

MINUTES
North Dakota Public Employees Retirement System
July 27, 2000
Lecture Room B
ND Heritage Center
Bismarck, ND
8:30 a.m.

Members Present: Mr. Joseph Maichel, Chairman
Mr. Weldee Baetsch
Mr. Howard Sage
Mr. Murray Sagsveen
Ms. Rosellen Sand

Conference Call: Mr. David Gunkel
Ms. Carol Calhoun, Independent Counsel
Mr. Richard Ranallo, CFA, The Segal Company

Absent: Mr. Ron Leingang

Others Present: Mr. Sparb Collins, Executive Director NDPERS
Ms. Jeanne Welder, NDPERS
Ms. Kathy Allen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Sharon Schiermeister, NDPERS
Mr. Scott Miller, Attorney General's Office
Mr. Steve Cochrane, RIO
Ms. Celeste Kubasta, OMB
Mr. Tom Tupa, AFPE & INDSEA
Mr. Howard Snortland, AFPE
Ms. Chris Runge, NDPEA AFT 4660
Ms. Nancy Kopp, ND Optometric Association
Mr. Galen Jorde, ND Pharmaceutical Association
Mr. Rick Melbye, Prime Therapeutics
Mr. Mike Bergh, BCBSND
Mr. Tom Christensen, BCBSND

Chairman Maichel called the meeting to order at 8:35 a.m. Mr. Gunkel joined the meeting through a conference call. The first item of business was the June board meeting minutes. Chairman Maichel called for any comments or questions regarding the minutes.

MR. SAGSVEEN MOVED APPROVAL OF THE MINUTES AS SUBMITTED. MR. BAETSCH SECONDED THE MOTION.

AYES: Baetsch, Gunkel, Sage, Sagsveen, Chairman Maichel

ABSENT: Sand

NAYS: None

PASSED

RETIREMENT

Investment Goals & Objectives:

Mr. Cochrane, Executive Director of the Investment and Retirement Office, reviewed the proposed *Investment Goals & Objectives for NDPERS*. The goals are similar to those previously adopted by the Board; however, updated to reflect the revised asset allocation the Board adopted at their May meeting.

MR. SAGE MOVED APPROVAL TO ADOPT THE *INVESTMENT GOALS & OBJECTIVES FOR NDPERS*. MR. BAETSCH SECONDED THE MOTION.

AYES: Baetsch, Gunkel, Sage, Sagsveen, Sand, Chairman Maichel

NAYS: None

PASSED

Asset Allocation for Retiree Health:

Mr. Ranallo, Segal Advisors, joined the meeting through a conference call to discuss Segal's recommendation regarding the asset allocation for the Retiree Health Credit Fund. The Board began its review of the asset allocation for this program at their June meeting. At their July meeting, the Board reviewed recommendations from staff and the consultant on whether additional asset classes should be considered, and it was determined not to add any additional asset classes. Today's review was to make a final determination of the asset allocation for this program. If adopted, Segal's recommendation would target a moderately higher equity allocation and provide additional diversification for the portfolio.

MR. WELDEE MOVED APPROVAL TO ADOPT SEGAL'S RECOMMENDATION. MS. SAND SECONDED THE MOTION.

AYES: Baetsch, Gunkel, Sage, Sagsveen, Sand, Chairman Maichel

NAYS: None

PASSED

Fidelity:

Included with the board materials was information from Fidelity regarding a mailing that they proposed to send to members of the Companion Plan. Mr. Collins noted this information packet would be comprised of various materials relating to other products offered by Fidelity; and not relate directly to the 457 plan. Mr. Collins noted that other deferred compensation providers are currently not allowed to send information to members regarding other types of products or activities they offer. Therefore, staff notified Fidelity that, unless determined otherwise by the Board, the proposed mailing should not be issued to PERS members.

Fidelity will attend the August board meeting to give a presentation of the educational materials they will be providing to PERS members participating in the Companion Plan. Fidelity indicated it is also their policy to send this type of information automatically to the member unless the Board indicates they cannot. Mr. Collins explained that this procedure also conflicts with the requirements established for other providers of the deferred comp program. Other providers are required to submit to PERS all materials they intend to send to members for approval prior to sending them out. The materials must also directly relate to the services being provided by that vendor. Mr. Collins suggested the Board might also wish to review this policy with Fidelity at the August meeting. By consensus, the Board concurred with staff's action and recommendation.

FICA Update:

Ms. Calhoun joined the meeting through a conference call at 9:25 a.m. Ms. Calhoun conveyed that it has been determined there is not a revenue rulings project in progress at the national level at this time. She noted that if the audit should go in a negative direction, the Board could then consider requesting assistance at the national level, if desired. She explained that generally a review is not done outside of a regional office unless that office specifically requests that it be done. It appears, in this instance, that the examiner has come to a conclusion and, so far, the national office has not been asked to be involved. If the Board decided to seek input at the national level in the future, there are two options for seeking that input:

1. A technical advice request in the existing audit, to the extent that the school district is willing to cooperate. This would be a request from the examiner and the tax payer for the national office to intervene in a matter where it is felt the law is being incorrectly applied, and
2. To request a separate ruling from the national office.

The Board directed that staff prepare information for the August meeting regarding options available to the Board should the Fargo School District elect to settle the dispute. This item was informational only and required no action by the Board.

Consultant Proposals:

Included with the board materials were the proposals from Milliman & Robertson, The Segal Company, and Watson Wyatt to conduct an actuarial study of the potential impact of the proposed optional DC plan provisions on NDPERS. Mr. Collins provided an overview of staff's findings and conclusions relating to those proposals. It was staff's recommendation that the Board retain Watson Wyatt to conduct the actuarial valuation, and continue to use The Segal Company for the technical analysis of the bill.

MS. SAND MOVED APPROVAL TO RETAIN WATSON WYATT TO CONDUCT THE ACTUARIAL VALUATION AND THE SEGAL COMPANY FOR TECHNICAL ANALYSIS OF THE BILLS. MR. SAGE SECONDED THE MOTION.

AYES: Baetsch, Gunkel, Sage, Sagsveen, Sand, Chairman Maichel

NAYS: None

PASSED

DEFERRED COMP

Great West Update:

All assets of the deferred comp program under Great West Life were transferred as of June 26. Of those who were transferred automatically into the Companion Plan, no feedback has been received to date. This item was informational only and required no action by the Board.

GROUP INSURANCE

Life Renewal/Portability:

At the May meeting, the Board reviewed an option to offer a supplemental term life insurance plan with portability. This option would allow employees to keep their group coverage if they should change jobs or retire before age 70. Ms. Allen reported that the cost impact of adding portability would result in the following premium increases:

- 9% increase for all age groups through age 49.
- 11% increase for ages 50-54.
- 12% increase for ages 55-59
- 25% increase for ages 59-69

Based on the cost impact to the current premiums, staff recommended this option not be considered for the 2001-03 life insurance renewal. It was asked whether this option could be offered as an option at the employee's expense. Ms. Allen indicated ReliaStar had not been asked this question.

MR. SAGSVEEN MOVED APPROVAL TO ADOPT THE STAFF RECOMMENDATION, HOWEVER, THAT STAFF INQUIRE REGARDING THE IMPLICATIONS OF MAKING THIS AN OPTIONAL ITEM AT THE EMPLOYEE'S EXPENSE. MS. SAND SECONDED THE MOTION.

AYES: Baetsch, Gunkel, Sage, Sagsveen, Sand, Chairman Maichel

NAYS: None

PASSED

Long Term Care:

PERS has provided a Long Term Care (LTC) product through UNUM for the last several years. The renewal process for this contract automatically takes place unless the Board determines otherwise. PERS is in the process of reviewing the voluntary group insurance products and requested direction on whether the Board wished to continue offering this product, go out for bid or renew the existing contract. It was staff's recommendation that the Board continue to contract with UNUM, however, that staff also be directed to develop a plan of study to review the continuation of LTC offerings through PERS.

MR. SAGSVEEN MOVED APPROVAL TO ADOPT THE STAFF RECOMMENDATION. MS. SAND SECONDED THE MOTION.

AYES: Baetsch, Gunkel, Sage, Sagsveen, Sand, Chairman Maichel

NAYS: None

PASSED

Chairman Maichel recessed for a 10-minute break.

Dental Open Enrollment:

Historically open enrollment for the dental plan has been conducted in October of each year, through mailing a notification of the upcoming enrollment to the home addresses of all active state employees and retired groups. Staff recommended that, rather than notifying members of the upcoming open enrollment through a mailing process this year, notification be communicated through the PERS website, newsletters, and human resource and payroll contacts. Ms. Allen noted this process has been used successfully with other open enrollments.

MR. SAGSVEEN MOVED APPROVAL OF THE STAFF RECOMMENDATION. MR. SAGE SECONDED THE MOTION.

AYES: Baetsch, Gunkel, Sage, Sagsveen, Sand, Chairman Maichel

NAYS: None

PASSED

Dental Plan Renewal:

Included with the board materials was ReliaStar's renewal rate notification for the dental plan. To renew with the existing level of benefits would require a premium increase of approximately 18.7% over current rates. Staff then requested that ReliaStar also price various plan design options in an effort to mitigate the 18.7% increase. ReliaStar was asked to price plan designs that would include a \$750 annual maximum, no orthodontia provisions, and coinsurance at 75% and at 70%. This information was also included with the board materials. Mr. Collins noted the plan is still stabilizing and that, if the plan is to continue, one of the issues the Board must consider is what features need to be maintained in order to retain membership within the plan. Several board members noted that it is becoming increasingly difficult to continue to call this an

affordable plan. Ms. Allen conveyed that, in reviewing other voluntary dental plans, she did not find a significant differential in other plan rates from those of the PERS dental plan. Discussion followed on the future of the dental plan and the impact to members if the plan were discontinued at this time.

MR. SAGE MOVED APPROVAL TO RENEW THE DENTAL PLAN AT THE CURRENT LEVEL OF BENEFITS OFFERED. MR. BAETSCH SECONDED THE MOTION.

AYES: Baetsch, Gunkel, Sage, Sagsveen, Sand, Chairman Maichel

NAYS: None

PASSED

Wellness Benefit:

At the May meeting, the Board directed that staff review the Wellness Benefit program and make a recommendation as to whether this program should be continue to be offered. Included with the board materials were the findings and conclusions of that review. It was staff's recommendation that the program be continued. Mr. Baetsch inquired whether agencies were asked to report on the benefits, if any, that resulted from their receiving funds through this program. Ms. Allen noted there has been no previous requirement that entities receiving these funds provide feedback on the results, and conveyed her uncertainty of whether this type of quantitative information could be extracted.

MR. SAGSVEEN MOVED APPROVAL TO CONTINUE THE WELLNESS BENEFIT PROGRAM. MS. SAND SECONDED THE MOTION.

AYES: Baetsch, Gunkel, Sage, Sagsveen, Sand, Chairman Maichel

NAYS: None

PASSED

Staff was requested to provide more publicity regarding the availability of this program and to seek feedback from receiving entities as to what their experience has been with these programs.

Wellness Benefit Application:

NDPERS submitted a request for a wellness benefit of \$2,500 to provide preventive screening benefits to state employees during the annual State Employee Recognition Week. PERS has sponsored this wellness fair for the past five years, and participant survey results have been very favorable and suggested that the fair be continued on an annual basis.

MR. GUNKEL MOVED APPROVAL OF THE PERS WELLNESS BENEFIT APPLICATION. MS. SAND SECONDED THE MOTION.

AYES: Baetsch, Gunkel, Sage, Sagsveen, Sand, Chairman Maichel

NAYS: None

PASSED

Prescription Drug Program:

Mr. Bergh, Mr. Christensen and Mr. Melbye appeared before the Board to provide an update on the Clinical Pharmacy Program, and a comparison of the BCBSND plan design for prescription drug reimbursement as compared to the PERS plan design. Mr. Melbye provided an overview of the Clinical Pharmacy Program activities during the past year, the goals of the program, as well

as the estimated cost savings to NDPERS as a result of implementing this program. He noted that approximately 42 clinics were visited at least once during this time period. Future plans anticipate one additional staff member may be added to assist in the goal of visiting all clinics within North Dakota and to expand current services being offered.

Mr. Christensen reviewed prescription drug costs and utilization within the NDPERS plan for the past five quarters. Eighty-seven percent of the drugs currently prescribed for the NDPERS group fall under the Formulary drug group, which results in savings to the plan. It was noted that from a benefit design standpoint, NDPERS does differ somewhat from other BCBS plan designs. Most of those differences tend to revolve around the use of the Formulary. He noted that, with the number of new drugs being produced, there is a tendency to move toward more restrictive drug formularies.

This item was informational only and required no action by the Board.

Late premium Payments:

Staff recently became aware of a discrepancy between federal COBRA law and the Administrative Code regarding grace periods for late health insurance premium payments. Under the North Dakota Administrative Code, a member has until the 16th of the month to submit the premium before coverage will be cancelled retroactively to the last date of the period for which payment was received. However, IRS regulations passed in 1999 interpret a payment as timely if it is made within thirty days after the first day of the coverage period. Subsequently, it is necessary to amend the Administrative Code to reflect the federal requirements. Staff recommended §71-03-05-04 of the North Dakota Administrative Code be amended to comply with federal requirements regarding timely payment of premiums for terminated employees with continued coverage. Staff further recommended that a statement be included into the section that upon a showing of good cause the Executive Director may waive the grace period.

MR. SAGSVEEN MOVED APPROVAL OF THE STAFF RECOMMENDATION. MR. SAGE SECONDED THE MOTION.

AYES: Baetsch, Gunkel, Sage, Sagsveen, Chairman Maichel

NAYS: None

ABSENT: Sand

PASSED

Plan Performance Update:

Included with the board materials was the June surplus projection and affordability analysis for the group medical plan. This item was informational only and required no action by the Board.

Quarterly Graphs:

Included with the board materials were the quarterly graphs through March 2000. This item was informational only and required no action by the Board.

FLEXCOMP

Premium Conversion Eligibility:

Ms. Allen conveyed that since inception of the FlexComp program, premiums for several voluntary supplemental insurance products have been allowed to be pretaxed under this program. Independent agents sell the products that are being pretaxed under the flex program. IRC Section 125 defines the eligibility for pretax treatment as premiums paid for *employer-sponsored*

plans. Staff requested that Segal research the issue of what constitutes an *employer-sponsored* plan and advise PERS regarding the eligibility of the premiums for the voluntary insurance products. Staff will research this topic in greater detail over the upcoming months and report their findings back to the Board at a future board meeting.

MISCELLANEOUS

Website Information:

PERS is in the process of expanding the information currently found on the PERS website and inquired direction from the Board on whether the approved minutes and upcoming agendas should be placed on the site as well. Mr. Sagsveen noted that in the past two years the Department of Health has substantially increased the amount of information available through their website. This has resulted in more information being available to the public and a decrease in the number of calls to the department requesting information be sent out.

MR. SAGSVEEN MOVED APPROVAL TO BEGIN PLACING AGENDAS AND APPROVED MINUTES ON THE WEBSITE, AND TO EXPLORE OTHER AGENDA ITEMS THAT CAN BE ECONOMICALLY AND REASONABLY PUT OUT ON THE SITE. MR. SAGE SECONDED THE MOTION.

AYES: Baetsch, Gunkel, Sage, Sagsveen, Chairman Maichel

NAYS: None

ABSENT: Sand

PASSED

Federal Update:

Included with the board materials was the NASRA newsletter that reviews current activities at the federal level, which may have an impact on retirement systems. This item was informational only and required no action by the Board.

Audit Committee Minutes:

Included with the board materials were the minutes of the April 18 Audit Committee meeting. This item was informational only and required no action by the Board.

Optional Budget Request:

Included with the board materials was the proposed optional budget request items developed and prioritized by staff. Ms. Kubasta, budget analyst from the Office of Management & Budget, explained the budget guidelines provide agencies with the opportunity to submit optional funding requests in addition to the base budget request. Ms. Schiermeister provided an overview of the request and how staff determined their respective priority level. Discussion followed.

MR. SAGSVEEN MOVED APPROVAL OF THE STAFF RECOMMENDATION FOR THE OPTIONAL BUDGET REQUEST. MR. BAETSCH SECONDED THE MOTION.

AYES: Baetsch, Gunkel, Sage, Sagsveen, Chairman Maichel

NAYS: None

ABSENT: Sand

PASSED

Next Meeting:

The next meeting of the PERS Board will be on August 31.

Chairman Maichel called for any other business or comments to come before the Board. Hearing none, the meeting was adjourned at 12:15 p.m.

Respectfully submitted,

Jeanne Welder
Secretary, NDPERS Board