

**Minutes**  
**North Dakota Public Employees Retirement System**  
**Wednesday, July 18, 2001**  
**Fort Union Room**  
**State Capitol**  
**Bismarck, ND**  
**8:00 A.M.**

Members Present: Mr. Joseph Maichel, Chairman  
Mr. Weldee Baetsch  
Mr. Bob Barnett  
Mr. David Gunkel via conference call  
Mr. Ron Leingang  
Mr. Howard Sage  
Ms. Sandi Tabor

Others Present: Mr. Sparb Collins, Executive Director NDPERS  
Ms. Kim Humann, NDPERS  
Ms. Kathy Allen, NDPERS  
Ms. Deb Knudsen, NDPERS  
Ms. Sharon Schiermeister, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Mr. Scott Miller, Attorney General's Office  
Ms. Gisele Barth, NDPEA  
Mr. Howard Snortland, AFPE  
Ms. Rhonda Peterson, BCBSND  
Ms. Kristi Nelson-Weber, BCBSND

Chairman Maichel called the meeting to order at 8:00 a.m.

**MINUTES**

Chairman Maichel called for any questions or comments regarding the minutes of the June 19, 2001 meeting.

**MS. TABOR MOVED APPROVAL OF THE MINUTES AS SUBMITTED. MR. SAGE SECONDED THE MOTION.**

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

**Nays:** None

**PASSED**

**RETIREMENT**

**Judges Retirement Plan (Board Action Requested)**

A question has arisen concerning the implementation of SB2083. Section 3 of the bill provided that for a judicial member, if no optional form of benefit is selected, the retirement

benefit will be paid in the normal form of an automatic unreduced 50% joint and survivor annuity for married participants and single life annuity for single participants. This means that for married participants there will not be a reduction in benefits to have a 50% joint and survivor annuity. The question that has arisen as a result of SB2083 is that since the Judges normal retirement is now inclusive of a 50% joint and survivor benefit should the level social security benefit be changed to allow it to provide for a continuing benefit for the spouse. Staff has reviewed this issue with Mr. Miller, legal counsel, and he concluded that since the legislation did not specifically address this issue it is within the Board's authority to make this determination. Staff has sought comments from the Judges on this issue. They felt the intention of the legislative change included changing the level social security option. Staff recommended the level social security option for the Judges include a joint and survivor benefit.

**MS. TABOR MOVED TO ADOPT THE STAFF RECOMMENDATION. MR. LEINGANG SECONDED THE MOTION.**

**Ayes:** Baetsch, Barnett, Gunkel, Leingang, Sage, Tabor, Chairman Maichel  
**Nays:** None

**PASSED**

**Health Credit (Board Action Requested)**

In the course of revising the retirement handbooks, an issue has arisen regarding the retiree health insurance credit and the reductions that are applied in utilizing those factors. Staff realized that the current rationale would not work for the Highway Patrol, as that system does not have a 50% joint and survivor option. However, since the 50% joint and survivor health credit option is technically available to members of the Patrol, staff pursued this issue with Segal. They provided an updated table, which includes the 50% joint and survivor information requested. However, in reviewing the update, staff noted the 100% joint and survivor factor does not exactly match what was being used previously. In consulting with Segal Company, staff was informed that the tables for the Patrol have been created recognizing that there is no 50% joint and survivor option in the program. Therefore, it is not possible to use the old tables for any Patrol member who might choose this option. There are also two developments that may impact the Board's decision. The first development is the pending decision of the Board of whether to change to the age-based tables for retirement rather than the existing age difference tables. The second development is that the Judges system has now moved to a benefit structure that resembles the Highway Patrol. (The 50% joint and survivor has been eliminated as an option and is now part of the "Normal" retirement option.) Although the Judges are moving to the new benefit structure, the factors are already in place for the retiree health credit plan and could be grandfathered in if the retirement tables are revised. Staff recommended approving the proposed tables for the Highway Patrol and grandfathering the retiring Judge's into the existing health credit tables. Discussion followed.

**MR. LEINGANG MOVED APPROVAL OF STAFF'S RECOMMENDATION. MR. BAETSCH SECONDED THE MOTION.**

**Ayes:** Baetsch, Barnett, Gunkel, Leingang, Sage, Tabor, Chairman Maichel  
**Nays:** None

**PASSED**

**House Bill 1119 and House Bill 1120 (Informational)**

House Bill 1119 and 1120 were passed this last legislative session and were signed by the Governor. HB 1120 established a pilot program for state agencies to provide bonuses to recruit and retain employees in hard to fill occupations. In order to take advantage of the provisions in this bill each agency is required to meet certain criteria, which includes, identifying those positions that are eligible for such bonuses, developing a written policy and filing a report with Central Personnel Division relating to each bonus provided under the program. This bill also contains a sunset clause in which the provisions of the bill expire on June 30, 2003. HB 1119 allows state agencies to provide monetary performance bonuses to their classified state employees. This bill also establishes certain criteria that the agency must have in place before providing such bonuses. In addition, the bill states that for an employee to be eligible they must have been in the classified position for one year, have satisfactory performance and be a full-time employee. Since the enactment of this bill, the question has arisen as to whether these bonuses are part of wages and salaries as defined for retirement purposes. Staff referred this question to Mr. Miller, legal counsel, for an opinion. Mr. Miller concluded that bonuses paid pursuant to HB 1119 are subject to retirement whereas bonuses paid pursuant to HB 1120 are not. Based upon this conclusion, staff will be collecting retirement contributions on those bonuses that are eligible. Staff has advised the Office of Management and Budget of this opinion and the eligibility of the various bonuses for retirement. Staff will also be advising the payroll contacts in the upcoming "*PERSONNEL NEWS*" letter.

**DEFERRED COMPENSATION/DEFINED CONTRIBUTION**

**Deferred Compensation Plan (Board Action Requested)**

Mr. Collins indicated staff would be meeting next week with Mr. Rod Crane, Segal Company, to develop an action plan to begin implementation of the changes to the 457 plan as a result of the recent legislation passed. Staff discovered the current Administrative Rules reflect some federal provisions that will no longer be effective after January 1, 2002. After consulting with Mr. Miller, legal counsel, he indicated the Administrative Rules that continue to reflect the old provisions would have the force and affect of law for the PERS plan. Mr. Collins noted that staff would not be able to begin promulgation of new Administrative Rules for the Deferred Compensation plan until after they review in detail the new federal changes implications and receive additional guidance from the IRS. Consequently, new Administrative Rules may not go into place until next summer or fall. Mr. Collins pointed out this may be frustrating for members who are anticipating making changes when the new federal provisions become effective on January 1, 2002. Staff recommended the Board approve deleting the existing Administrative Rules that could limit the ability to implement this federal provision by January 1, 2002. By deleting these Administrative Rules the Board could establish administrative policies by early next year to implement the new federal provisions in a timely way for the existing plan participants. Discussion followed.

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

**NDPERS Board Meeting**

**July 18, 2001**

**Page 4**

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

**Nays:** None

**PASSED**

**SAFECO (Board Action Requested)**

At the June board meeting, SAFECO was the only provider that had not responded to staff's request regarding provider training requirement compliance. SAFECO has since responded and that was included with the board materials. They indicated that agents who had not completed the required training will be prohibited from writing or servicing any business related to the NDPERS deferred compensation plan. Based on their actions to address this issue now and in the future, staff recommended no further action be taken to consider suspension.

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

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

**Nays:** None

**PASSED**

**Companion Plan Mutual Fund Options (Board Action Requested)**

Mr. Collins indicated the Investment Sub-Committee of the PERS Board has been meeting on additional fund options for the Companion Plan. The recommended fund additions are:

- Vanguard Value Index
- Davis NY Venture A
- Mutual Shares A
- PIMCO Small Cap Value Admin
- Turner Small Cap Value
- Vanguard Mid Cap Index
- Warburg Pincus Cap Apr Comm
- INVESCO Dynamics Inv
- Franklin Small Cap Growth
- Vanguard High-Yield Corporate
- Vanguard GNMA
- Vanguard Short-Term Treasury
- Vanguard Int-Tm Crp Bd
- Janus Balanced (Growth Bias)

The proposed additional funds are in asset classes that are not available. The addition of these funds will allow members an opportunity for diversification across equity styles, bond funds and will add a growth bias fund in the balanced fund area. Mr. Collins conveyed these funds would be introduced concurrently with the new funds that were recently approved for the Defined Contribution plan in a common newsletter this fall. Mr. Sage also

**NDPERS Board Meeting**

**July 18, 2001**

**Page 5**

suggested adding the Strong Opportunity Investment Fund under the mid-cap value area. He noted that his fund was approved for the Defined Contribution plan.

Mr. Collins pointed out the Investment Sub-Committee has been monitoring the Alger Small Cap fund in the Defined Contribution Plan. The Committee has noted that in the last several quarterly reports, this fund has not met its benchmark. As a result, the Committee recommended this fund be placed under formal review and be closed to new enrollees in the future. The Committee will be conducting the fund review and report its findings back to the Board.

**MR. SAGE MOVED APPROVAL OF THE SUGGESTED MUTUAL FUNDS FOR INCLUSION INTO THE COMPANION PLAN WITH THE ADDITION OF STRONG OPPORTUNITY INVESTMENT UNDER THE MID-CAP VALUE. MR. BAETSCH SECONDED THE MOTION.**

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

**Nays:** None

**PASSED**

**MR. SAGE MOVED TO PLACE THE ALGER SMALL CAP FUND UNDER FORMAL REVIEW AND CLOSE THE FUND TO NEW ENROLLEES. MR. BAETSCH SECONDED THE MOTION.**

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

**Nays:** None

**PASSED**

**GROUP INSURANCE**

**Patient Bill of Rights (Informational)**

Dan Ulmer, BCBS, provided an update on the Patient Bill of Rights legislation that is currently under consideration at the national level.

Chairman Maichel recessed for a break.

**BCBS Renewal (Board Action Requested)**

At the last board meeting discussion was held regarding a conceptual approach for establishing the three million-dollar reserve account with BCBS for the 2001-2003 biennium. This means we need to have about .84¢ per contract. Staff requested further direction from the Board to determine an approach for meeting the funding requirements of the reserve account. Three conceptual approaches were defined. Staff has estimated the amount of funds that are available in each to meet the requirement of .84¢ per contract is as follows:

**NDPERS Board Meeting**

**July 18, 2001**

**Page 6**

1. Not implement the smoking cessation and weight management program - .50¢ per contract.
2. Make certain expenses adjustment in the health insurance expenses - .34¢ per contract.
3. Make the administrative assessment to the life insurance plan - .50¢ per contract.

Discussion followed.

**MR. SAGE MOVED TO IMPLEMENT THE SMOKING CESSATION PROGRAM AND REALLOCATE THE .25¢ PER CONTRACT FROM THE WEIGHT MANAGEMENT PROGRAM INTO THE RESERVE FUND, CHARGE THE ADMINISTRATIVE ASSESMENT TO THE LIFE INSURANCE PLAN OF .50¢ PER CONTRACT AND MAKE AN ADJUSTMENT TO THE HEALTH INSURANCE EXPENSES TO COVER THE DIFFERENCE REMAINING. MS. TABOR SECONDED THE MOTION.**

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

**Nays:** None

**PASSED**

**Dental Renewal (Board Action Requested)**

Included with the board materials was ING's dental plan renewal rate notification and summary of the experience underwriting formula used to calculate the renewal rates for the January 1, 2002 plan year. A 5.3% rate adjustment was proposed for next year. Staff recommended renewing the contract with ING for the 2002 plan year.

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

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

**Nays:** None

**PASSED**

**Eligibility (Board Action Requested)**

Mr. Collins indicated staff is beginning to develop rules for implementation of the legislation passed this last session. As part of that discussion staff has been examining the implications of the Defined Contribution Plan and how it integrates with the group health insurance program. The issue of continued eligibility for the group health insurance coverage by members of Defined Contribution type plans (PERS & TIAA-CREF) is the question. Mr. Collins reviewed the conceptual approach for eligibility for the group health insurance plan. Staff sought the Board's guidance as to whether the present approach continues to be acceptable in light of additional participation in the Defined Contribution type plans or if staff should develop additional alternatives for the Boards consideration. Discussion followed. By general consensus, the Board requested staff to explore other options and report their findings back to the Board.

**NDPERS Board Meeting**

**July 18, 2001**

**Page 7**

**Voluntary Insurance Product RFP (Board Action Requested)**

At the May 24 board meeting it was decided to go out to bid by issuing a RFP for all voluntary insurance products (Dental, Long-Term Care and Vision) next year. Staff requested guidance on how to proceed with retaining a consultant to assist staff in developing the RFP, issuing the RFP and analyzing the responses. Staff provided the Board with alternative approaches that could be used in obtaining the services of a consultant.

**MR. GUNKEL MOVED TO ASK DELOITTE & TOUCHE AND THE SEGAL COMPANY TO SUBMIT A PROPOSAL. MR. BAETSCH SECONDED THE MOTION.**

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

**Nays:** None

**PASSED**

**Dental Plan Administration (Board Action Requested)**

Mr. Collins indicated that during the past year the Board has reviewed administrative concerns relating to the Dental plan. Staff has been working with ING to resolve the issues and has come up with an alternative self-administered approach. Staff is prepared to move forward with implementing this approach effective September 1, 2001. Included with the board materials was an amendment to accomplish this change. Staff recommended authorizing the Chairman to sign the amendments to the contract to move forward with implementation and resolution of the outstanding issues.

**MS. TABOR MOVED TO ADOPT STAFF'S RECOMMENDATION. MR. LEINGANG SECONDED THE MOTION.**

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

**Nays:** None

**PASSED**

**Life Enrollment (Board Action Requested)**

Staff has been working on the concept of coordinating the various enrollments to one time of the year. The life insurance enrollment occurs in the spring and fall. The spring enrollment is not consistent with having all other enrollments in the fall. Staff requested Board approval to not have a spring life enrollment in 2002 and have a single life insurance enrollment in the fall. If approved, staff would advise members this fall in the *PER*Spective newsletter of the change so they could take advantage of the fall enrollment if they wanted to increase their life coverage.

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

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

**Nays:** None

**NDPERS Board Meeting**

**July 18, 2001**

**Page 8**

**PASSED**

**Medicare Retiree Payments (Informational)**

At the last board meeting discussion was held regarding Mr. Reinhardt's review finding relating to PPO discounts on Medicare participants. The Board requested staff to review the affect on the plan. Included with the board materials was Mr. Reinhardt's findings and history of this particular issue.

**Plan Performance Update (Informational)**

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

**EPO Open Enrollment Attendance (Informational)**

Included with the board materials was a breakdown of the attendance at the EPO open enrollment meetings conducted between May 14 and 29, 2001. Ms. Allen indicated although fewer meetings were scheduled this year, attendance increased overall by approximately 50% over last year. This increase was primarily in the Bismarck area and was attributed to PrimeCare withdrawing.

**MISCELLANEOUS**

**NDPERS Wellness Benefit Application (Board Action Requested)**

Ms. Allen indicated staff completed a wellness benefit application to fund preventive screening benefits during Employee Recognition Week. Arrangements have been made for MedCenter One Health Systems to conduct hearing tests and for PrimeCare to conduct cholesterol, glucose, blood pressure screenings, bone desitometry, diabetes screening, basic fitness assessment, and coronary risk profiles services. Each participant will be assessed \$1.00 for each service used. Staff requested approval of the wellness benefit of \$2,500.00 to cover the remaining expense of these services. This request for over \$500.00 requires board approval for the additional expense.

**MR. SAGE MOVED APPROVAL OF THE WELLNESS BENEFIT APPLICATION. MR. BAETSCH SECONDED THE MOTION.**

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

**Nays:** None

**PASSED**

**Risk Management (Informational)**

Included with the board materials was information on the PERS risk management premium. In the last year staff developed procedures for this program and for Workers Compensation, which now qualifies the office for a discounted premium.

**GROUP INSURANCE**

**NDPERS Board Meeting**

**July 18, 2001**

**Page 9**

**Member Ed Presentation (Informational)**

BCBS is now offering a member education presentation to all their respective groups. Ms. Kristi Nelson-Weber, BCBS, conducted the member education presentation to the Board. Ms. Nelson-Weber distributed a copy of the "*Taking Care of Yourself*" book to all Board members. This book will be distributed to all individuals attending this presentation. Mr. Sage inquired how new groups would be targeted to conduct the presentation. Mr. Collins conveyed this presentation was given at the payroll conference in May. He indicated information regarding the program will be included in the "*PERSONNEL NEWS*" letter and staff will be working with BCBS to promote the program. This presentation was also conducted at all EPO open enrollment meetings held this spring.

**Upcoming Board Meeting Dates**

The August Board meeting was scheduled for August 30 and the September Board meeting was scheduled for September 20.

Chairman Maichel called for any other business or comments. Hearing none, the meeting was adjourned at 10:25 a.m.

Prepared by,  
Kim Humann  
Administrative Assistant