

MINUTES

North Dakota Public Employees Retirement System
Thursday, March 25, 2004
North Dakota Association of Counties, Bismarck
BCBS, 4510 13th Ave SW, Fargo

Members Present:

Mr. David Gunkel
Mr. Howard Sage
Mr. Weldee Baetsch
Ms. Arvy Smith
Ms. Sandi Tabor
Ms. Rosey Sand

Via Video Conference:
Fargo

Chairman Jon Strinden

Others Present:

Mr. Scott Miller, Attorney General's Office
Mr. Sparb Collins, Executive Director NDPERS
Ms. Denise Curfman, NDPERS
Ms. Kathy Allen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Sharmain Dschaak, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. Rhonda Peterson, BCBS
Mr. Larry Brooks, BCBS
Mr. Tom Tupa, SEA/AFPE
Mr. Howard Snortland, AFPE
Mr. David Peske, ND Medical Association
Ms. Nancy Kopp, NDOA
Mr. Ray Gudajtes, ND Job Service

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

Minutes

Chairman Strinden called for any questions or comments regarding the February 12, 2004 NDPERS Board minutes.

Mr. Sage moved approval of the February 12, 2004 minutes with a correction showing Ms. Tabor present not absent. Ms. Tabor seconds.

Chairman Strinden called for any questions or comments regarding the February 19, 2004 NDPERS Board minutes.

Mr. Gunkel moved approval of the February 19, 2004 minutes. Mr. Sage seconds.

OASIS (Board Action Requested)

Mr. Collins indicated that at the last legislative session PERS was assigned the responsibility for the OASIS retirement plan. Presently there are three surviving members of this system. The plan has been paid for on a pay as you go basis. Staff has completed a projection of the fund for the 2005-2007 biennium and has determined that the fund is not sufficient to support the present level of benefits plus administrative expenses assuming all three members are a part of the system for the entire period. Staff estimated it will need approximately \$21,000 to support the present plan.

Mr. Collins also indicated that Job Service requested each biennium an increase in the benefit. If PERS should request an increase in payments for this system as Job Service has done in the past, it would increase the request to \$23,000

Ms. Sand moved approval of submitting a bill for a general fund appropriation to support the OASIS plan and administrative expenses for the 2005-2007 biennium and to seek an increase in benefits of \$26.66. Ms. Tabor seconds.

Ayes: Baetsch, Gunkel, Sand, Sage, Smith, Tabor, and Chairman Strinden.

Nays:

Absent:

PASSED

Retiree Health Credit Legislation (Board Action Requested)

Mr. Collins indicated that previously the board approved the proposal of the retiree benefits committee to submit a bill to increase the retiree health credit from \$4.50 to \$5 and to request an increase in contributions to support this benefit enhancement and to pay down the unfunded liability quicker in order to support future enhancements. The board suggested that staff gather additional projections for the performance of the retiree health fund in order to determine the level of increase to request. Mr. Collins indicated that in the board materials were from tables from Segal for the planning period of 2003 to 2030.

Mr. Collins indicated that by increasing the contribution to 1.45% it will allow us to increase the credit by about 50 cents every two years if the rate of return is slightly over 10.1% whereas increasing the contribution to 1.35% will allow PERS to increase the credit by 50 cents approximately every 4 years. The cost for the employers would be an increase in contributions of \$4.5 million with \$1.2 coming from the general fund.

Mr. Gunkel moved approval of submitting proposed legislation increasing the credit to \$5 and the contribution to 1.45% for the retiree health credit program. Mr. Sage seconds.

Ayes: Baetsch, Gunkel, Sand, Sage, Smith, Tabor, and Chairman Strinden.

Nays:
Absent:
PASSED

Law Enforcement – (Board Action Requested)

Mr. Collins indicated that at that last meeting the board reviewed a memo from staff concerning the administrative difficulties of dual membership and staffs recommendation to change the definition of an eligible law enforcement officer to someone who works 32 hours or more per week. After discussion the board requested that staff contact some of our participating entities to solicit their thoughts.

Pursuant to the above direction staff contacted all political subdivision employer groups who have either become participating employers in the law enforcement retirement program or who have inquired about the program. Staff also talked with the Bureau of Criminal Investigation. The findings were included in the board materials.

Mr. Collins indicated that staff is recommending making the change but only apply to new members and submit it for review and hearing by the legislative employee benefits committee.

Ms. Tabor moved approval of staff recommendation to make the change but only apply to new members and submit it for review and hearing by the legislative employee benefits committee. Ms. Sand seconds.

Ayes: Baetsch, Gunkel, Sand, Sage, Smith, Tabor, and Chairman Strinden.
Nays:
Absent:
PASSED

Proposed Legislation (Board Action Requested)

Mr. Collins indicated that in the board materials were copies of the proposed bill drafts and summary of the proposals which included there proposal previously approved by the board. Mr. Scott Miller, Legal Council, provided the board with an explanation of the default provision relating to USERRA. Mr. Collins also noted the addition of language requiring background checks for PERS employees.

Ms. Sand moved approval of the bills for submission. Ms. Tabor seconds.

Ayes: Baetsch, Gunkel, Sand, Sage, Smith, Tabor, and Chairman Strinden.
Nays:
Absent:
PASSED

Health RFP- Actuarial & Consultant Services (Board Action Requested)

Mr. Collins indicated that the RFP for actuarial and consultant services for the health plan had been issued. These services are presently provided by Deloitte. PERS practice has been to go to bid every four to six years. In the RFP it was indicated that it was the boards intention to contract whoever is selected as a result of this process for the next six years or until 2010. Staff received proposals from the following firms:

1. Deloitte
2. GRS
3. Mellon
4. Gallagher
5. Segal

Mr. Collins indicated that staff reviewed the proposals independently and rated them for all factors except price. Mr. Reinhart totaled them and determined the average. The points given to each firm was included in the board materials.

Mr. Collins indicated that based on the points staff recommended the board interview Deloitte, Gallagher and Segal at the April meeting.

Mr. Gunkel moved approval to interview Deloitte, Gallagher, and Segal at the April meeting. Ms. Sand seconds.

Ayes: Baetsch, Gunkel, Sand, Sage, Smith, Tabor, and Chairman Strinden.

Nays:

Absent:

PASSED

Pre-Tax Purchase Payroll Deduction and the Retiree Health Insurance Credit (Board Action Requested)

Ms. Rebecca Fricke indicated that at the February Board meeting, the board approved policies relating to the implementation of the Pre-tax payroll deduction option for service credit purchases based on the recent IRS Letter Ruling. Since that meeting, an additional item has been identified that needs to be addressed as policy by the Board.

During a further review of the IRS Letter Ruling, it appears that the pre-tax payroll deduction paid by an employee can not be applied to the retiree health credit portion of the purchase cost. Ms. Fricke indicated that staff recommends to handle this payment in a similar manner as the retiree health credit portion when an individual is purchasing service through a rollover/transfer from a qualified plan. NDPERS requires an individual to make a personal lump sum payment for the health credit. Staff recommends that for individuals wanting to enter into a pre-tax monthly payroll deduction, a lump sum payment of the retiree health credit portion be required before the pre-tax agreement is entered into.

This method would accommodate both new purchase contracts and those that already have an existing contract in place that want to transition to a pre-tax payment arrangement. NDPERS staff is able to determine the remaining amount due for the retiree health credit portion on an existing contract and could administer the collection of these funds prior to accepting pre-tax payroll deductions from the individual.

Mr. Gunkel moved approval of staff recommendation to require payment by employee for the retiree health insurance credit prior to entering a pre-tax payroll deduction agreement for service credit purchases. Ms. Smith seconds.

Ayes: Baetsch, Gunkel, Sand, Sage, Smith, Tabor, and Chairman Strinden.

Nays:

Absent:

PASSED

Retirement Consultants (Board Action Requested)

Mr. Collins indicated that at the last meeting the board narrowed the list of retirement consultants to three based upon the evaluations of the proposals.

Mr. Collins indicated that the services requested in the RFP includes retirement consulting (annual valuations, legislative proposal evaluations and general retirement consulting), conducting the five year experience study as required by statute, doing an asset/liability study

relating to our investment strategy, doing the annual evaluation of the retiree health plan and providing general consulting for our defined contribution plans.

Gabriel, Roeder, Smith and Co. appeared before the board and provided an overview of their services as it related to the RFP.

The Segal Company appeared before the board and provided an overview of their services as it related to the RFP.

Mellon Human Resources & Investor Solutions appeared before the board and provided an overview of their services as it related to the RFP.

Discussion followed.

Mr. Sage moved approval of Gabriel, Roeder, Smith and Co. for the next two years as PERS retirement consultant. Mr. Gunkel seconds.

Ayes: Gunkel and Sage,

Nays: Baetsch, Sand, Smith, Tabor, and Chairman Strinden.

Absent:

FAILED

Discussion followed.

Ms. Tabor moved approval in retaining The Segal Company as PERS retirement consultant. Ms. Sand seconds.

Ayes: Baetsch, Gunkel, Sand, Sage, Smith, Tabor, and Chairman Strinden.

Nays:

Absent:

PASSED

Chairman Strinden called for discussion, hearing none the meeting adjourned at 12:00 PM.

Respectfully Submitted

Denise A. Curfman

*Denise A. Curfman
Secretary, NDPERS Board*