

**Minutes**  
**North Dakota Public Employees Retirement System**  
**Wednesday, July 28, 2004**  
**ND Department of Health, Northbrook Mall, Bismarck**  
**BCBS, 4510 13<sup>th</sup> Ave SW, Fargo**  
**9:00 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:	
Via Video Conference	Mr. Sparb Collins, Executive Director NDPERS Ms. Kim Humann, NDPERS Ms. Kathy Allen, NDPERS Ms. Sharmain Dschaak, NDPERS Mr. Bryan Reinhardt, NDPERS Ms. Deb Knudsen, NDPERS Mr. Scott Miller, Attorney General's Office Mr. Tom Tupa, INDSEA Ms. Tami Wahl, AFPE/INDSEA Mr. Howard Snortland, AFPE Dr. Patricia Hill, ND Pharmacists Association
Via Video Conference	Mr. Larry Brooks, BCBSND
Via Video Conference	Ms. Rhonda Peterson, BCBSND
Via Conference Call	Mr. Bill Robinson, Gallagher Benefit Services

Chairman Strinden called the meeting to order at 9:05 a.m.

Chairman Strinden welcomed new Board member, Mr. Leingang, to the NDPERS Board.

**MINUTES**

Chairman Strinden called for any questions or comments regarding the minutes of the June 25, 2004 meeting.

**MS. TABOR MOVED APPROVAL OF THE JUNE 25, 2004 NDPERS BOARD MINUTES. MR. GUNKEL SECONDED THE MOTION.**

Chairman Strinden called for any questions or comments regarding the minutes of the June 30, 2004 meeting.

**MS. TABOR MOVED APPROVAL OF THE JUNE 30, 2004 NDPERS BOARD MINUTES. MR. GUNKEL SECONDED THE MOTION.**

**DEFERRED COMPENSATION**

**Fidelity Agreement (Board Action Requested)**

Included with the board materials was the Fidelity Agreement. Staff and Mr. Miller, legal counsel, have worked on this agreement and Fidelity has responded satisfactorily to all concerns. Ms. Allen indicated staff had received a change to Section 4(b) on page 6 which pertains to withdrawal requests. The language in the copy with the board materials did not reflect the current procedures staff is working under and what is required for all other providers. The new language in this section now specifically states that no withdrawals will be processed until Fidelity receives written documentation from the sponsor confirming that the participant has severed employment or is otherwise eligible for distribution of benefits from the plan. This language is consistent with how the plan is currently being administered regarding withdrawals. Ms. Allen indicated the last sentence in Section 4(a) had no changes. However, Mr. Miller, legal counsel, advised staff this language is not consistent with the current language the other Provider Agreements have in place. Ms. Allen conveyed she spoke with Fidelity regarding this sentence and their legal staff does not want to change the language. Discussion followed. Ms. Allen pointed out on Schedule A, page 16 the Spartan Extended Market Index fund needs to be added. Ms. Allen indicated Fidelity added the language "as directed and approved" on page 19, #4, second bullet from the bottom.

**MR. GUNKEL MOVED APPROVAL OF THE FIDELITY AGREEMENT WITH THE CHANGES IN SECTION 4(B) PAGE 6, PAGE 16 AND PAGE 19. MR. SAGE SECONDED THE MOTION.**

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

**Nays:** None

**PASSED**

**GROUP INSURANCE**

**Adverse Selection Policy (Board Action Requested)**

At the June meeting, the Board was informed of an issue with Cavalier Public Schools regarding its compliance with the requirements of the Employer Administrative Agreement. The school was not consistent in its policies as they apply to administration of premium contributions. At that time the Board acknowledged that Cavalier School's current policies were in violation of the agreement and that they have six months to bring their policies into compliance or its participation in the health plan will be terminated January 1, 2005. A copy of the notice to the school was included with the board materials.

Also at the June meeting, the Board directed staff to further investigate our current contract requirements to review the continued applicability of the administrative agreement terms. Staff requested assistance from our consultant, Bill Robinson, with Gallagher Benefit Services (GBS). Included with the board materials was their response. It is their

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determination that the implementation of the minimum participation and employer contribution requirements provides protections against adverse selection and, therefore, the current requirement that employer contributions be consistent for all employees should be eliminated and replaced with a requirement that the "contributions be consistent for each employee classification."

In viewing the "no cash in lieu of policy" it is GBS recommendation that we not completely eliminate this requirement. However, they do suggest that this provision be modified by limiting the cash benefit offered in lieu of participation to no more than 33% of the employer contribution as this limit would provide actuarial protection against adverse selection while making the choice much less financially attractive to the employee.

Staff proposed the Board determine whether or not to:

1. Eliminate the "consistent administration for all employees" requirement and replace it with "contributions must be consistent for each employee classification."
2. Retain the "no compensation in lieu of policy" but limit the cash benefit offered in lieu of participation to no more than 33% of the employer contribution.

Discussion followed. By general consensus, the Board directed staff to survey the participating employers in the group health insurance plan regarding the proposed policy changes to determine how many would be impacted by these changes. The Board deferred taking action on this item until the survey results are compiled.

### **Flu Shots (Board Action Requested)**

Ms. Allen indicated at the June board meeting, the Board reviewed a letter from the Family Practice Center regarding the flu shot program they have conducted over the past years. They indicated due to the increase in costs of the vaccine they could no longer provide the flu shots free of charge. However, they did propose offering the flu shots for up to 2,200 PERS members for a flat rate of \$8,800.00. Staff identified the following options for consideration along with the pros and cons of each:

- 1) Discontinue the program.
- 2) Pay the expenses from the Wellness Benefit Program.
- 3) Charge the participants \$4.00.

Staff recommended option 3 for the following reasons:

- 1) Funding it through the wellness benefit program could establish a precedent that would jeopardize the availability of funds for other programs at the employer level.
- 2) This action is not consistent with the terms of the Wellness Benefit Program agreement between BCBS and PERS.
- 3) Staff believes participants will not view this as a negative given the reasonable cost.
- 4) PERS can provide staff to collect fees and issue receipts, and UND is willing to accept payment on this basis.

Ms. Allen conveyed that the Family Practice Center had indicated they want to continue to provide the service from its downtown Bismarck location. Mr. Sage suggested staff

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explore with UND Family Practice expanding the flu shot program to their Minot and Fargo locations for next year.

**MR. GUNKEL MOVED APPROVAL OF STAFF'S RECOMMENDATION. MS. TABOR SECONDED THE MOTION.**

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

**Nays:** None

**PASSED**

**Employer Based Wellness (Informational)**

Mr. Collins indicated staff has continued to move forward with developing the concept for an employer based wellness program. At the last meeting several items were discussed and approved. First, premiums will be increased by 1% and those employers having an employer based wellness program will have the premium reduced accordingly. Second, the program will be decentralized with the agencies developing their own programs that respond to the criteria established by PERS. Third, it was decided that the program should be a low intensity work requirement for the agencies and they should be given a reasonable amount of time to develop and implement it.

Staff has refined the concept further in two areas. Included with the board materials were the proposed implementation time frames and program components. If these are acceptable to the Board, staff will continue to refine each of the areas and start work on developing the wellness program requirements. By general consensus, the Board concurred with the proposed implementation time frames and program components for the employer based wellness program.

**Surplus/Affordability Update (Informational)**

The June 2004 surplus projection and affordability analysis for the NDPERS group medical plan were included with the board materials.

**MISCELLANEOUS**

**Board Committee Assignments (Board Action Requested)**

Mr. Collins indicated with the recently completed election the Board normally reviews and considers the committee assignments. The Board committees are: investments, audit, and benefits. State law provides that the Investment Board representative shall be made up of 3 members. The retiree member shall serve and two of the members who are elected by the active members. This means that Mr. Leingang will be on the State Investment Board and two members need to be selected. Currently Mr. Sage and Mr. Gunkel are the other members on the State Investment Board.

The second committee is the audit committee. In the past the Board chair has been appointed to this committee and one other member who has been the retiree representative. Mr. Leingang agreed to serve on the audit committee.

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The final committee is the benefit committee. Presently that committee is comprised of Ms. Tabor, Ms. Sand and Ms. Smith.

By general consensus the Board agreed that all other committee assignments will remain the same and are as follows:

### **State Investment Board**

Mr. Leingang

Mr. Sage

Mr. Gunkel

### **Audit Committee**

Chairman Strinden

Mr. Leingang

### **Benefits Committee**

Ms. Tabor

Ms. Sand

Ms. Smith

Mr. Sage inquired about compensation for the committee members. Mr. Collins indicated currently the audit committee members are compensated. Mr. Sage conveyed that he felt compensation should be consistent among all committees. Mr. Collins indicated this item was discussed previously. Staff will place this item on the August board meeting agenda and will include information from prior action taken regarding committee compensation.

## **RETIREMENT**

### **Implementation of Administrative Rule 71-02-05-03 (Board Action Requested)**

Administrative Rule 71-02-05-03 became effective May 1 of this year. The benefit of the rule is that it allows disabled members whose accrued retirement based upon the formula is greater than the disability benefit (25% of final average) to elect an unreduced normal retirement benefit if it is higher.

It is clear when implementing this rule that for all members who become disabled after the effective date of May 1, 2004 that they have this option when reaching the normal retirement age (rule of 85 or age 65). However, there are two other groups of members for whom staff is seeking your guidance on how to apply this rule.

First are disabled members who became disabled prior to this rule but who do not meet their normal retirement age (65 or rule of 85) until after May 1, 2004. Staff would recommend that they have the option to make this determination since their eligibility to make this election is after the rule became effective.

The third group of members is those members who became disabled prior to and passed their normal retirement age (rule of 85 or age 65) prior to May 1, 2004. Staff would recommend that this group not be offered this election.

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Ms. Dschaak indicated due to this rule change, staff is actively monitoring and contacting members who are on disability offering them a chance to drop their disability and apply for retirement. Discussion followed. Ms. Dschaak indicated the following that approximately: a) 103 members are over 65 of which 7 have a higher retirement benefit; b) 7 members are past the rule and in all cases their retirement benefit is higher; c) 15 members have not met the rule yet and of those 15 their retirement benefit is higher.

**MS. SAND MOVED TO CONTACT THE MEMBERS WHO BECAME DISABLED PRIOR TO AND PASSED THEIR RETIREMENT AGE PRIOR TO MAY 1, 2004 (14 MEMBERS) AND LET THEM KNOW THIS OPTION IS AVAILABLE. MR. LEINGANG SECONDED THE MOTION.**

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

**Nays:** None

**PASSED**

### **GROUP INSURANCE**

#### **Health Insurance Plan Bid Opening**

The bids for the group health insurance plan were opened. Bids were received from CoreSource and Blue Cross Blue Shield.

#### **Appeal #2004-001 (Board Action Requested)**

Ms. Dschaak indicated a member is appealing the Board's policy on retroactive retirement benefit payments. In January 2001, the Board adopted a policy on back payment of retirement benefits to retirees past Normal retirement age. The member requested an exception to the board's policy due to the fact that the lump sum payment may have considerable tax implications.

The member was eligible to begin full retirement benefits August 1, 1997 when the Rule of 85 was adopted. To date, the member has not elected to begin payment today, but under IRS Code Chapter 104(a)(9), participants who have attained age 70½ are generally subject to "minimum distribution" requirements. Therefore, the member must begin drawing benefits effective September 1, 2004 to avoid potential penalties from the IRS.

Staff recommended if an exception is made to current policy, to accept method #3 outlined in Segal's January 1, 2001 letter, which states. "3. Upon application for benefits PERS would begin making the regular accrued annuity payments increased on an actuarial equivalent basis to take into account the delayed retirement date." Discussion followed.

**MR. GUNKEL MOVED TO ALLOW THE MEMBER THE ELECTION TO BEGIN RECEIVING THEIR REGULAR ACCRUED ANNUITY PAYMENT THAT WILL BE INCREASED ON AN ACTUARIAL EQUIVALENT BASIS TO TAKE INTO ACCOUNT THEIR DELAYED RETIREMENT DATE. MR. LEINGANG SECONDED THE MOTION.**

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

**Nays:** Sage

**PASSED**

Mr. Sage inquired if this action was a policy change. Mr. Collins recommended looking at a broader policy statement relating to this and staff to develop new language as part of an Administrative Rule change.

**Other Business**

➤ Conference

The National Association of Government Deferred Compensation Administrators (NAGDCA) Annual conference will be held September 10-14, 2004 in Salt Lake City, Utah. In the past the Board has approved for a Board Member to attend this conference.

**MR. SAGE MOVED TO APPROVE ONE BOARD MEMBER TO ATTEND THE UPCOMING NAGDCA CONFERENCE. MS. SMITH SECONDED THE MOTION.**

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

**Nays:** None

**PASSED**

Chairman Strinden called for any other business or comments. Hearing none, the meeting was adjourned at 10:55 a.m.

Prepared by,

Kim Humann  
Administrative Assistant