

# MINUTES

North Dakota Public Employees Retirement System  
Thursday, May 24, 2001  
Fort Union Room  
State Capital  
Bismarck, North Dakota

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

Others Present: Mr. Sparb Collins, Executive Director NDPERS  
Mr. Scott Miller, Attorney General's Office  
Ms. Denise Curfman, NDPERS  
Ms. Deb Knudsen, NDPERS  
Ms. Kathy Allen, NDPERS  
Ms. Sharon Schiermeister, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Mr. Larry Brooks, BCBS  
Ms. Rhonda Peterson, BCBS  
Mr. Steve Cochrane, RIO  
Ms. Connie Flanagan, RIO

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

## **Minutes**

Chairman Maichel called for any questions or comments regarding the minutes of the April 26, 2001 meeting.

**Mr. Gunkel moved approval of the minutes. Mr. Baetsch seconds the motion.**

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

**Nays:** None

**PASSED**

## **RETIREMENT**

### Annual 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.

### Defined Contribution Plan Assumptions (Board Action Requested)

Mr. Collins conveyed to the Board that HB 1216 provides nonclassified employees who did not elect to transfer to the Defined Contribution Plan during their last enrollment another opportunity this fall. The PERS staff has developed an implementation plan. Mr. Collins indicated pursuant to the work plan staff is seeking guidance from the Board on the following two items:

1. Retaining a consultant for the present value calculations.
2. The methodology for the present value calculations

Mr. Collins indicated that PERS had used the Segal Company in the past. Mr. Collins indicated he had spoken to the Segal Company on what the cost of this effort would be and was provided with an approximate estimate of \$8,000 - \$10,000. This estimate is around the same cost as a year ago.

Chairman Maichel ask for motion on whether to obtain the Segal Company for \$8,000 - \$10,000 to do the present value calculations.

**Ms. Tabor motions to retain the Segal Company for the \$8,000 - \$10,000.  
Mr. Gunkel seconds.**

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

**Nays:** None

**PASSED**

Ms. Thompson, from the Segal Company joined the Board meeting via conference call to go over the assumptions. Mr. Collins relayed staffs' recommendation to use the same methodology as last time for purposes of consistency and continuity with the exception of one issue, which is the mark up factor that we use to recognize investment gain. Staff is recommending using the same method again for the Main System but not for the National Guard Fund. For the National Guard staff is suggesting that we use the same ratio as the Main System. The reasoning for this is the National Guard System contribution rate is set by the PERS Board unlike the other funds, which is set by statute. The contribution rate for the National Guard Fund over the last few years has higher than actuarial required rate. As a result that difference between market value of assets and liabilities is artificially higher and not reflective of investment returns. The Main System is more reflective of market returns. Chairman Maichel inquired of Ms. Thompson if she concurred with staffs' recommendations. Ms.

Thompson indicated that she did review all the issues and the methodology used in 1999 and still agreed with staffs recommendation.

**Mr. Gunkel moves to go with staff recommendation on the entire package.  
Ms. Tabor seconds.**

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

## DEFERRED COMP/DEFINED CONTIBUTION

### Provider Training (Board Action Requested)

Ms. Allen provided the Board with an update on the Provider Training. Ms. Allen indicated that on January 31, 2001, PERS sent letters to the home office contacts of each provider company citing the contract requirements and including a list of representatives not in compliance with the administrative agreement. We required that all representatives be in compliance by April 15, 2001 and set forth two options to meet our compliance requirements. On May 2, 2001 PERS sent a letter to each provider company informing them that some representatives were still out of compliance. Attached was a list of representatives that were presently out of compliance and a list of representatives that would be out of compliance by July 31, 2001. The letter requested each company to send a plan of action that would bring them into compliance by May 22, 2001. Ms. Allen indicated that PERS received responses from all providers except The Equitable and SAFECO Life. Ms. Allen indicated that some of the home office contacts have indicated that they will likely direct us to remove representatives from our list that are not in compliance with the administrative agreement. If this action is taken, guidelines are necessary to define the circumstances under which these agents can re-apply as an eligible provider as, currently, there is nothing prohibiting them from exercising the right in the future. It is staffs recommendation that any agents removed from our eligible list at the direction of the home office may be reinstated only at the direction of the home office.

**Ms. Tabor moves to go with staff recommendation.  
Mr. Sage seconds.**

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

### Jackson National (Board Action Requested)

Mr. Collins indicated that in October of 1999 the Board suspended Jackson National as an active provider for making a very basic, but yet very damaging mistake in accepting contributions to a member's account in a manner not authorized by the plan. Mr. Collins also indicated that in the beginning of 2000

performance issues continued to occur relating to Jackson National. The Board at its February meeting reviewed these performance issues and the decision was made to put them in a special review status. At the April Board meeting Ms. Rhonda Grant, Vice President of Government Relations, and Mr. Tucker, Vice President of Technical Support for Jackson National appeared before the PERS Board to convey their concern with the present situation and the steps they intended to pursue to resolve the Boards concerns. Mr. Collins conveyed to the Board that staff has monitored Jackson National during the last year, as requested by the Board. Their performance has met the contractual requirements. However, it should be noted that since Jackson National is not an active provider we have not been able to monitor their ability to process new applications. In light of the performance during the last year staff feels that it would be reasonable to lift the suspension on Jackson National.

**Mr. Gunkel moves to lift the suspension with review of their performance in a year. Mr. Sage seconds.**

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

**Nays:** None

**PASSED**

#### Fidelity/Valic Year End Report (Informational)

This report was included in the Board material for your information and review. These reports are on file at the North Dakota Public Employees Retirement System's office.

#### VALIC Performance Standards (Informational)

Mr. Collins indicated that at the last meeting the Board heard from Representative of American General/VALIC, concerning some of the performance issues that had previously been identified. One of the outcomes of that meeting was that PERS would develop a set of performance standards and a format for measuring them, which would then be reported back to the Board periodically. Mr. Collins directed the Board to the matrix staff has developed and requested feed back. Chairman Maichel requested the Board to review and report any suggestions back to Mr. Collins.

#### American General Acquisition (Informational)

Provided in the Board materials is the memo and press release from American General concerning their acquisition by American International Group.

### GROUP INSURANCE

#### BCBS Audit Follow-up (Informational)

Mr. Collins indicated that at the January PERS Board meeting Bryan Reinhardt presented to the Board his report reviewing the BCBS claims processing

procedure. Several issues were identified in that report. The Board directed staff to forward that report to BCBS. Mr. Larry Brooks, BCBS appeared before the Board in response to that report. Chairman Maichel inquired on issue one of that report. Mr. Brooks responded with BCBS is processing the Medicare retiree claims at a PPO Provider at the PPO 15% coinsurance instead of the Medicare carve-out coinsurance rate (20%) as stated in the NDPERS Dakota Plan Medicare Carve-Out Policy also informed the Board that this issue is still be worked on. At this point the plan is paying the 5% of the coinsurance rate. Mr. Brooks informed the Board that effective July 1, 2001 the Medicare Carve-Out Plan would have its own Summary Plan Document. Mr. Brooks indicated that these issues in the report are being discussed and there will be further conversations with the PERS office and BCBS to clear these issues up.

#### BCBS Contract (Informational)

Ms. Allen indicated to the Board that this is the second draft of the SPD for review. This draft has incorporated any revisions recommended previously by the Board and staff. Staff has reviewed this current update and has put together a list of issues for review or discussions that we believe are still outstanding before finalizing. The Board directed staff to go through the draft and compare changes with the current SPD and have BCBS document the reason for the changes. Mr. Brooks introduced Rhonda Peterson. Ms. Peterson will be replacing Ms. Sue Tibiatowski.

#### EPO (Informational)

Mr. Collins indicated to the Board that at the last Board meeting was advised that PrimeCare was withdrawing from the EPO Program. In response staff sent a letter to PrimeCare. In the board material is a copy of that letter. PERS did not receive a response from PrimeCare. Mr. Collins also indicated that Medical Arts Clinic has bought out Trinity Health Care System in Minot. One of our EPO providers, Craven Hagen Clinic in Williston, has had to contract for certain specialty services with Medical Arts Clinic. According to the information we received from BCBS, Trinity may not accept this contract. This means that Craven Hagen may not be able to put together a full package of services and may have to withdraw from the EPO program.

#### Health Discussion (Informational)

In your board materials for your information is the most recent Health Discussions newsletter from BCBS.

#### 2000 EAP Utilization Report (Informational)

Mr. Reinhardt appeared before the Board to review this report. This report is on file at the North Dakota Public Employees Retirement System's office.

### Voluntary Insurance Products (Board Action Requested)

Mr. Collins requested guidance on how to proceed on several issues relating to the Voluntary Insurance Products. First, The Dental Plan: The question is whether or not we should seek a renewal with ING for the upcoming year that starts January 2002 and second, whether or not we should continue our contract with UNUM on the long-term Care product. Included in the board materials are some observations from Deloitte & Touche. Chairman Maichel request the Boards decision on the Dental plan whether to renew or go out to bid. The Board discussed doing a combined bid next year for these two products plus a vision plan. It was suggested that a combination bid next year might be the most efficient.

**Mr. Gunkel moves to renew the ING contract for the upcoming year.  
Mr. Sage seconds.**

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

**Nays:** None

**PASSED**

Chairman Maichel request the Boards decision on the long-term care plan whether to renew or go out to bid.

**Mr. Sage moves to renew the UNUM contract for the upcoming year.  
Ms. Tabor seconds.**

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

**Nays:** None

**PASSED**

### Surplus/Affordability Update (Informational)

Mr. Reinhardt provided an overview of the survey to the Board. This survey is on file at the North Dakota Employees Retirement Systems office.

## MISCELLANEOUS

### Federal Legislation (Informational)

Mr. Collins informed the Board that the tax bill passed on the Senate side and included in the bill is the Pension Provisions, these where included in your board materials for your review. This will now go into conference committee.

### PERS Sub-Committee and Planning Process (Board Action Requested)

Mr. Collins indicated that we are ready to start moving ahead on planning for the next section and inquired from the Board if the process used in the past is acceptable and if so we would need to identify several PERS Board members to be on the committee.

Executive Directors Annual Review

Chairman Maichel informed the Board that it is salary review time. Chairman Maichel indicated that last year Mr. Baetsch and Mr. Leingang were on the review committee and worked out the appraisal process. Chairman Maichel request Board approval to have Mr. Baetsch and Mr. Leingang complete the review again this year.

**Mr. Gunkel moves to approve Mr. Baetsch and Mr. Leingang.  
Ms. Tabor seconds.**

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

**Nays:** None

**PASSED**

Investment Committee

Mr. Gunkel brings to the Boards recommendation from the Investment Committee relating to the Defined Contribution Plan. The Committee recommends that a Self-Directed Mutual Fund Window be made available to DC plan participants. This can be done through Fidelity and there is not cost to the members. If we elect to do this Mr. Miller, from the Attorney Generals Office will need to draft a Hold Harmless Agreement that the member would need to sign when choosing a Self-Directed Account.

**Mr. Gunkel moves to offer a Self-Directed Mutual Fund Window as an alternative.**

**Mr. Sage seconds.**

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

**Nays:** None

**PASSED**

Chairman Maichel calls for any other business, hearing none the meeting adjourned at 10:30 AM

*Respectfully Submitted*

*Denise A. Curfman*

*Denise A. Curfman  
Secretary, NDPERS Board*