

# MINUTES

North Dakota Public Employees Retirement System  
Thursday, March 21, 2002  
Blue Cross Blue Shield Office  
107 West Main  
Bismarck, North Dakota

Members Present:	Mr. David Gunkel Mr. Ron Leingang Mr. Howard Sage Ms. Sandi Tabor Mr. Weldee Baetsch
Via Video Conference	Chairman Jon Strinden
Others Present:	Mr. Sparb Collins, Executive Director NDPERS Mr. Scott Miller, Attorney General's Office Ms. Denise Curfman, NDPERS Ms. Kathy Allen, NDPERS Ms. Deb Knudsen, NDPERS Mr. Bryan Reinhardt, NDPERS
Via Video Conference	Mr. Larry Brooks, BCBS Ms. Rhonda Peterson, BCBS Mr. Howard Snortland, AFPE Ms. Chris Rundge, NDPEA Ms. Lori Laskweicz, OMB Mr. Wayne Kinder, Job Service Ms. Maren Daley, Job Service Ms. Connie Flanagan, RIO Mr. Steve Cochrane, RIO
Via Video Conference	Dr. Rice, BCBS
Via Video Conference	Dr. Robert J. Korbach

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

## **Minutes**

Chairman Strinden called for any questions or comments regarding the February 21, 2002 NDPERS Board minutes.

**Mr. Leingang moved approval of the February 21<sup>st</sup> Board meeting minutes. Ms. Tabor seconds the motion.**

## **RETIREMENT**

### **Job Service (Board Action Requested)**

Mr. Collins indicated that Ms. Maren Daley, Executive Director of Job Service and Mr. Wayne Kindem from Job Service were present to answer any questions about the proposed legislation to transfer the responsibility of the Job Service Retirement Plan to PERS. Mr. Collins indicated that on March 6<sup>th</sup> Mr. Miller met with Job Service to discuss the proposed legislation, review the plan document and the administrative agreement Job Service has with RIO for investing. Mr. Miller found that Job Service does have a comprehensive plan document; changes will need to be made to reflect the transfer. The investment methodology used by Job Service is the same as NDPERS with the exception that NDPERS is required to use RIO for the defined benefit plans where as Job Service does so by contract.

**Mr. Sage moved approval to support the proposed legislation by Job Service to place the responsibility for the Job Service Retirement System under NDPERS. Mr. Baetsch seconds the motion.**

**Ayes:** Baetsch, Gunkel, Leingang, Sage, Tabor and Chairman Strinden.

**Nays:** None

**Absent:** Dr. Dwelle

**PASSED**

### **Annual Defined Benefit Investment Review (Informational)**

Mr. Steve Cochrane, State Investment Officer, RIO, joined the Board meeting with Connie Flanagan, for the annual review of the PERS Investment Program that is administered through the State Investment Board. This review is on file at the North Dakota Public Employees Retirement System's office.

### **Alternate Member on the Investment Subcommittee (Board Action Requested)**

Mr. Collins indicated that an alternated member needs to be appointed to the investment subcommittee. Currently the members are Mr. Baetsch, Mr. Gunkel and Mr. Sage.

**Mr. Gunkel moved that Ms. Tabor serve as the investment board alternate. Mr. Baetsch seconds the motions.**

**Ayes:** Baetsch, Gunkel, Leingang, Sage, Tabor and Chairman Strinden.

**Nays:** None

**Absent:** Dr. Dwelle

**PASSED**

### **Employee Organization Comments (Information)**

Mr. Collins indicated that previously the Board reviewed the information on the strategic direction of the Main Retirement Plan. The Board developed several draft goals and objectives. It was decided to send them to the employee organizations and invite those organizations to come to a Board meeting and share their thoughts and ideas. Mr. Howard Snortland, Association of Former Public Employees, and Ms. Chris Runge, Director of the North Dakota Public Employees Association, were present to provide the Board with their thoughts.

Mr. Snortland addressed two the following points:

1. That the asset allocation responsibility stays with NDPERS Board.
2. COLA Adjustment -to continue with the ad hoc instead of a permanent cola.

Ms. Runge addressed the following points:

1. Drug Increases – Requesting the board begin to look at what other states are doing to control drug costs in terms of drug buying pools similar to what the State of Montana is currently doing.
2. Birth Control Pills – That they feel very strongly that the birth control pills should be covered under the NDPERS plan.
3. Smoking Program – Use of the internet as a way for members to seek counseling. However they are concerned with the states computer usage internet policy that was recently sent by the IT department that indicated any agency may monitor the use of any state employees internet or there computer usage. Their concern would be with medical information being exchanged over the internet for counseling.
4. COLA adjustment – NDPEA members clearly believe that PERS needs to have a long term COLA adjustment on an annual basis. This is to preserve the buying power of the retirees. They feel that the goal that the PERS board has is a sound goal in terms of providing a COLA.
5. NDPEA does not support a straight defined contribution plan.
6. Health Insurance – NDPEA clearly believes that there should be no further erosion of state employee benefits. They would appose any increases in out of pocket expenses or any increases other then what is currently in the plan.

With that NDPEA is supporting the content of the PERS goals and objectives.

#### Pre-Tax Benefits (Board Action Requested)

Mr. Collins reviewed a memo from the Segal Company which provided an estimate of the cost of preparing the information necessary for submitting to the IRS for a letter determination on pre-tax purchase of service credit.

**Mr. Gunkel moved for approval to move forward with this project by retaining Segal to prepare the necessary information with the estimated cost provide by Segal. Mr. Leingang seconds the motion.**

**Ayes:** Baetsch, Gunkel, Leingang, Sage and Chairman Strinden.

**Nays:** None

**Absent:** Dr. Dwelle and Tabor

**PASSED**

#### GROUP INSURANCE

##### Infertility Benefits (Informational)

Dr. Rice, BCBS joined the meeting via video conference. Dr. Rice addressed the following with the Board:

- Increased cost on prescription drugs - Dr. Rice indicated that PERS would possibly see a 15 to 20% increase on drug cost.
- Infertility benefits – Shows no increase to the plan yet.
- Birth Control Drugs – BCBS is looking at offering birth control pills as a rider to employers who want it. They are also looking at it as being a covered benefit. There would be cost to the plan to add this benefit.
- Smoking Program – Dr. Rice indicated that they have looked at several programs that are currently up and running. There would be many details that would need to be worked out due to the rural areas; cost, locations and what would be covered.

Mr. Collins indicated that staff will review the administrative cost in the health insurance plan by the April meeting and report back to the board to affirm that the \$.25 is there. Then we can proceed to look at programs for the May and June meeting.

##### Minimum Participation (Board Action Requested)

Mr. Collins reviewed the discussion at the January board meeting relating to the need to establish minimum participation requirements for the PERS Plan as a result of the actions of

some political subdivisions to not have an employer contribution. This action creates a situation where the PERS plan could be adversely selected. At the meeting the board asked staff to send this idea to our participating political subdivisions to solicit their comments. Enclosed in the board materials are the comments that staff received back. Ms. Ronda Peterson, BCBS has contacted all the political subdivisions who had responded and indicated there was an incorrect interpretation of the proposal and after visiting with them they did understand and did not have a concern with the proposal.

**Ms. Tabor moved approval of the minimum participation requirement effective May 1<sup>st</sup> for all current and new political subdivisions on the Health Plan. Mr. Sage seconds the motion.**

**Ayes:** Baetsch, Gunkel, Leingang, Sage, Tabor and Chairman Strinden.

**Nays:** None

**Absent:** Dr. Dwelle

**PASSED**

#### Voluntary RFPs

Ms. Allen indicated that the closing date to accept the bid proposals for the voluntary dental, vision and long term care insurance products was 12:00 non on Tuesday, March 19, 2002. Staff received 3 dental RFPs, 7 vision RFP's and no long term care.

#### **DEFERRED COMP**

##### Defined Contribution and Deferred Compensation Investment Guidelines & Fred Alger Fund (Board Action Requested)

Mr. Collins indicated that the investment subcommittee of the PERS Board has been working on revising the investment guidelines for the defined contribution plan and the deferred comp plan and incorporating into the guidelines the new funds for each plan that were previously approved by the Board. The proposed new guidelines were included in the board materials.

**Mr. Gunkel moved approval of the new guidelines. Mr. Baetsch seconds.**

**Ayes:** Baetsch, Gunkel, Leingang, Sage and Chairman Strinden.

**Nays:** None

**Absent:** Dr. Dwelle and Tabor

**PASSED**

Mr. Collins indicated that the subcommittee reviewed information about the Fred Alger fund and noted that its performance had not improved and that the funds star rating had been reduced to one by Morningstar. Based up this review the committee concluded that this fund should remain closed to new participants.

**Mr. Sage motioned to keeping the Alger Fund closed. Mr. Leingang seconds the motion.**

**Ayes:** Baetsch, Gunkel, Leingang, Sage and Chairman Strinden.

**Nays:** None

**Absent:** Dr. Dwelle and Tabor

**PASSED**

##### TIAA/CREF (Board Action Requested)

Mr. Collins indicated that TIAA/CREF is interested in becoming a participating provider in the 457 plan. After reviewing our standard participation requirements they noted that they would have a problem with our requirement that any new provider must have fifty participants. They

noted that their business model does not provide for an active sales force. Mr. Collins relayed the reasons the board had established the fifty requirement. After discussion it was determined to have the Investment subcommittee look at and bring their finds back to the board at a later date.

VALIC Annual Review (Informational)

Mr. Reinhardt provided an overview of VALIC's annual review.

VALIC Final Report (Informational)

Mr. Collins indicated that the final audit of VALIC pursuant to the action plan they previously discussed with the Board was included in the board materials. Everything appears to be going as discussed and the administrative problems appear to have been corrected.

**MISCELLANEOUS**

Proposed Legislation (Board Action Requested)

Mr. Collins indicated that the proposed legislation is included in the Board materials.

**Mr. Sage moved approval of proposed legislation. Mr. Leingang seconds the motion.**

**Ayes:** Baetsch, Gunkel, Leingang, Sage and Chairman Strinden.

**Nays:** None

**Absent:** Dr. Dwelle and Tabor

**PASSED**

Mr. Collins reviewed the additional legislative changes:

Group Insurance:

1. Define eligible employee as 20 hours per week instead of 17 ½. This will standardize the definition from the retirement programs to the group insurance plan. This was reviewed with the PERS employee benefits committee and they agreed with change. Grandfather existing employees.

Retirement:

*Defined Contribution Plan*

1. Change the automatic cash out provision to 30 days from date of termination to 120 from date of notice of termination.

*Defined Benefit Plans*

1. Change confidentiality rules to allow sharing information with all beneficiaries.
2. Clarify purchases provision relating to a participating employer (an active PERS member with refunded teacher's time from a non-participating employer, the member could purchase the time according to 54-52-17.4 (1a) but if the employer (school) did participate in PERS for their non-certified staff, then the person could not buy the time.)

*Retiree Health Credit*

1. Clarify retiree health credit for spouse of DC participant

FlexComp

Same definition as in #1 above would apply.

**Mr. Leingang moved approval of proposed changes. Mr. Gunkel seconds the motion.**

**Ayes:** Baetsch, Gunkel, Leingang, Sage and Chairman Strinden

**Nays:** None

**Absent:** Tabor and Dr. Dwelle

Mr. Collins handed out language from Segal on Includible Compensation for the deferred Comp program for consideration.

**Mr. Gunkel moved to adopt it.**  
**Mr. Leingang seconds the motion.**

**Ayes:** Baetsch, Gunkel, Leingang, Sage and Chairman Strinden

**Nays:** None

**Absent:** Tabor and Dr. Dwelle

The next two items on the agenda are confidential. These items must be discussed in an executive session. The legal authority for closing this portion of the meeting is North Dakota Century Code section(s) 44-04-19.2.

Chairman Strinden asked the members of the public who are attending the meeting to leave the room.

The meeting when into closed session at approximately 11:15 AM.

Members Present:	Mr. David Gunkel	Mr. Ron Leingang
	Mr. Howard Sage	Ms. Sandi Tabor
Via Video Conference	Chairman Jon Strinden	Mr. Weldee Baetsch

Others Present:	Mr. Sparb Collins, Executive Director NDPERS
	Mr. Scott Miller, Attorney General's Office
	Ms. Denise Curfman, NDPERS
	Ms. Kathy Allen, NDPERS
	Ms. Deb Knudsen, NDPERS

Appeal 2002-002-H (Board Action Requested)

Mr. Collins indicated that appeal 2002-002-H is an appeal from a member relating to their continued coverage in the health plan. This individual was dropped for not paying their premium.

Appeal 2002-003-H (Board Action Requested)

The appellant appeared before the board indicating that his understanding of this was that he would be able to stay on the EPO and that he would have 18 months of COBRA after July 31, 2004.

After discussion of the two appeals Chairman Strinden adjourned the close session at 11:30 AM.

Chairman Strinden called regular meeting to order at approximately 11:45 AM at which time called for a motion on the appeals:

Appeal 2002-002-H –

**Ms. Tabor moved to reinstate health coverage once ACH is set up.**

**Mr. Sage seconds the motion.**

**Ayes:** Baetsch, Gunkel, Leingang, Sage, Tabor and Chairman Strinden

**Nays:** None

**Absent:** Dr. Dwelle

**PASSED**

Appeal 2002-003-H

**Mr. Gunkel moved to denial for EPO and COBRA under state law.**

**Mr. Baetsch seconds the motion.**

**Ayes:** Baetsch, Gunkel, Leingang, Sage, Tabor and Chairman Strinden

**Nays:** None

**Absent:** Dr. Dwelle

**PASSED**

The next meeting has been scheduled for April 18, 2002 at BCBS Bismarck office and a possible meeting for May 9<sup>th</sup> at the capital.

Chairman Strinden calls for any other business, hearing none the meeting adjourned at 12:30 PM.

*Respectfully Submitted*

*Denise A. Curfman*

*Denise A. Curfman*  
*Secretary, NDPERS Board*