

Minutes
North Dakota Public Employees Retirement System
Thursday, May 19, 2005
ND Association of Counties, Bismarck
BCBS, 4510 13th Ave SW, Fargo
8:30 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:	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 Ms. Cheryle Masset, NDPERS Ms. Rebecca Fricke, NDPERS Mr. Scott Miller, Attorney General's Office Mr. Howard Snortland, AFPE Dr. Patricia Hill, ND Pharmacists Association Ms. Gisele Thorson, NDPEA Ms. Onalee Sellheim, BCBSND Mr. Bill Kalanek, AFPE/INDSEA Mr. David Peske, ND Medical Association
Via Video Conference	Mr. Larry Brooks, BCBSND
Via Conference Call	Ms. Leslie Thompson, Segal Advisors

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

MINUTES

Chairman Strinden called for any questions or comments regarding the minutes of the April 21, 2005 meeting.

MR. LEINGANG MOVED APPROVAL OF THE APRIL 25, 2005 NDPERS BOARD MINUTES. MS. SMITH SECONDED THE MOTION.

RETIREMENT

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Partial Lump Sum Option (Board Action Requested)

At the March meeting, the Board approved the procedures and policy, as well as an actuarial table for the Partial Lump Sum Option (PLSO). During the planning and development stage, it was discovered that an optional table may be needed for Judges and Highway Patrol since their normal form of benefit automatically guarantees a 50% surviving spouse benefit.

During discussion of adopting the additional tables for the Judges and Highway Patrol it was suggested that it may also be appropriate to have a separate set of tables for the Main System when a Joint & Survivor benefit is selected since this benefit is also paid over two lifetimes. Staff indicated that additional information could be requested from the actuary if the Board wanted to review this further.

MR. GUNKEL MOVED TO USE THE OPTIONAL TABLES FOR THE PARTIAL LUMP SUMP OPTION FOR THE JUDGES AND HIGHWAY PATROL AND INVESTIGATE THE USE OF ADDITIONAL TABLES FOR THE MAIN SYSTEM. MS. TABOR SECONDED THE MOTION.

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

Nays: None

PASSED

Actuarial Audit Response (Board Action Requested)

Ms. Leslie Thompson, The Segal Company, joined the meeting via conference call and provided Segal's response to the 2004 Actuarial audit. Staff recommended reviewing the normal cost issue in more detail and request The Segal Company to review this and bring their findings back to the Board at a later date. By general consensus the Board agreed to proceed with obtaining a more detailed review of the normal cost issue from The Segal Company for review and consideration.

Retirement Statutes (Board Action Requested)

One of the items in the approved work plan was to consider redrafting the retirement statutes. Chapter 54-52 was for the main retirement plan only. Over the years the Judges, National Guard and Law Enforcement Plans have been added to that Chapter. In addition, the Job Service and Highway Patrol Plans have been added to the Board's responsibilities. As a result of all these changes the statutes are not very organized. If staff was to proceed with the project, they would need to begin soon since a draft would have to be submitted to the Legislative Employee Benefits Committee by April 1, 2006. This effort would require a substantial effort from the Attorney General's Office or a consultant to take the lead in drafting and organizing the statutes. Discussion followed.

MS. SAND MOVED TO HAVE LEGAL COUNSEL DEVELOP A PLAN OF ACTION FOR THE BOARD TO REVIEW. MS. TABOR SECONDED THE MOTION.

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

Nays: None

PASSED

Disability Consulting (Board Action Requested)

Ms. Allen indicated the contract with Mid Dakota Clinic for disability consulting services expires June 30, 2005. The Board must determine whether to go out for bid or renew the present contract. Mid Dakota Clinic has indicated they wish to continue to perform these services for NDPERS at the rate of \$150 an

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hour for the July 1, 2005 through June 30, 2006 contract period. Staff has been satisfied with the services provided by the Mid Dakota staff. Staff recommended renewing the disability consulting contract for the period July 1, 2005 through June 30, 2006 at the rate of \$150 an hour.

MS. TABOR MOVED TO ADOPT STAFF'S RECOMMENDATION. MS. SMITH SECONDED THE MOTION.

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

Nays: None

PASSED

Law Enforcement Retirement Plan (Board Action Requested)

As new groups are being enrolled in the Law Enforcement Retirement Plan different issues have arisen. It was brought to staff's attention that correctional officers do not have to finish completing a course approved or certified by the Department of Corrections to be on staff as a correctional officer. This creates a problem when a new group joins the law enforcement or when hiring new staff after the adoption of the new retirement plan.

N.D.C.C. Chapter 54-52-01(3) provides...."Correctional officer" means a participating member who is employed as a correctional officer by a political subdivision. The N.D.A.C. Chapter 71-02-01-01(9) provides.... "Correctional officer" means a person who has completed a correctional officer course approved or certified by the North Dakota department of corrections and rehabilitation and is employed by a correctional facility as defined in North Dakota Century Code chapter 12-44.1.

The "EMPLOYER PARTICIPATION AGREEMENT" provides that eligible law enforcement staff, at the time the contract is entered into, may either enroll or waive participation in the Law Enforcement plan. If a correctional officer has not completed an eligible certification course, they do not have an option to join the Law Enforcement plan. The "Employer Participation Agreement" also requires that all future eligible employees hired on or after the adoption of the law enforcement retirement plan must participate in the Public Employees Retirement System. (Authority N.D.C.C. Chapter 54-5201.1)

Mr. Miller, legal counsel, reviewed this issue and believed that the Board could adopt a reasonable policy for transferring correctional officers to the law enforcement plan.

Staff proposed the following:

1. Upon a group's initial enrollment in the Law Enforcement Plan, correctional officers not certified will remain in the Defined Benefit plan or current employer sponsored plan until such a time that they become certified. Once certified, the correctional officer will be given 30 days to either elect to join or waive participation in the Law Enforcement plan. If no election is made, the correctional officer will remain a member of the Defined Benefit or employer sponsored retirement plan.
2. All correctional officers hired after the date a group adopts the Law Enforcement retirement, upon completion of the certification, must be enrolled in the Law Enforcement plan.

MS. TABOR MOVED TO APPROVE STAFF'S RECOMMENDATION. MS. SMITH SECONDED THE MOTION.

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

Nays: None

PASSED

Retiree Health Credit Audit (Informational)

Included with the board materials was a memo from GRS on the results of the audit for the Retiree Health Plan.

GROUP INSURANCE

Disease Management (Board Action Requested)

Staff provided background relating to the addition of a disease management program to our plan. The disease management component funding was approved by the Legislature and Governor. Therefore, the program has been funded and staff is awaiting final Board approval to proceed. BCBS has proposed Health Dialog. However, the Pharmacy Association also presented two programs they suggested using. Staff indicated that the pilot program offered by the Pharmacy Association is more focused. This type of program could supplement the efforts of the more traditional program offered by Health Dialog. Staff recommended moving forward with the Health Dialog disease management program based upon the 2004 bid. Staff also recommended considering a pilot project with the Pharmacy Association program and to seek additional partners such as BCBS to set up a pilot and bring back to the Board for further consideration. Discussion followed.

MS. SMITH MOVED APPROVAL OF STAFF'S RECOMMENDATION. MR. LEINGANG SECONDED THE MOTION.

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

Nays: None

PASSED

Claims Review Response (Informational)

Included with the board materials was a memo from BCBS responding to several of the issues that were previously discussed in the 2004 Claims Review prepared by Mr. Reinhardt. Mr. Brooks, BCBS, reviewed the responses in more detail with the Board.

EPO (Informational)

BCBS has completed its solicitation of the integrated health systems within the state for participation in the EPO network for the 2005-2007 biennium. The current affiliates, MeritCare Medical Group and Dakota Clinic, Ltd in Fargo, Altru Health Systems in Grand Forks, and Craven-Hagan/Mercy Medical in Williston have agreed to continue participation in our network. In addition, Ms. Allen informed the Board that MedCenter One, Inc. and PrimeCare Health Group have agreed to join the EPO. Medical Arts in Minot has declined to participate in the program.

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This year's annual EPO open enrollment will begin May 23 and run through June 24, 2005. A special notice will be sent to those members that reside within a 50-mile radius of a PrimeCare or MedCenter One facility or affiliate to inform them of these additions to our network.

Wellness Program (Informational)

As reported at the last board meeting, a letter was sent to top management of all participating employers in the group health insurance plan relating to the employer based wellness program. The letter briefly explained the program, premium incentives and requested the employer appoint a Wellness Coordinator. A follow-up memo was also sent to payroll/personnel staff for the purpose of briefing them about the upcoming program.

Staff asked participating employers to respond by the close of business on Thursday, May 12, 2005. A total of 119 responses have been received out of the 261 letters that were sent for a 46% response rate. All responses to date have been affirmative. Staff will be following up with non-responders using email and telephone to ensure that no employer inadvertently misses the opportunity of receiving the 1% discount on health premiums.

Life Insurance Plan New Carrier Update (Informational)

Mr. Collins provided an update on the life insurance plan carrier change. Mr. Collins indicated retirees were sent notice of the life insurance rate change. Ms. Fricke provided an update on the type and number of calls the PERS Member Services Unit had been receiving regarding the rate change.

Medicare RX (Informational)

Included with the board materials were several power point presentations from the Medicare Rx Committee meeting held on May 13. Mr. Collins conveyed Gallagher is the consultant for this program. Mr. Collins indicated staff had not received the direction from Gallagher that they were anticipating for this project. Staff requested approval to contact Segal to seek direction from them on this project. By general consensus, the Board approved staff to contact Segal for consultation on this project.

EAP (Board Action Requested)

Ms. Allen indicated the EAP contracts with the current vendors expire June 30, 2005. Therefore, staff requested a renewal proposal from each of the current vendors for the 2005-2007 biennium. The proposal was sent along with the minimum requirements. Staff requested that they respond as to interest in continuing to provide services to the State for the upcoming biennium, the price, and to determine whether all the services offered in their original proposal still apply. The only exception to the minimum requirements was the increase in price from \$1.36 to 1.42 per employee per month. All vendors responded within the designated time frame. Staff found that each continues to meet the minimum qualifications in order to be eligible for consideration by our participating state employers. Staff noted some changes as follows:

St Alexis EAP

- They are proposing that their rate be increased to \$1.42.

MedCenter One EAP

- They have added 1 hour free legal consultation annually and 1 drug/alcohol assessment per year, financial counseling /money management, and fitness testing consultation annually at no additional cost.
- They are proposing no increase to their current rate which is \$1.36.

The Village

- Have updated the training hours available for on-site seminars.

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- They are proposing that their rate be increased to \$1.42.

The program was also advertised to solicit other vendors. One response was received from Deer Oaks EAP Services located in San Antonio, Texas. Staff requested clarification from this provider on several areas. Following are the responses they provided

1. Deer Oaks does not currently have any contracts in the State of North Dakota, however, has extensive experience with public employer groups that would easily translate into providing exceptional services to the agencies of North Dakota.
2. Deer Oaks does not have any minimum participation requirements.
3. Deer Oaks agreed to decrease the cost per employee per month from \$1.19 to \$1.18 in order to facilitate the computer systems of North Dakota agencies.
4. Deer Oaks has the capabilities to add network providers as needed and as requested in order to ensure geographic coverage and diversification of providers.

Staff found the above responses satisfactory and that Deer Oaks met the minimum requirements to provide services to the state.

Staff recommended renewing the contract with the three current vendors and offer a contract to Deer Oaks to provide EAP services to the state employees.

MS. TABOR MOVED APPROVAL OF STAFF'S RECOMMENDATION. MS. SAND SECONDED THE MOTION.

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

Nays: None

PASSED

Member Rebate Accounts (Board Action Requested)

Mr. Collins conveyed that one of the conditions in the BCBS proposal was that PERS would participate in their member rebate accounts (MRA's). This program was developed by BCBS in response to concerns that the prescription rebates the plan receives could be the subject of claims by members since those rebates are not directly shared with them. However, in the PERS plan we use these rebates to reduce future premiums. Several years ago BCBS offered PERS the choice of participating in the program or not to participate. After discussion PERS concluded that it did not believe the MRA's provided any protection against potential claims by members and only increase the premium cost of our coverage by diverting rebates from reducing premiums to benefits. In the most recent bid, BCBS included MRA's even though it was not part of the bid specifications. During staff's discussion with BCBS on the proposal staff indicated that PERS did not want the accounts. BCBS's response was that PERS did not have to include the MRA's but they would require us to give them a "hold harmless" against all future claims. PERS response was that if they would be willing to give us the same "hold harmless" we would include the accounts. Based upon that understanding the bid was accepted. Included with the board materials was the hold harmless language that was developed by BCBS. Staff recommended to include the language in the agreement and have the MRA's be a part of our plan effective July 1, 2005. Discussion followed.

MR. SAGE MOVED TO APPROVE STAFF'S RECOMMENDATION. MS. SMITH SECONDED THE MOTION.

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

Nays: Tabor

PASSED

Smoking Cessation (Board Action Requested)

Ms. Allen indicated PERS was notified by the Health Department that they were approved funding in the amount of \$250,000 to continue tobacco prevention activities for state employees for the 2005-07 biennium. The Health Department indicated that in order to continue the current program it will be necessary to submit another grant application. Staff anticipated that the project would again be a joint effort among PERS, BCBS, and the Health Department.

Staff requested the Board's consideration to apply to the Health Department for a grant in order to continue the efforts to promote smoking cessation for state employees. Staff felt this program would continue to be successful due to the passage of SB 2300 relating to smoke-free environments. To date 117 individuals have completed the program and \$26,079 has been reimbursed to cover counseling, office visits, and Rx and over the counter medications.

Staff recommended that in conjunction with BCBS and the Health Department, to proceed with developing a grant proposal to continue to offer a smoking cessation program for state employees.

MS. TABOR MOVED APPROVAL OF STAFF'S RECOMMENDATION. MS. SMITH SECONDED THE MOTION.

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

Nays: None

PASSED

Interim Study (Informational)

Included in the board materials was information from HB1015 which relates to the Legislative Council – State Employee Compensation Study during the 2005-2006 interim. Last session a study of the health plan was passed and it was assigned to the Employee Benefits Committee. The new study is more comprehensive than last time and will look at all aspects of compensation for state employees.

Surplus/Affordability Update (Informational)

The April 2005 surplus projection and affordability analysis for the NDPERS group medical plan were included with the board materials.

MISCELLANEOUS

Annual Payroll Conference (Informational)

The annual payroll conference has been scheduled for June 8, 2005 at the Heritage Center. The Health Department will be assisting the PERS office in making this available on web cast. Included with the board materials was a tentative agenda.

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Quarterly Consulting Fees (Informational)

Included with the board materials was a report showing the consulting, investment and administrative fees paid during the quarter ended March 2005.

OTHER

Next Meeting

The next meeting will be held on Thursday, June 16, 2005.

Executive Director's Evaluation (Informational)

Ms. Smith conveyed the sub-committee had been having difficulty meeting regarding Mr. Collins annual evaluation. Ms. Smith will be forwarding the evaluation information to the Board members for completion. Ms. Smith, Mr. Gunkel and Chairman Strinden will be having a conference call to review the results.

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

Prepared by,

Kim Humann
Administrative Assistant