

Minutes
North Dakota Public Employees Retirement System
Thursday, August 18, 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. Geri Frohlich, NDPERS
Ms. Kathy Allen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Cheryle Masset, NDPERS
Mr. Scott Miller, Attorney General's Office
Ms. Connie Flanagan, RIO
Mr. Steve Cochrane, RIO
Ms. Leslie Thompson, Segal
Mr. Howard Snortland, AFPE
Mr. Weldee Baetsch, former Board Trustee
Ms. Jody Buhr, NDPEA
Ms. Gisele Thorson, NDPEA
Mr. Bill Kalanek, AFPE

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 July 18, 2005 meeting.

MR. LEINGANG MOVED APPROVAL OF THE July 18, 2005 NDPERS BOARD MINUTES. MS. SMITH SECONDED THE MOTION.

GROUP INSURANCE

Wellness Pilot Update (Informational)

Dr. Nancy Vogeltanz-Holm from UND appeared before the Board to provide an update on the Wellness Pilot Program. She indicated four sites had been selected and they are:

- √ Department of Commerce
- √ OMB
- √ Tax Department
- √ Historical Society

Meetings are set up with these agencies on September 5 and 7, 2005 to explain the program. Agencies have also been asked to complete a wellness questionnaire and they are compiling that data. She also indicated that it is expected that the wellness programs will begin in October 2005.

RETIREMENT

Normal Cost (Informational)

Ms. Leslie Thompson from Segal appeared before the Board to review their assessment of the difference between the GRS and Segal normal cost methods.

Segal found that in comparing the normal cost on the test life the present value of benefits pursuant to both methods were equal; the accrued liability was equal; and that the present value of the future normal costs was equal. She indicated there was no shifting between normal costs and accrued liability.

Segal found that to the extent a difference did occur it was due to the first year salary used to develop the temporary annuity. Segal uses actual first year salary. GRS uses actual first year salary with application of probability of death, disability or withdrawal.

Segal has a higher normal cost per shorter period. If employee terminates or is disabled early there is a slight gain because you have paid a little bit more. GRS method uses a lower normal cost for a longer period and if the same thing happens you could have a loss because you haven't paid fully for that amount.

After discussion it was suggested that Segal review a past actual valuation to determine which method most accurately reflected our past experience.

MR. GUNKEL MOVED APPROVAL TO GO FORWARD AND DO A LOOKBACK AND GET A HISTORY OF OUR EXPERIENCE OVER THE LAST FIVE OR TEN YEARS. MR. LEINGANG SECONDED THE MOTION.

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

Nays: None

PASSED

Law Enforcement Transfer (Informational)

Mr. Collins presented a letter from the company of Gabriel, Roeder, Smith and Company relating to their audit of the Law Enforcement Plan stating the asset transfer method used when that plan was created was accurate and was conducted in accordance with generally accepted actuarial standards of practice. No further action is required.

Experience Study (Informational)

Ms. Leslie Thompson, Segal Company, presented a power point presentation concerning the experience study. She noted:

- A study is conducted every five years where they review the actual experience is compared/tested for each assumption to determine its continuing accuracy. Key assumptions are economic (investment return and salary scale) and demographics (what happens to people).
- Segal recommends changing the inflation assumption from 4.5% to 3-3.5%.
- No change is recommended in the salary assumptions.
- Segal recommends lowering the withdrawal rates.
- No change is suggested relating to disability.
- Segal recommends lowering the rates for Non-Rule of 85 retirements.
- Segal recommends setting back male mortality by one year for both pre and post retirement.

The next step will be to lay out the above recommendations and line them up against the actual audit recommendations. It was also noted that any changes made would be for the 2006 evaluation.

Annual Investment Review (Informational)

Mr. Cochrane, Retirement and Investment Office, reviewed the progress of the fund and its asset allocation. He reviewed the Statement of Investment Goals, objectives and policies and the performance report of the NDPERS funds. In addition, the performance of the Job Service Retirement Plan and Retiree Health plan was reviewed.

Mr. Sage also indicated the Investment Committee had met with Mr. Cochrane concerning the reallocation process due to the changes in asset allocation and that all questions were answered and no additional questions remained.

Highway Patrol Indexing (Board Action Requested)

It is necessary for the NDPERS Board to determine the rate to be used in establishing the index factor for deferred members of the Highway Patrol. It has been NDPERS policy to solicit input and recommendation from the Highway Patrol leadership. Staff indicated that it was their recommendation and the Highway Patrol's recommendation to set it at 4% based upon the action of the last legislature.

MS. TABOR MOVED THAT THE DEFERRED MEMBERS OF THE LEADERSHIP OF THE HIGHWAY PATROL HAVE THEIR FINAL AVERAGE SALARY INDEXED BY FOUR PERCENT. MR. GUNKEL SECONDED THE MOTION.

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

Nays: None

PASSED

GROUP INSURANCE

Medicare Rx (Informational)

Mr. Collins reviewed the activity of the Medicare Rx retiree working group. He indicated the retiree group had reviewed many options but decided to focus on two. The first was to apply for the federal subsidy and the second was to enroll all the members in the BCBS Medicare prescription drug plan. The committee asked Segal to develop information relating to the subsidy and Blue Cross Blue Shield (BCBS) to develop some cost information relating to a prescription drug plan (PDP) with NDPERS duplicating the present coverage. The financial information supplied to the committee indicated that if NDPERS applied for the financial subsidy it could be eligible for about 1 million annually to subsidize premiums. However, if NDPERS participated in the prescription drug plan (PDP) its members could be eligible for 3 million in premium reductions.

After reviewing the above information, the retiree committee suggested to go the PDP route for 2006 and 2007. They also recommended NDPERS try and match its present plan as much as possible.

MR LEINGANG MOVED TO PROCEED WITH THE PDP ROUTE. MS. SMITH SECONDED THE MOTION.

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

Nays: None

PASSED

Rx Network (Informational)

Mr. Collins reviewed a memo from BCBS indicating they are going with the Prime National Network effective December 1, 2005.

Life Administrative Agreement (Board Action Requested)

Ms. Allen appeared before the Board to review life administrative agreement from the Prudential Insurance Company of America. She indicated the document had been reviewed by Mr. Miller, legal counsel, and he had approved it as presented. Staff recommended approval of the administrative agreement.

MR LEINGANG MOVED TO APPROVE OF THE ADMINISTRATIVE AGREEMENT. MR. GUNKEL SECONDED THE MOTION.

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

Nays: None

PASSED

Flu Shots (Informational)

Ms. Allen updated the Board regarding the current flu shot program for state employees this fall. The Board discussed offering this program again in conjunction with the Center for Family Medicine.

MS SMITH MOVED TO WORK WITH THE CENTER FOR FAMILY MEDICINE FOR THE FLU SHOT PROGRAM AND THAT WE WOULD FOLLOW THE APPROPRIATE COMMUNITY STANDARDS AS STATED. MS TABOR SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sage, Tabor, Smith and Chairman Strinden
Nays: None

PASSED

EPO Enrollment Update (Informational)

EPO enrollment was conducted from May 23 through June 24, 2005. A breakdown of enrollment was presented. MedCenter and Primecare rejoined the EPO network. Both had excellent enrollment in their respective networks.

Medical Plan Update (Informational)

Mr. Reinhardt appeared before the Board to provide a medical plan update. He noted that generic drug use is up and overall costs increased about 6% from the 2003 report. A similar individual report was produced for the 35 groups with over 100 employees.

The total NDPERS group is quickly approaching \$200 per member, per month (per capita) in plan paid health care expenses.

FLEXCOMP

Plan Document Changes (Board Action Requested)

Ms. Allen appeared before the Board and indicated that staff recommended that we continue to monitor the developments relating to the regulations of Notice 2005-42 and not move forward until IRS has resolved the issues and provided definitive guidance with regard to implementation and administrations of these provisions.

Ms. Melanie Walker, Segal, also appeared before the Board and reviewed the outstanding questions that are yet to be resolved by the IRS. It was noted that these issues will not be resolved by the beginning of NDPERS open enrollment. After discussion it was suggested that NDPERS not modify its Plan Document or extend the "use it or lose period" until the IRS provides guidance on the outstanding issues.

MR GUNKEL MOVED THAT THE PLAN DOCUMENT CHANGES NOT GO FORWARD UNTIL THE ISSUES REGARDING THE REGULATIONS ARE RESOLVED. MS SMITH SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sage, Smith and Chairman Strinden
Nays: None

PASSED

DEFERRED COMPENSATION

Provider Report – Kathy (Informational)

Ms. Allen appeared before the Board and advised the Board that she had not heard back from Chase Insurance concerning the contract amendment and the letter requesting a response. She indicated the time period for responding was August 25. Generally if no response is provided within the requested timeframe a provider loses their active provider status.

MR. LEINGANG MOVED TO HAVE STAFF GO FORWARD WITH THE LOSS OF ACTIVE PROVIDER STATUS WITH CHASE INSURANCE IF NO RESPONSE IS RECEIVED WITHIN THE REQUESTED TIMEFRAME. MS SMITH SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sage, Smith and Chairman Strinden
Nays: None

PASSED

Plan Document Changes (Board Action Requested)

Ms. Allen reviewed with the Board proposed changes to the Deferred Compensation Plan Document. She indicated the changes revised the small benefit cash out provision in section 8.3 in the 457 plan and 9.3 in the Companion Plan. In addition, the provision allowing the distribution of these accounts at the discretion of the Board was changed to require participant consent before cash out.

The proposed changes also added a new provision, section 8.4(c) in 457 Plan and 9.4(c) in Companion Plan, that permits an in-service transfer to purchase service credit in a governmental defined benefit plan and added a new provision, section 9.8(d) in the 457 plan and 10.8(d) in the Companion Plan, that permits eligible rollover distributions from another eligible retirement plan.

MR GUNKEL MOVED APPROVAL OF THE AMENDED PLAN DOCUMENT CHANGES. MS SMITH SECONDED THE MOTION.

Ayes: Leingang, Gunkel, Sage, Smith and Chairman Strinden
Nays: None

PASSED

MISCELLANEOUS

Quarterly Consultant Fees (Informational)

A report indicating the consulting, investment, and administrative fees paid during the quarter ending June 2005 was included with the board materials.

Next Board Meeting is scheduled for September 15, 2005.

Ms Smith conveyed she will not be in attendance.

NASRA

Mr. Collins indicated he had been elected to serve on the NASRA executive committee. This will involve participating in several board meetings during the year that are generally held on the weekends. NASRA will pay travel expenses if approved by the NDPERS Board.

MR GUNKEL MOVED THAT THE BOARD ALLOW MR COLLINS TO ACCEPT NASRA REIMBURSEMENT FOR ITS EXECUTIVE COMMITTEE MEETING. MS SMITH SECONDED THE MOTION.

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Ayes: Leingang, Gunkel, Sage, Smith and Chairman Strinden
Nays: None

PASSED

Salary Increase for NDPERS Executive Director

The Board discussed whether or not a 4% increase should be provided to the Executive Director.

MR. GUNKEL MOVED TO PASS A 4% WAGE INCREASE FOR THE NDPERS DIRECTOR. MR LEINGANG SECONDED THE MOTION.

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

PASSED

Special Board Meeting

Mr. Collins mentioned that a special board meeting date had been selected and it was October 26, 2005. Further discussion will be held regarding this meeting at the September meeting.

Mr. Gunkel's Retirement Announcement

The Board was informed that Mr. Gunkel will be retiring on 10-31-05. Mr. Sage, Mr. Leingang and Mr. Strinden volunteered to be on the election committee to seek a replacement.

Chairman Strinden called for any other business or comments. Hearing none, the meeting was adjourned at 12:00 p.m.

Prepared by,

Geri Frohlich
Administrative Assistant