

MINUTES

North Dakota Public Employees Retirement System
Thursday, October 24, 2002
Roosevelt Park Room,
State Capital
Bismarck, North Dakota

Members Present:

Via Conference call

Chairman Jon Strinden
Mr. David Gunkel
Ms. Rosey Sand
Mr. Howard Sage
Mr. Weldee Baetsch
Ms. Tabor

Absent

Dr. Terry Dwelle

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
Ms. Sharon Schiermeister, NDPERS
Ms. Arvy Smith, Health Department
Mr. Larry Brooks, BCBS
Ms. Rhonda Peterson, BCBS
Mr. Tom Tupa, INDSEA
Mr. Howard Snortland, AFPE
Mr. Chris Runge, NDPEA AFI 4660
Mr. John Garrett, Segal
Ms. Leslie Thompson, Segal

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

Minutes

Chairman Strinden called for any questions or comments regarding the September 26, 2002 NDPERS Board minutes.

Ms. Tabor moved approval of the September 26, 2002 NDPERS Board minutes. Mr. Baetsch seconds.

Actuarial Review Reports (Informational)

Ms. Leslie Thompson, Senior Vice President and Consulting Actuary, from Segal appeared before the Board to review the actuarial reports for the year ending June 30, 2002. Ms. Thompson reports the margin for each of the systems for this year as:

Main System	- .30
Judges	4.23
National Guard	8.33
Highway Patrol	2.11
Retiree Health	.02

It was discussed and decided by the Board to withdraw all provisions in PERS retirement bills that have an actuarial effect.

Technical & Actuarial Reviews of Proposed Legislation (Board Action Requested)

Mr. John Garrett, Vice President and Consulting Actuary, from Segal appeared before the Board to review the actuarial cost impact of proposed legislation. Mr. Collins indicated at the last Employee Benefits Committee meeting they accepted all the proposed amendments relating to the PERS bills. Suggestions relating to bills sponsored by others are going to be forwarded by legislative council to the sponsors for their consideration.

Mr. Collins indicated that he had gotten a response from the IRS concerning our request for a letter ruling relating to allowing a member the opportunity to purchase service on a pre-tax basis. As part of the response the IRS had requested some clarification be added to our statute. Mr. Miller prepared some amendments to proposed bill # 53 to satisfy the IRS request.

Mr. Gunkel moves approval of staff recommendation to amend bill no. 53. Ms. Sand seconds.

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

Nays: None

Absent: Dwelle

PASSED

Investment Options for DC & 457 plan (Board Action Requested)

Mr. Collins indicated that the investment subcommittee met and reviewed the last quarter's reports for the Defined Contribution plan and Companion plan. In the review the subcommittee found the Strong Opportunity has not met their performance standards over the 3 or 5 year period.

Mr. Collins indicated that the subcommittee is recommending placing these funds on formal review and advising the members of this decision.

Ms. Tabor moved approval of the Subcommittees recommendation to place the Strong Opportunity on formal review and to advise the members. Mr. Baetsch seconds.

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

Nays: None

Absent: Dwelle

PASSED

Health Care – (Informational)

Attached for the Boards information and review was the latest Health Care Discussions newsletter from BCBS.

Consultant Fees (Informational)

Attached for the Boards information was the consulting, investment and administrative fees paid during the quarter ending September 30, 2002. Ms. Tabor requested that a column be added to the report showing paid to date.

Life Renewal – Plan Design Change (Board Action Requested)

Ms. Allen indicated at the September Board meeting staff proposed a plan design change for the Board's consideration. The proposal was to no longer allow eligible early retirees that have an early retirement agreement with a state university or college to continue their employee, dependent and spouse supplemental insurance until they reach age 65. The Board directed staff to get a response from ING on the following items:

- Extending the option to continue employee supplemental, dependent life, and spouse supplemental life to all eligible early retirees to age 65,
- What affect this would have on ING's renewal, and
- If there were any adverse selection issues to consider.

ING's response was included in the board materials. They have indicated that if the Board elects to make this change there will be no effect on the rates currently proposed for the next biennium. However, in two years when the plan is again up for renewal, it may be necessary for ING to make some premium adjustments based on the claims experience of the early retiree group.

Ms. Allen indicated due to the potential risk for adverse selection and higher claims experience, staff proposes not to allow early retirees the option to continue supplemental coverage. In addition, staff recommends that PERS discontinue this option for eligible early retirees of the university system allowing them only to continue the \$1,300 basic life benefit available to all other similarly situated retirees. The policy would be effective July 1, 2003 and would be applied on a prospective basis in order to grandfather the seven university system retirees currently carrying supplemental group life coverage.

Mr. Sage moved approval of continuing the current benefit for early retirees of the university systems and collages as well as expand it to the general membership. Mr. Gunkel seconds.

Ayes: Baetsch, Gunkel, Sand, and Sage.

Nays: Tabor and Chairman Strinden

Absent: Dwelle

PASSED

Ms. Allen indicated at the September meeting, staff notified the Board that ING proposed no increase in our current premiums for the 2003-2005 biennium.

Ms. Tabor moves approval of ING's renewal for the 2003-2005 Biennium. Ms. Sand seconds.

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

Nays: None

Absent: Dwelle

PASSED

Late Premium Payment – Retirees (Board Action Requested)

Ms. Allen indicated at the March meeting, the Board reviewed an appeal related to the loss of health insurance coverage for a retiree due to non-payment of premium. The Board directed staff to follow-up with BCBS to determine why there was conflicting information contained on the two notices. Ms. Allen indicated that Chapter 71-03-05-03 of the administrative code specifies the following with regard to late premium payments for retirees.

“If the premium is not received by the due date, a late premium reminder is included in the next month’s billing. If the premium is not received by the next due date, a special notice is sent by certified mail. The notice advises the retiree that coverage will be canceled retroactively to the last day of the period for which payment was received if payment is not received by the first of the following month.”

Ms. Allen indicated that the present policy of PERS is to maintain the retiree’s coverage during the notice period. In order to comply with this policy NDPERS must pay the premium payment to BCBS on behalf of the retiree for the first month after payment is not received so the coverage will remain in effect for the month and not be cancelled by BCBS. If PERS does not receive a response to the late premium reminder sent with the following month’s premium notice, NDPERS must again pay the premium payment to BCBS to keep the coverage in effect in order to comply with the certified notice requirement.

Ms. Allen indicated that staff has developed several alternatives for the Board’s consideration. Those alternatives were in the board materials.

Mr. Gunkel moved approval of staffs recommendation to cancel coverage if payment is not received by the payment due date and notify member that they have 90 days in which to remit premium payment in full to reinstate coverage retroactive to the first day of the month following the last month for which premium was paid. Ms. Tabor seconds.

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

Nays: None

Absent: Dwelle

PASSED

Quarterly Health Graphs (Informational)

Mr. Reinhardt provided an over view of the graphs for the board.

BCBS Renewal (Informational)

Mr. Collins indicated that based upon the actions of the Board at the last meeting staff received the requested information from BCBS. The memo from BCBS was included in the board materials. Staff also asked them to conceptualize the amount of change that would need to occur in our plan design if we got a 0%, 25%, 50% or 75% increase in the employer contribution and had no employee contribution to offset the difference. The parameters for the plan designs were identified in paragraph 4 of the memo and the variable to be offset is the deductible.

Mr. Collins also indicated that the memo was forwarded to OMB.

Until the Governor releases his recommendation PERS will work with our committees to review plan designs and also to consider the following issues relating to active state employees paying a part of the premium.

- Should dual members have a different premium?
- Should premiums be based upon a fixed schedule or % of pay?
- Should lifestyle be a consideration in the premiums?
- Should enhancements be put into the plan if it increases employee premiums?
- How many tiers should we have for family coverage?

Given the above possibility of state employees having to pay a part of the premium staff has begun to review what this could mean to PERS administratively. One new task is that all state employees (13,444) would need to be re-enrolled if there is an employee premium payment. This would occur at the end of this biennium (April – June). This effort is not included in our budget for this biennium. Therefore staff is preparing a memo for OMB highlighting the additional appropriation PERS would need. For this to be granted it would need to be an emergency or deficiency appropriation for PERS and very likely a part of the Governors proposed bill that deals with these issues each biennium.

Chairman Strinden called for any other business.

Next meeting is scheduled for November 21, 2002.

The meeting adjourned at 10.25 AM.

Respectfully Submitted

Denise A. Curfman

Denise A. Curfman
Secretary, NDPERS Board