

# MINUTES

North Dakota Public Employees Retirement System  
Thursday, October 25, 2001  
Fort Totten Room  
State Capital  
Bismarck, North Dakota

Members Present: Mr. David Gunkel  
Mr. Ron Leingang  
Mr. Howard Sage  
Ms. Sandi Tabor  
Mr. Weldee Baetsch

Via Conference Call: Mr. Jon E. Strinden, Chairman

Others Present: Mr. Sparb Collins, Executive Director NDPERS  
Mr. Scott Miller, Attorney General's Office  
Ms. Arvy Smith, Health Department  
Ms. Denise Curfman, NDPERS  
Ms. Deb Knudsen, NDPERS  
Ms. Kathy Allen, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Mr. Larry Brooks, BCBS  
Mr. Tom Tupa, INASEA  
Mr. Howard Snortland, AFPE  
Ms. Chris Runge, NDPEA AFT 4660  
Ms. Sharon Schiermeister, NDPERS  
Ms. Cheryle Masset, NDPERS

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

## Minutes

Chairman Strinden called for any questions or comments regarding the minutes of the August 30<sup>th</sup> and September 20<sup>th</sup> meetings.

**Ms. Tabor moved approval of the August 30<sup>th</sup> and September 20<sup>th</sup> minutes. Mr. Leingang seconds the motion.**

## **DEFERRED COMP/ DEFINED CONTRIBUTION**

### **Provider Agreement (Board Action Requested)**

Mr. Collins handed out the provider contract issues that were discussed at the last board meeting. Mr. Rod Crane of the Segal Company joined us via conference call. Mr. Collins directed the board to issue number two. "The Provider shall ensure that distributions of a participant's benefits under the Plan satisfy the minimum and required distributions of federal IRC Section 457(d)(2) and related provisions of the IRC Section 401(a)(9)." Mr. Collins indicated that several providers indicated that they do not presently do this for their clients. Mr. Crane provided some background information on the minimum distribution requirements. He indicated that when the board looked at the revised provider agreement several years ago that one of the major issues was how the providers should be involved with the variety of IRC compliance requirements. One of the minimum distribution requirements, the regular plan each individual contract is deemed to be a separate plan for purposes of the PERS Board at that time had decided that the providers themselves would need to accept responsibility to ensure compliance with this tax code requirement. Mr. Crane indicated that the situation has not changed from the original agreement; the administration should reside with the vendor. Mr. Crane's recommendation is to leave the responsibility with the vendor. Mr. Collins also asked for Mr. Crane's comments on issue three. "The Provider shall provide the written explanation required by federal IRC Section 402(f) to participants and beneficiaries receiving distributions from the Plan." Mr. Collins indicated that one provider felt that the only way to meet IRS notification requirements and release funds in a timely manner is for PERS to provide this notice. They also felt that if to provider is required to provide this notice to the individual, it is highly unlikely that the mandatory 30 day notice period would be met before the contractual 30 day distribution deadline in Section II Part K. Mr. Crane's recommendation is for this to remain with the provider. Mr. Gunkel recommended changing the language in Section II Part K to 30 days but not more then 60 days. Mr. Crane felt that this could be written in.

Mr. Collins went through the issues the providers had and staffs' recommendations. These recommendations where added to the participation agreement.

**Mr. Sage moves staff recommendation. Ms. Tabor Seconds.**

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

**Nays:** None

**PASSED**

### **Update EGTRAA (Informational)**

Mr. Collins indicated that staff is continuing to work o the implementation of the Economic Growth and Tax Relief Reconciliation Act of 2001. Pursuant to the action plan the board adopted this last summer, two issues have arisen concerning implementation.

The first issue is for the Boards information. Mr. Scott Miller had advised staff that we need legislative authorization for a member to the defined benefit plan may rollover deferred compensation monies into the defied benefit plan to purchase service credit. Mr. Collins indicated that the action plan would be modified to submit legislation to authorize PERS to do these types of rollovers. Mr. Collins indicated that the second issue is with the distribution elections a member may have submitted pursuant to the existing 457 requirements. Mr. Crane indicated that the desired approach would depend on administrative and member communication factors of the program. Either approach is assessable from a tax code perspective. Mr. Miller stressed the concern of fiduciary and contract issues if a member is expecting benefit payments in the near term and don't begin as expected. Mr. Crane felt that communication with the member explaining the new change in the law and to have them complete a new form.

#### American General (Informational)

Ms. Rosalia Nolan of American General joined the Board via conference call. Ms. Nolan reviewed with the Board the executive summary of the final review by Price Waterhouse Coopers. This summary was provided in the board materials.

#### Nationwide Survey (Informational)

This survey was included in the Board material for your information and review. The survey is on file at the North Dakota Public Employees Retirement System's office.

## RETIREMENT

#### Actuarial Report (Board Action Requested)

Ms. Leslie Thompson, Actuary from the Segal Company presented the actuarial reports for the Main, Judges, National Guard and Highway Patrol. These reports are on file at the NDPERS office.

**Mr. Gunkel moved acceptance of the Actuary reports. Mr. Sage seconds.**

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

**Nays:** None

**PASSED**

#### Employee Group Presentation (Informational)

Ms. Chris Runge, Executive Director of the North Dakota Public Employees Association (NDPEA), American Federation of the Teachers Local #4660. Ms. Runge, had expressed some of the challenges that NDPEA sees NDPERS facing. Some of the challenges are the continuing escalation of our health costs, and health insurance premiums continuing to rise thus increasing the cost to the state. In order to reduce the cost, the employees have faced increased out of pocket expenses and increased pharmaceuticals. NDPEA recommends to the NDPERS Board that unless salaries and wages are increased substantially that co-pays and deductibles remain at present levels. Ms. Runge also indicates that the state of North Dakota is also having

recruitment and retention problems that led to the passage of HB 1119 and HB 1120, bonus payment legislation. NDPEA believe that enhancements to the medical plan would improve our recruitment and retention opportunities better than paying out a few bonuses. An NDPEA Resolution R5-01 was passed by the Delegate Assembly, to request that NDPERS study different insurance plans and present a bill to the 2003 Legislative Assembly providing a paid dental and/vision insurance plan for state employees.

NDPEA believes that enhancements need to be made to reduce retiree healthcare costs, to increase the retiree health care credit and to provide affordable healthcare to all employees who are eligible to retire prior to age 65.

Ms. Runge emphasized the NDPEA opposition to any creation of a defined contributions program such as the one we defeated during this past legislation session.

Mr. Tom Tupa, represents, Association of Former Public Employees (AFPE) and Independent North Dakota State Employees Association (INSEA). Mr. Tupa addresses the board with the same concerns that Ms. Runge has presented with the following additions:

- Rule of 85 – the organization doesn't feel that moving the rule of 85 to 80 is in the best interest of the state.
- Repurchase of time should be at actuarial equivalence. Are in favor of the idea of increasing the multiplier.
- The organization is against an automatic COLA for the following 2 reasons.
  1. It locks you in during a high inflationary period perhaps at a lower adjustment rate.
  2. With a bad performance year there is a possibility that it could give out increases that would negatively impact the balance of the fund.
- The 13<sup>th</sup> month paycheck – Would like to see the aspect of compounding.
- Consider increasing the 4.5 dollar for credit for retiree health insurance.

#### National Guard (Board Action Requested)

Ms. Schiermeister indicated that in the final audit process it was discovered that an overpayment of the employer's contribution on behalf of the National Guard employees has been occurring since July of 2000. Instead of paying 9.33% of the salary, the employer paid 9.35%. This resulted in an overpayment of approximately \$92 for the year and a slight overstatement of salaries for the fifteen members of the National Guard. PERS has notified Office of Management and Budget in the central payroll system to make the change and this has been corrected. The issue that remains is that we have been overpaid for 13 months of approximately \$100. Staff had requested guidance for Mr. Scott Miller of the Attorney General's Office on whether or not PERS is required to refund the overpayment and correct the monthly salaries or if the adjustment could be made prospectively. Mr. Miller indicated that PERS may disregard the overpayment and only make appropriate changes prospectively. Mr. Miller indicated that it is a decision PERS would have to make. Ms. Schiermeister indicated that staffs'

recommendation would be to make the changes prospectively due to the small amount of the overpayment and the minimal impact on retirement salary.

**Mr. Gunkel moves approval of staff recommendation to make the changes prospectively.**

**Ms. Tabor seconds.**

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

**Nays:** None

**PASSED**

## GROUP INSURANCE

### Voluntary Insurance Proposal (Informational)

Don Heilman for the Segal Company appeared before the board with Bill Robinson via telephone conference to review there observations and reviewed the following, relative to the offering of voluntary dental, vision and LTC insurance programs by NDPERS.

Dental –

*Eligibility* - Alternative to the 3-year lock-out.

1. An “open” enrollment period only once every two years
2. 2-year lock-in, whereby participants must remain enrolled for two years. In this case, employees still would be given an annual election as to whether to participate in the \$125 program.

*Plan Design* –

1. Suggested that the Board consider moving to an 80% coinsurance (with no annual deductible), while eliminated the \$10 co-payment.
2. Suggested exploring whether viable networks might exist, or if any commitments can be obtained to develop a viable network. This would allow the development of a preferred provider organization (PPO) approach.

*Ratings* –

1. Due to the differing dental needs of actives versus retirees, to rate and track each of these two groups independently. Based upon the data provided by ReliaStar, the retiree paid claims loss ratio for the recent 12-months period was 95%, and 89% for actives. While not substantially different, this issue should be addressed from a philosophical perspective, in order to determine the basis upon which rates should be requested.

Vision -

*Eligibility* –

1. Similar to the dental plan design, impose a one-year waiting period on materials.
2. Impose a two-year enrollment lock-in period.
3. Similar to the dental eligibility provisions, impose a three-year lock-out for those dis-enrolling.

*Plan Design –*

1. Consider a discount only program, an insured exam/discounted materials program and an eye exam/materials insured program, with insured plan provisions.
2. Recommending benefits once every 24 months, requires 24 months between services.
3. If a network is not available use a coinsurance arrangement. Example the member would be responsible for 20% of allowable expenses, to a maximum benefit of, say \$200, per 24 months.

*Rating –*

1. Use the same as for the dental program.

Long Term Care (LTC) –

*Eligibility –*

1. Look at the option of Group LTC to get away from the individual underwriting.
2. Consider allowing parents and parents-in-laws of employees to enroll.

*Plan Design –*

1. Look at claim-based model vs. a fixed dollar, indemnity benefit.
2. Consider eliminating the five-year benefit duration, and instead seeking options for two-year and three-year durations.
3. Look at incremental cost impact of no; simple and compound inflation protection.
4. Seek quotes/information on claims-based vs. indemnity benefit provisions.

*Rating –*

1. For purposes of comparison, entertain both group and individual policy approaches.
2. Continue the current approach of entry age basis of determining premium.

Wellness Benefit (Informational)

Ms. Allen indicated that at the September meeting, the Board approved a wellness benefit up to the amount of \$1800.00 for an on-site flu shot clinic for employees of the Department of Corrections. The Board requested a follow-up with the department to find out what would happen with any unused vaccine not administered to its employees. The controller at the Department of Corrections informed staff that any vaccine left would be distributed to the inmates.

### Flu Shot (Informational)

Ms. Allen indicated as reported at the August Board meeting, UND Family Practice Center in conjunction with NDPERS will again offer free flu shots to members and their eligible family members. The first clinic is scheduled at the UND Family Practice Center on Thursday, November 1<sup>st</sup> from 4:00 to 6:15 PM. Again due to limitations on supply's the first clinic will be limited to the over 65 years of age and members and their family members at higher risk. UND Family Practice Center is planning to conduct 4 to 6 clinics in late November and early December. NDPERS is working with UND staff on the communication media to notify our members of the upcoming and future clinic schedules.

### Dental Insurance Qualifying Events for Retiree Enrollment (Board Action Requested)

Ms. Allen indicated that currently retirees are eligible to participate in the group dental plan so long as they are receiving a retirement benefit from one of the retirement systems and administered by NDPERS or if receiving a benefit from TIAA-CREF, TFFR or Job Service. If enrolled in the plan at the time of retirement, they may elect to continue that coverage; otherwise, they may enroll during the annual open enrollment period. Ms. Allen indicated that the Board has previously reviewed the policy of allowing retirees to participate in the annual open enrollment for the group health plan. According to Section 54-52.1-03.3, retirees may enroll in the group health plan within 31 days of a qualifying event. Ms. Allen indicates that staff is proposing that the same qualifying events be applied to retirees for enrollment opportunities in the group dental plan and that we eliminate the eligibility for the annual open enrollment. Also staff has identified the following two options:

1. Allow retirees one more open enrollment in 2002.
2. Amend our current contract to implement his provision effective 1/1/02.

This will allow consistent administration concerning retirees eligible for health and dental coverage as well as address any adverse risk issues. Ms. Allen indicated that staff has presented this to ReliaStar, for review and also requested experience reports detailing claims experience between the active and retiree groups. Ms. Allen indicated that ReliaStar in reviewing this proposal felt that this was a positive step. Ms. Allen also indicated that regardless of which option the Board approved, staff recommends that we include the "qualifying events" criteria in our RFP.

**Mr. Sage moves approval of staff recommendation option 2 with the effective date January 1, 2002. There would be an open enrollment in 2002 with the new provider and future enrollment for retirees would be based on the qualifying events. An amendment to our current contract with ReliaStar would add the qualifying event and the effective date of January 1, 2002.**

**Mr. Leingang seconds the motion.**

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

**Nays:** None

## **PASSED**

### Surplus/Affordability Update (Informational)

Mr. Reinhardt provided an overview of the Surplus/Affordability Updates to the Board. This Update is on file at the North Dakota Employees Retirement Systems office.

### Quarterly Health Graphs (Informational)

The Quarterly Health Graphs were provided in the board materials for review. Mr. Reinhardt provided an overview to the Board.

## **FLEX COMP PROGRAM**

### Legislator Flex Program Implementation (Informational)

Ms. Allen indicated that HB 1449, passed by the last legislature, allowing members of the legislative assembly to participate in the Section 125 Flex Comp program. The legislators were notified of the upcoming annual open enrollment. An issue has arisen that must be resolved in the upcoming months, that is how to define the legislators' compensation. Currently their compensation is defined in statute. Staff is working with members of the Council and The Segal Company on this issue and staff will keep the Board informed on its progress.

## **MISCELLANEOUS**

### Pre-Retirement Education Program (Informational)

Ms. Allen indicated that the annual NDPERS sponsoring Pre-Retirement Education Program for its members is scheduled for November 14, 2001 at the Seven Seas in Mandan. The cost is \$15.00 per member free of charge for spouses. Limited to 200 participants.

### Office Space (Informational)

Mr. Collins indicated since the last meeting PERS was approached by the Office of Management and Budget and offered the opportunity to move into the new Worker's comp Building in July of 2003. PERS has declined.

### November 15<sup>th</sup> Board Meeting (Informational)

Mr. Collins reminded the Board that we would be going to Fargo.

### November 20<sup>th</sup> Board Meeting (Informational)

Mr. Collins reminded the Board that this meeting is for the purpose of the Retirement Benefit Planning.

### July 17, 2001 PERS Audit Committee Minutes (Informational)

The minutes were provided in the board materials for review.

USSERA (Informational)

Mr. Collins indicated that staff has had questions on the Veterans requirements. On the health insurance plan staff has received the advice from the Attorney Generals Office that an employer can not pay for the health insurance of a reservist when they are gone, therefore we have gone to follow the leave of absence procedure.

On retirement we have an Attorney Generals Opinion from the early 90's however, there has been changes in the National Veterans law since that opinion was originally rendered so staff has requested another examination of this from the Attorney General. Staff will be advising agencies of that.

Mr. Collins indicated that we do not have a leave of absence policy for the EAP program. At this point the EAP is not provided to the reservist. Mr. Collins inquired of the Board whether or not to work with the providers in offering this program at the cost of the reservist.

Mr. Sage requested that the EAP be available. Mr. Collins indicated that staff will go back to the providers and start to develop a policy.

Chairman Strinden calls for any other business.

Ms. Tabor inquires of a Pension conference in November as to the number of Board members to attend.

**Ms. Tabor moves approval of 2 Board members to attend  
Mr. Sage seconds.**

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

**Nays:** None

**PASSED**

Chairman Strinden calls for any other business, hearing none the meeting adjourned at 1:50 PM.

*Respectfully Submitted*

*Denise A. Curfman*

*Denise A. Curfman  
Secretary, NDPERS Board*