

MINUTES

**North Dakota Public Employees Retirement System
Thursday, April 21, 2005
ND Association of Counties, Bismarck
BCBS, 4510 13th Ave SW, Fargo**

Members Present:

Mr. David Gunkel
Mr. Howard Sage
Mr. Ron Leingang
Ms. Arvy Smith

**Via Video Conference:
Fargo**

Mr. Jon Strinden
Ms. Rosey Sand

Absent:

Ms. Tabor

Others Present:

Mr. Scott Miller, Attorney General's Office
Mr. Sparb Collins, Executive Director NDPERS
Ms. Denise Curfman, NDPERS
Ms. Deb Knudsen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Cheryle Masset-Martz, NDPERS
Ms. Diane Heck, NDPERS
Ms. Onalle Sillheim, BCBS
Mr. Larry Brooks, BCBS – Fargo
Mr. Howard Snortland, AFPE
Mr. Weldee Baetsch, Former Board Trustee
Ms. Tami Wahl, AFPE/INDSEA
Mr. William Forna, GRS
Mr. Michael Carter, GRS

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

Minutes

Chairman Strinden called for any questions or comments regarding the NDPERS Board minutes for March 17, 2005.

Mr. Leingang approved the March 17, 2005, NDPERS Board minutes. Mr. Gunkel seconds.

Actuarial Audit (Information)

Mr. Michael Carter and Mr. William Fornia, from Gabriel, Roeder, Smith & Company (GRS), appeared before the board and provided the board with the findings of the actuarial audit they completed on three of the four retirement plans, administered by NDPERS, which the Board requested. GRS noted that the audit went well and they were able to match the Segal results. The report was included in the board materials.

Asset Liability Study (Board Action Requested)

Mr. Collins indicated that the Investment Subcommittee has met several times during the last couple of months to discuss the upcoming asset liability study (ALS). This effort is scheduled to begin after the completion of the actuarial audit and experience study. The ALM was a part of the recent RFP process that was awarded to Segal. Since then SEI has offered to do an ALS at no charge. The Investment Subcommittee is suggesting that SEI do an ALS this fall before having Segal initiate their efforts. The purpose in following this sequencing is that if the product produced by SEI meets all the needs the committee is then suggesting that Segal not precede with the effort and save the \$49,000 in fees.

Mr. Sage moved approval of having SEI conduct the Asset Liability Study. Mr. Gunkel seconds.

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

Nays: None

Absent: Tabor

PASSED

Amended Provider Agreement (Informational)

Ms. Allen indicated that at the January meeting, the Board approved amending the Provider Administrative Agreement regarding the current procedures to authorize new agents to provide plan services and to clarify the administrative requirements for participating deferred comp plan providers to accept rollovers from other eligible plans into 457 accounts. On February 23rd a certified letter along with the approved contract amendments was sent to the provider company contacts with a comment deadline of March 18, 2005. Responses were received from the following five companies: Equitable, Jackson National, Nationwide, Symetra, and VALIC.

All of the above indicated that the proposed agent authorization procedures were acceptable and that their systems have already been enhanced to account for rollovers from other eligible plans. As no other providers responded, it is assumed the amendments are acceptable. Therefore, the agreement will be sent to all provider companies for authorization with a response deadline of May 20, 2005.

Health Rates (Board Action Requested)

Mr. Collins indicated that included in the board materials were the proposed rates for the next biennium. These rates include an allocation of an average of \$24.52 per contract per month reduction in premium to all groups on the plan before July 1, 2005. This is the amount of the estimated gain that is being allocated back to all contracts. In addition the original premium is reduced by 20 cents as a result of PERS reducing its administrative fee. As originally projected the cost of the buy down for the biennium was \$14 million. However BCBS has increased this to \$14,233,566 as a result of a review of the number of contracts. Not included in these rates is the additional 1% for employers that do not participate in the employer based wellness program,

their rates will be 1% higher than the PERS billed rate. The buy down amount is allocated across contracts in the same manner as last session and includes the following:

- For state contracts the \$24.52 is deducted from the required state premium (\$578.46-24.52 = 553.94).
- For political subdivisions the buy down is prorated to the single and family contracts in a manner that produces a level percent increase equal to the state increase.
- For retirees the buy down is allocated so the pre-Medicare rate is consistent with statutory formula off of the PERS billed rate. For the Medicare retiree rates the buy down is allocated to produce a uniform rate increase.
- Wellness programs and disease management are allocated across all contracts (\$3.48).
- Certain rate categories are rounded to an even number to accommodate the Higher Ed payroll procedures
- PERS administration is \$2.80 and allocated across all contracts.
- Rate structure A is for all contracts enrolled prior to July 2005.
- Rate structure B is for all contracts enrolled after June 30, 2005.

Ms. Smith moved approval of the proposed health rates for the next biennium. Ms. Sand seconds.

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

Nays: None

Absent: Tabor

PASSED

Health Plan SPD (Board Action Requested)

Ms. Allen indicated that the copy of the draft SPD for active employees was included in the board materials. Changes are the result of requests by NDPERS and the BCBS benefit rewrites for 2005. Mr. Collins noted the issue of member rebates accounts is to be reviewed by the board at the May meeting. The wording in the SPD assures we will offer the accounts.

Mr. Gunkel moved approval of the draft health SPD. Mr. Leingang seconds.

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

Nays: None

Absent: Tabor

PASSED

Heart of America HMO (Board Action Requested)

Ms. Allen indicated that included in the board materials was the request from Heart of America in Rugby to offer its HMO membership to state employees in its Rugby service area. The term of this renewal is from July 1, 2005 through June 30, 2006. The new rates are included in the materials provided by Heart of America. The premiums increased by approximately 8% for single coverage, 5.7% for SPD coverage, and 4% for family coverage across all three options.

Mr. Gunkel moved approval of the Heart of America contract for the Rugby area. Ms. Smith seconds.

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

Nays: None

Absent: Tabor

PASSED

Life Insurance (Informational)

Mr. Collins indicated that since the last board meeting staff has begun the process to implement the decision of the board to transfer the life insurance from ING to Prudential. The first step was to confirm the rates. Included in the board materials were the final confirmed rates. Staff will be sending notice to the retirees in the next several weeks. Staff has also begun modifying the billing systems to provide a separate rate for the retirees. Secondly staff met with Prudential to confirm that their business system would be compatible with PERS. After reviewing all aspects of the life system, Prudential agreed that they could interface with our business system. Mr. Collins indicated that Mr. Scott Miller reviewed with Prudential some of our legal requirements and discussed with them what requirements they had in order to determine whether or not we could agree to the final contract. All issues were resolved.

Worksite Wellness (Informational)

Mr. Collins indicated that staff has begun the process in implementing the worksite wellness effort. Attached in the board materials were two letters; the first is to all employers seeking their participation in the program, and the second is a letter to the PERS designated contact in each employer group updating them on this effort.

2004 EAP Utilization (Informational)

Mr. Reinhardt reviewed with the board the 2004 EAP Utilization. This report was included in the board materials.

Surplus/Affordability Update (Informational)

Mr. Reinhardt indicated that the latest Surplus/Affordability report was included in the board materials.

Appeal 2005-001D (Board Action Requested)

Chairman Strinden asked for all members of the public to leave the meeting room. The meeting went into Executive Session under NDCC section 44-04-19.1(7), at 10:35 AM.

Chairman Strinden opened the meeting to the public at 11:10 AM.

Mr. Gunkel motioned for denial of appeal 2005-001D. Mr. Sage seconds.

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

Nays: None

Absent: Tabor

PASSED

Appeal 2005-002R (Board Action Requested)

Chairman Strinden asked for all members of the public to leave the meeting room. The meeting went into Executive Session under NDCC section 44-04-19.1(7), at 11:15 AM.

Chairman Strinden opened the meeting to the public at 11:25 AM.

Appeal 2005-002R was withdrawn by appellant.

Appeal 2005-003DC (Board Action Requested)

Chairman Strinden asked for all members of the public to leave the meeting room. The meeting went into Executive Session under NDCC section 44-04-19.1(7), at 11:30 AM.

Chairman Strinden opened the meeting to the public at 11:40 AM.

Ms. Sand motioned to approve appeal 2005-003DC. Mr. Leingang seconds.

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

Nays: None

Absent: Tabor

PASSED

Board Chair Appointment (Informational)

Mr. Collins indicated that the Governors Office a reappointed Mr. Jon Strinden to a new term as the Board Chair effective August 1, 2005 – July 1, 2010.

PERS Work Plan Annual Report and Plan for 2005 (Board Action Requested)

Mr. Collins indicated that included in the board materials were the 2004 and 2005 work plans. The 2004 work plan provides an update on all efforts. Mr. Collins also indicated that the 2005 Business Plan provides in addition to the regular program work PERS will be working on some of the following special efforts:

- Implementing the new Employer based wellness program
- Working on the actuarial audit and experience study
- Doing an Asset Liability Study
- Developing new work flow procedures for the group insurance area
- Enhancing our electronic reporting by employers
- Review the feasibility of electronic signatures for retirement, group insurance and flex
- Implementing an employee wellness effort pilot program with UND
- Conduct a wellness plan pilot with selected agencies
- Implementing a disease management program as part of the health plan
- Transition life vendor
- Conduct a study of present data management system
- Review the feasibility of sponsoring an annual summer retiree meeting in Medora
- Conduct our biennial payroll conference
- Do an RFP process for the EAP and agency selection procedure
- Updating our PC hardware
- Finalize our considerations on transferring Rx networks
- Implement a mail order option in the health plan
- Review our LTC program
- Implement legislative changes

Mr. Leingang moved approval of the 2005 Business Plan. Ms. Smith seconds.

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

Nays: None

Absent: Tabor

PASSED

Legislative Update (Informational)

Mr. Collins indicated that included in the board materials is the latest status reports for the bills PERS is following relating to PERS benefits.

EBRI Research Paper (Informational)

Mr. Collins indicated that included in the board materials is the Employee Benefits Research Institute's April 2005 edition of EBRI Notes, which features the study, "Benefit Cost Comparisons between State and Local Governments and Private Sector Employers."

Review

Chairman Strinden indicated that the executive director's review is due and is looking for a committee to work on the review. Mr. Gunkel and Ms. Smith volunteered for the committee.

NASRA Annual Meeting (Board Action Requested)

Mr. Collins indicated that the annual meeting is in Alaska this year. Because of its location the Board needs to approve or deny my attendance to this conference.

Mr. Gunkel moved approval for Mr. Collins to attend the conference in Alaska. Ms. Smith seconds.

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

Nays: None

Absent: Tabor

PASSED

Chairman Strinden called for any additional items, hearing none the meeting adjourned at 11:50 AM.

Respectfully Submitted

Denise A. Curfman

*Denise A. Curfman
Secretary, NDPERS Board*