended and the Board approved amending the FlexComp Plan Document to incorporate the 2½ month rule thereby allowing participants to submit claims incurred between January 1 and March 15 (Grace Period) of the plan year to be applied against any account balances remaining in the previous plan year. In addition, it allowed a "run-out" period of 6 weeks or until April 30 for participants to submit these claims. Ms. Allen indicated this was in response to IRS Notice 2005-42 issued on May 18, 2005. At the time staff introduced this new regulation, they specified that it would apply to both medical spending and dependent care accounts. Ms. Allen conveyed recently new information had been released that outlined some taxation and reporting issues associated with allowing a Grace Period for dependent care accounts. NDPERS staff included this information for the Board's review as well as comments provided in bulletins received from Buck and The Segal Company.

Staff reviewed the potential taxation and reporting ramifications of allowing the Grace Period for dependent care accounts and recommended that this rule not apply to these accounts at this time or until further guidance is provided. However, staff will continue with efforts to implement these provisions for medical spending accounts effective with the 2005 plan year.

MS. SMITH MOVED TO ALLOW THE GRACE PERIOD FOR MEDICAL SPENDING ACCOUNTS ONLY AS RECOMMENDED BY STAFF. MS. TABOR SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sand, Sage, Tabor, Smith and Chairman Strinden

Nays: None

PASSED

MISCELLANEOUS

Board Planning Session (Board Action Requested)

At the June board meeting the Board agreed they would like to have a separate brainstorming meeting sometime in the early fall to review the challenges facing the retirement plans and health plan and determine what legislation to submit by March 2006. Mr. Collins indicated there were several projects in the early part of September that would deter from the possibility of holding the meeting until the last half of September or the first week in October. By general consensus, the Board recommended holding a special brainstorming meeting. Mr. Collins indicated staff will send an email to the Board members with possible meeting dates. Based on the responses received from the Board, staff will follow-up with an email to Board members indicating the date, place and time for the meeting.

Other – Regional NASRA Meeting

Mr. Collins conveyed he has been working on organizing a regional meeting for NASRA for staff and trustees that is coordinated with the International Foundation certificate program and will be related to health and retirement. The program will be held on September 27 and September 28 in Chicago. Mr. Collins inquired if the Board would like to approve for any members to attend the meeting. Discussion followed.

MR. SAGE MOVED APPROVAL FOR ANY BOARD MEMBER WHO MAY BE INTERESTED TO ATTEND THE PROGRAM IN CHICAGO. MR. GUNKEL SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sand, Sage, Tabor, Smith and Chairman Strinden

Nays: None

PASSED

Employee Benefits Committee (Informational)

Included with the board materials was the Legislative Employee Benefits Committee membership listing along with their assigned duties and responsibilities for this biennium.

OTHER

Executive Director's Evaluation/Salary Increase (Board Action Requested)

On behalf of the evaluation sub-committee, Ms. Smith provided an overview on the evaluation results and proposed salary increase for the Executive Director. Ms. Smith indicated Chairman Strinden will be meeting with Mr. Collins to discuss the evaluation results in more detail. The sub-committee proposed an 8% salary increase for the Executive Director (4% of the increase was granted by the legislature). Discussion followed.

MR. SAGE MOVED TO DIRECT THE EXECUTIVE DIRECTOR TO REPORT THE AGENCY SALARY BUDGET INFORMATION BACK TO THE BOARD AT THE AUGUST BOARD MEETING TO DETERMINE IF THERE ARE FUNDS AVAILABLE FOR CONSIDERATION OF THE PROPOSED ADDITIONAL 4% SALARY INCREASE FOR THE EXECUTIVE DIRECTOR. MS. TABOR SECONDED THE MOTION.

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

NDPERS Board Meeting

July 21, 2005

Page 8

Nays: Sand

PASSED

Investment Committee

Mr. Sage conveyed at the last State Investment Board meeting the Teacher's chose to change their asset allocation and direct an additional 5% of their portfolio into fixed income. This is property that is appreciating and has high commercial and high residential value as well as timberland value. NDPERS owns approximately 60% of this land and the rest of the portfolio owns the remaining 40%. Because they are directing an additional 5% into fixed income it is going to result in NDPERS reduced holdings of timberland. Mr. Sage indicated the NDPERS investment sub-committee wants to make sure that fair value is given for the property at the time of this redistribution. Mr. Sage indicated he would like the NDPERS investment sub-committee to meet with Mr. Steve Cochrane, RIO Investment Officer, to discuss this issue. Discussion followed.

MS. SAND MOVED TO DIRECT THE NDPERS INVESTMENT SUB-COMMITTEE TO MEET WITH MR. STEVE COCHRANE, RIO INVESTMENT OFFICER, TO DISCUSS THIS ISSUE. MS. SMITH SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sand, Sage, Tabor, Smith and Chairman Strinden

Nays: None

PASSED

Chairman Strinden called for any other business or comments. Hearing none, the meeting was adjourned at 10:50 a.m.

Prepared by,

Kim Humann
Administrative Assistant