

MINUTES

North Dakota Public Employees Retirement System
Monday August 30, 2004
Fort Totten Room, State Capital, Bismarck

Members Present:

Chairman Jon Strinden via phone
Mr. David Gunkel
Mr. Howard Sage
Mr. Ron Leingang
Ms. Rosey Sand via phone
Ms. Arvy Smith

Absent

Ms. Sandi Tabor

Others Present:

Mr. Scott Miller, Attorney General's Office
Mr. Sparb Collins, Executive Director NDPERS
Ms. Denise Curfman, NDPERS
Ms. Kathy Allen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Cheryle Masset-Martz, NDPERS
Ms. Rhonda Peterson, BCBS
Mr. Larry Brooks, BCBS
Mr. Tom Tupa, SEA/AFPE
Ms. Tami Wahl, INDSEA & AFPE
Ms. Chris Runge, NDPEA AFT 4661
Mr. Howard Snortland, AFPE
Mr. Jim Flemming, Child Support

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 July 28, 2004.

Mr. Leingang indicated a change to the minute's attendance to show that he was at the meeting instead of Mr. Baetsch.

Mr. Gunkel moved approval of the July 28, 2004, NDPERS Board minutes with the change in the attendance from Mr. Baetsch to Mr. Leingang. Mr. Sage seconds.

Health Bid (Board Action Requested)

Mr. Collins indicated that included in the board materials was the analysis of the group insurance bids from Gallagher Benefits Services (GBS). Mr. Bill Robinson, from GBS, appeared before the board and provided the board with a summary of the health bid. It was noted that two bids were received, one from BCBS and one from CoreSource. The bid from CoreSource was only for the Retiree group and it did not meet all the bid specifications.

Mr. Collins also indicated that included in the board materials was an overview of the proposed rates compared to the present billed rates and rate that are paid to BCBS.

The Board decided to proceed by reviewing each issue relating to the bid from BCBS.

The first issue was disease management.

Mr. Collins indicated that at the January 2004 PERS Board meeting, BCBS presented information relating to our plan's utilization and Dr. Dwelle appeared before the board to present information on disease management programs. BCBS information indicated that the PERS plan utilization was slightly higher than non-NDPERS plans. Dr. Dwelle indicated that disease management presented an opportunity for PERS to mitigate some of the cost increases. It was further noted that disease management programs are generally implemented for high prevalence conditions or complex conditions associated with significant variation in clinical practice or for conditions comprising high volume or high costs. This strategy directly relates to managing the cost relating to that 20% of members who consume 80% of our costs. Given this opportunity PERS included in the RFP a request for information on adding a Disease Management strategy to our plan. The information from BCBS indicates that the cost for a disease management program from Health Dialog would be \$2.98 per contract per month. Mr. Collins indicated that staff recommended that PERS continue to pursue this option by including this cost in the proposed premium and having Health Dialog appear before the board at its September or October meeting. Also, recommended that staff explore the North Carolina model as well.

Mr. Sage moved approval of staff recommendation to include the \$2.98 per contract per month in the proposed premium in the budget. Ms. Smith Seconds.

Ayes: Sand, Sage, Smith, and Chairman Strinden.

Nays: Leingang and Gunkel,

Absent: Tabor

PASSED

The second issue was a member specific wellness program.

Mr. Collins indicated that in June the board heard a presentation from Ms. Nancy Vogeltanz-Holm from the Center for Health Promotion concerning Wellness Programs. This effort was initiated in recognition of the fact that while 80% of the members only consume 20% of the costs. Something still needs to be done for this group to limit the number that may develop conditions that will result in them becoming one of the 20% that consume 80% of our costs. It

further recognized the importance of encouraging a positive lifestyle and how that relates to the health plan costs:

Ms. Nancy Vogeltanz-Holm and her staff researched for PERS effective strategies to achieve the goal of encouraging members to have a more positive lifestyle. One of the basic conclusions was to provide employees the opportunity to complete a yearly health risk appraisal and receive individualized feedback, health coaching and recommendations for improving or maintaining health. Included in the board materials was an overview of that concept. Mr. Collins indicated that staff was recommending that PERS pilot this effort in the next biennium in several of the employer groups to determine if a more intensive wellness effort such as this will help to reduce the trend.

Ms. Smith moved approval of staffs' recommendation. Mr. Sage seconds.

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

Nays: Leingang

Absent: Tabor

PASSED

The third issue was adding a mail order option.

Mr. Collins indicated that in February of this year the board heard several presentations concerning the addition of a mail order Rx option to the plan. The first presentation was from the pharmacy benefits manager Prime Therapeutics and the second presentation was from Galen Jordre of the North Dakota Pharmacy Association. Prime indicated that the pros to offering this option are that it can be convenient and less costly for the member and the plan. Mr. Jordre indicated that some of the concerns with this option are that it would be detrimental to the pharmacies, the beneficiaries they serve and the public as a whole. After these presentations it was decided to include in the RFP a provision asking for a mail order option. This has been provided by BCBS in its response. It should be noted that adding this option will not decrease the premium but could cause us to have a greater surplus if it does reduce our expected claims for prescription drugs. Mr. Collins indicated that staffs recommendation is to add the mail order to the plan as an option.

Mr. Gunkel moved approval of staffs' recommendation to add the mail order to the plan as an option. Ms. Smith seconds.

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

Nays: None

Absent: Tabor

PASSED

The third issue was the Rx benefit..

Mr. Collins indicated that during the past year the board reviewed the present Rx plan design. It was noted that the plan does not have a maximum on the out of pocket expenses for the members.

Mr. Collins indicated that there are 555 members that pay more then \$1,000 out of pocket for drugs with 21 members paying more then \$4,000. Consequently, in the RFP we included a request on the cost of adding a \$1,000 out of pocket maximum to our plan design to address this issue. BCBS indicated that this change would cost about \$1.10 per contract per month. Mr. Collins indicated that staffs' recommendation is to propose modifying the plan design to put a \$1,000 max on out of pocket for Rx.

Mr. Sage moved approval of staffs' recommendation to propose modifying the plan design to put a \$1,000 max on out of pocket for Rx at a cost of \$1.10 per contract per month. Ms. Sand seconds.

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

Nays: Gunkel

Absent: Tabor

PASSED

The fourth issue was the addition of a Rx rebate program for members.

Mr. Collins indicated that at the October 2003 Board meeting the Board reviewed a new pharmacy program they were putting into place for its fully insured lines of business. The program outline was included in the board materials. This program relates to the rebates PERS receive for the prescription drug business. This program was initiated to reduce BCBS's exposure to possible legal liability relating to these rebates. After consideration, the PERS Board elected not to participate in the program this biennium. In the proposed bid BCBS is requiring PERS to participate in the program as part of its contract with BCBS. In discussing this with BCBS they indicated they would waive this condition only if PERS indemnified them on this issue. Mr. Collins indicated that staffs' recommendation is to follow the BCBS proposal if they agree to indemnify PERS.

Mr. Gunkel moved approval of staffs' recommendation to follow the BCBS proposal if they agree to indemnify PERS. Mr. Leingang seconds.

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

Nays: None

Absent: Tabor

PASSED

The fifth issue was EPO reimbursement.

Mr. Collins indicated that during the last year the board directed staff to look at the EPO and how it could be changed to encourage broader participation by providers. Staff had several meetings with BCBS. It was also discovered during those meetings that some new difficulties had arisen relating to our present reimbursement methodology. BCBS appeared before the board at the May 2004 meeting to, review these issues and discuss an alternative methodology using global targeting. This alternative has been included in the proposal and would be the new method for 2005 – 2007. As part of this conversion, BCBS would again approach all providers to determine their interest. Providers in Bismarck have indicated that they would be willing to review this new method. Mr. Collins indicated that staffs' recommendation is to move to the global target reimbursement method.

Mr. Sage moved approval of staffs' recommendation is to move to the global target reimbursement method. Ms. Smith seconds.

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

Nays: None

Absent: Tabor

PASSED

The sixth item reviewed was several alternative plan designs.

Mr. Collins indicated that the Legislative Employee Benefits Committee requested some information on plan design changes and this was requested in the bid. Included in the board materials were several tables showing several plan design changes and how those changes

would affect the premiums. Mr. Collins indicated that the information will be given to the Legislature Employee Benefits Committee and executive branch.

The seventh item discussed was the expected gain for 2003-2005.

Mr. Collins indicated that for the 2005-2007 biennium GBS had projected in gain available for buy down based upon three scenarios – high, medium and low probability. The scenarios were in the board materials. Staffs' recommendation is to suggest to the Governor and Legislature to use \$14,000,000 for premium planning purposes for the 2005-2007 biennium.

Mr. Leingang moved approval of staffs' recommendation to use \$14,000,000 for premium planning purposes for the 2005-2007 biennium. Mr. Gunkel seconds.

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

Nays: None

Absent: Tabor

PASSED

The eight issue was the wellness benefit program.

Mr. Collins indicated that the Wellness benefit program has always been a part of the BCBS rate. BCBS broke this out in their bid. Staff had asked them to review this and include this as part of their administrative fee as they have done previously. Mr. Collins indicated that staffs' recommendation is to continue to include this as part of the BCBS administrative fee.

Ms. Smith moved approval of staffs' recommendation is to continue to include this as part of the BCBS administrative fee. Mr. Gunkel seconds.

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

Nays: None

Absent: Tabor

PASSED

The ninth issue is the February re-projection if fully insured.

Mr. Collins indicated that in the RFP the providers were asked if they would be willing to do a re-projection of their rates in February of the 2005 and if warranted reduce their rates. BCBS indicated they would be willing to do this in February. Mr. Collins indicated that staff recommendation is to accept this provision and do the re-projection in February of 2005 and provide that information to the legislature.

Ms. Smith moves approval of staffs recommendation is to accept this provision and do the re-projection in February of 2005 and provide that information to the legislature. Mr. Sage seconds.

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

Nays: None

Absent: Tabor

PASSED

The last issue discussed was interest on the funds held by BCBS. It was noted that prior to six years ago PERS would receive interest on all account balances. However, in an effort to reduce premium as part of the bid at that time PERS agreed to give up interest in return for a reduction of premium. With this bid it was not noted that premiums are reduced because BCBS was not paying interest. Therefore staff recommended that PERS should again request interest on all funds held by BCBS. They asked staff to pursue this issue with BCBS.

Based upon the above direction it was decided that staff should talk with BCBS about the issues and report back at the September meeting.

Rx Dakota (Board Action Requested)

Mr. Collins indicated that PERS participation with BCBS has met that the pharmacy plan has been through the Rx Dakota network. This network was developed by BCBS of North Dakota. With BCBS partnering with Prime Therapeutics it means that their Rx provider network is also available to BCBS participating groups as an alternative. Mr. Tom Christenson, Director of Pharmacy Management, A representative of BCBS appeared before the board to explain the difference between the two networks. The primary difference is that the Rx Dakota network is more comprehensive but more costly. The Prime network is less costly but not as comprehensive in North Dakota. The difference in cost between the two networks can be as much as \$2 per script and a lower AWP. This could result in a savings of \$1,000,000 or more per year.

Mr. Collins indicated that staffs' recommendation is to continue to investigate changing networks during the next several months by collecting additional information from BCBS and soliciting comments from the Pharmacy Association.

Mr. Gunkel moved approval of staffs' recommendation to continue to investigate changing networks during the next several months by collecting additional information from BCBS and soliciting comments from the Pharmacy Association.

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

Nays: None

Absent: Tabor

PASSED

Technical Reviews – Proposed Health Legislation (Board Action Requested)

Mr. Collins indicated that included in the board materials were the technical reviews of the proposed health legislation from Gallagher Benefit Services. These reviews will be presented by PERS staff to the Legislative Employee Benefits Committee on September 8. At that time the committee will be seeking comments from interested individuals and groups on the proposed bills. Mr. Collins indicated that GBS has identified some concerns with Bill# 22 and 43.

Bill #22

Bill #22 was submitted by Senator Mathern and would expand participation in the uniform group insurance program by permitting permanent and temporary employees of private sector employers and uninsured private citizens of the State to participate in the PERS benefit plan. One of the key provisions of the bill was to allow PERS to establish minimum requirements to reduce the potential for adverse selection. This bill has been submitted to the last three sessions and has not passed. PERS has not taken a position on the bill since the previous technical reviews by Deloitte concluded that we could underwrite new participants. PERS would underwrite new private sectors groups such that PERS would screen out unhealthy individuals and therefore limit any adverse selection. GBS has concluded:

As long as ND PERS continues to insure its health plans, it is our opinion that it must comply with HIPAA's nondiscrimination requirements. Consequently, it would not be able to "apply medical underwriting and risk-adjusted premiums" as stated in the proposed bill. Alternatively, if it decides to self-fund and allow non-governmental employees in the plan as allowed by the proposed bill, we question whether the governmental exemption would then apply.

To determine the estimated fiscal impact of not being able to medically underwrite or risk adjust new applicants would require separate actuarial analysis, which we would be pleased to do at the State's direction. However, one indication of the potential additional costs to group health plans as a result of HIPPA's impact comes from the economic impact study done by the Department of Labor and HHS. They estimated that HIPPA non-discrimination would add approximately "one percent [to] total health plan expenditures." (Federal Register, Vol. 66, No. 5, P. 1394).

Mr. Collins indicated that by not being able to underwrite it significantly changes the financial implications to the PERS plan. Based upon this the plan could be significantly affected by adverse selection resulting in rising costs to all our members. Mr. Collins indicated that *staffs' recommendation is to revise our position on this bill from being neutral to indicating that PERS cannot support this bill because of the significant possibility of adverse selection to the plan.*

Mr. Collins advised the board that staff had requested Mr. Mike Mullen, the HIPAA attorney for the state, to look at this conclusion. Mr. Mullen's agrees with GBS, and a copy of his memo was in the board materials.

Mr. Leingang moved approval of staffs' recommendation to no longer maintain a neutral position. Mr. Sage seconds.

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

Nays: None

Absent: Tabor

PASSED

Bill # 43

Mr. Collins indicated that this bill allows retirees of political subdivisions who have terminated their relationship with their employer by cashing out of their employer sponsored plan to participate in the uniform group insurance plan. This issue came up during the consideration of the proposed rules and representatives from the City of Dickinson appeared before the board. They approached their local legislator to submit a bill to address this issue. Senator Wardner is the sponsor. Several concerns have been raised. The review was included in the board materials. Most significant is that it would facilitate the participation of more retirees who do not get the health credit. GBS states:

ND PERS own claim experience points out the added costs of early retirees that do not qualify for a retiree health credit. Of the 619 non-Medicare retirees on the plan in 2003, 305 (49%) had no retiree health credits. The average cost in 2003 for this group was 17% greater than the 314 (51%) of the member that had a retiree health credit due to meeting current age and longevity standards. Although not a sample size sufficient to draw any definite conclusions, it does support the general belief that retirees that are eligible for a credit are better risks than those that do not. To the extent this group grows and the costs increase due to adverse selection this would have an impact on the active employer rates

since the premium for this group is set in Section 54-52.1-02 and any costs to this group beyond the premium become a cost to the active group.

Using NDPERS' own experience and enrollment and applying BCBSND's proposed renewal rates gives some indication of the potential additional costs to the plan as a result of this proposed bill. An additional 50 early retirees that did not qualify for a retiree credit would add almost \$57,000 per year in costs to the plan. 100 new early retirees would add almost \$114,000 in new costs per year. Ultimately, these additional costs will have to be absorbed by the active employee group.

Mr. Collins indicated that GBS concludes by stating:

In conclusion, for the reasons stated above, we are concerned that this proposed bill would expand access to the uniform health program to more pre-Medicare retirees which would be harmful to the overall financial health of the program. To protect the integrity of the program, we suggest that the Board continue to apply actuarially determined and consistent standards for retiree health insurance eligibility.

Mr. Collins indicates that staffs recommendation is that PERS indicate that it cannot support this bill because of the potential for increased costs, loss of coverage and differing treatment for political subdivision employees and state employees.

Mr. Gunkel moves approval of staffs' recommendation to not support this bill. Ms. Smith seconds.

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

Nays: None

Absent: Tabor

PASSED

Life Insurance Plan (Board Action Requested)

Mr. Collins indicated that the next RFP PERS has scheduled to release is the life insurance proposal. GBS will be preparing, sending and analyzing the bids. Included in the board materials was a memo from GBS providing some initial observations on the process and was seeking the Boards guidance. Mr. Robinson, from GBS, appeared before the board to review several items and suggestions, which were listed in the memo in the board materials.

The board concurred with GBS suggestions for the RFP.

Employee Assistance Plan (Board Action Requested)

Mr. Collins indicated that staff recently sent a letter to the EAP providers indicating that PERS is beginning its planning process for the 2005-2007 biennium and asked them to share their thoughts with the board concerning the program and funding. Included in the board materials were their responses. Mr. Collins indicated that at this point the critical issue for us to consider is if staff need to request an increase in the EAP premium. All providers indicated that an increase in the premium would be welcome. One indicated an increase to \$1.50 and another indicated a 5% to 7% increase. The premium for this program has not gone up in the last six years, since the programs inception. In recognition of the above staff would suggest that we request an increase of 5% to 7% from OMB.

Mr. Gunkel moved approval of a 5% increase. Mr. Sage seconds.

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

Nays: None

Absent: Tabor

PASSED

NDPERS Tobacco Cessation (Informational)

Mr. Collins indicated that the material in the board book on this program was informational. The information provided the board with an update of the program.

NDPERS 2003 Health Care Analysis (Informational)

The analysis was included in the board materials.

Surplus/Affordability Update (Informational)

The report was included in the board materials.

Child Support Payment (Board Action Requested)

Mr. Collins indicated that included in the board materials was proposed legislation from Mr. Jim Flemming, the Deputy Director/General Counsel, State Child support Office, Department of Human Services. Mr. Flemming appeared before the board to address the statutory issue relating to these payments and offered a suggested legislative remedy.

Mr. Gunkel moved that PERS not oppose this bill if language can be incorporated that is acceptable to Legal Council and the Executive Director. Ms. Sand seconds.

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

Nays: None

Absent: Tabor

PASSED

Technical Comments – Retirement Legislation (Board Action Requested)

Mr. Collins indicated that the Technical Comments from Segal on the proposed retirement legislation was included in the board book. Mr. Collins indicated that two issues were identified relating to the proposed legislation in Bill52.02:

1. The proposed language relating to USERRA does not fully accomplish PERS intent
2. The cost for the proposed J&S level income option is higher then expected

Mr. Collins indicated that under USERRA the original proposal was intended to accomplish the following:

1. For veterans returning after the passage of the bill the employer may elect to pay the employee contribution for the returning veterans
2. If the employer does not make an election the bill establishes a default election that would have the employer pay the cost if they are picking up the employee contribution.
3. Allows the employer to pay for past service if they so elect.

This intent is not fully accomplished and staff recommends the following amendment:

PROPOSED AMENDMENTS TO COMMITTEE BILL NO. 50052.0200

Page 2, line 5, replace “In” with “For qualified military service after August 1, 2005, in”

Page 8, line 2, replace “In” with “For qualified military service after August 1, 2005, in”

Page 10, line 8, replace “In” with “For qualified military service after August 1, 2005, in”

The purpose of this amendment is to make it clear that all service before the date of this act would be handled pursuant to direction from the employer and would not be automatically defaulted to a payment status.

Mr. Collins also indicated that the legislature asked PERS to collect information on the potential cost impact to the state. Staff collected the following:

- OMB had 23 people with an average monthly salary of \$2,550 for a total of \$58,700. This would be the central payroll employees only. So, \$58,700 X 4% (Employee Retirement Contribution) = \$2,350 monthly or \$28,175 yearly. In addition, there are 6 non-central payroll employees (all higher education) on military leave with a total monthly salary of \$13,775. If these six are on the NDPERS system it would be an additional \$551 monthly or \$6,612 yearly. The political subs would not be included in this.

Mr. Collins noted that PERS was proposing in bill 52 the addition of a joint and survivor social security option. Staff has received some of the implementation costs of adding this option. The cost could be around \$18,000 in computer modifications alone. Staff is suggesting that due to this cost, staff is recommending withdrawing this proposal.

Mr. Gunkel moved approval of staffs' recommendation of proposed amendments to committee Bill # 52.02, and to withdraw the J&S level social security income option. Mr. Leingang seconds.

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

Nays: None

Absent: Tabor

PASSED

Final Average Salary Indexing for Highway Patrol (Board Action Requested)

Ms. Allen indicated that it is necessary for the NDPERS Board to determine the rate to be used in conjunction with establishing the index factor for deferred members of the highway patrol. This is established in North Dakota Century Code 39-03.1-11(5). Staff had contacted Highway Patrol leadership for their input and recommendation. Their recommendation was included in the board materials.

Mr. Sage moved approval of the Highway Patrol recommendation that there be no final average salary indexing for the salaries of deferred vested participants. Ms. Smith seconds.

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

Nays: None

Absent: Tabor

PASSED

Fidelity Implementation Update (Informational)

Mr. Collins indicated that the transition is on schedule for the transition of employee account information from VALIC to Fidelity.

Investment Policy Modifications (Board Action Requested)

Mr. Collins indicated that the PERS Investment Committee met on August 3, 2004 and reviewed the benchmarks for the 401(a) plan and Companion Plan funds. The committee recommended the following changes:

- For the balanced fund change the mix from 65/35 to 60/40 and the Russell 1000 Value to Russell 3000 Value.
- Benchmark the Fidelity Growth Company fund to the Russell 3000 Growth
- Benchmark the Fidelity Spartan Extended Market fund to the Wilshire 4500
- Continue to Benchmark the Dreyfus Small Cap to the Russell 2000 and display the S & P 600

- To modify the benchmarks for the Freedom Funds to recognize the varying allocation percentages in the fund prospectus

Included in the board materials were the investment policies with those changes.

In addition the committee reviewed the mutual fund window and noted that PERS has the option of expanding this to include all the Funds Net funds. This would enhance the number of choices in this option from about 150 to about 300 funds. The investment committee is recommending this be added.

Mr. Gunkel moved approval of the PERS Investment Committees recommendations on the benchmark changes for the 401(a) plan and Companion Plan and to expand the mutual funds window to include all Funds Net funds for the 401(a) pan and Companion Plan. Ms. Sand seconds.

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

Nays: None

Absent: Tabor

PASSED

Unauthorized Withdrawals (Board Action Requested)

Hartford

Ms. Allen indicated that at the April meeting, the Board was informed about some unauthorized distributions under the hardship provisions of the deferred compensation plan. It was the Board's decision that the companies in violation would be directed "to reinstate the distributions to the affected accounts back to the date of distribution and including any gains or losses." In addition, before the companies could take any action to recover the funds they were required to give the participant the option to complete and submit a hardship application to the Board for its review."

Ms. Allen indicated that Hartford reinstated the distribution to the participant account and requested that the participant submit a hardship application to the Board. The participant declined and indicated that he was terminating employment on August 1, 2004 and planned to withdraw his account balance and that Hartford could recover the hardship distribution amount from the gross distribution. Included in the board materials were copies of The Hartford's explanation of the events as well as a written acknowledgement by the participant that this action was acceptable.

Mr. Sage moved approval of Hartford's action. Mr. Gunkel seconds.

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

Nays: None

Absent: Tabor

PASSED

Waddell & Reed

Ms. Allen indicated that Waddell & Reed has attempted to get both participants to complete the necessary hardship applications for the Board's consideration. Neither individual has complied with this request. Copies of the related correspondence outlining Waddell and Reed's efforts were included in the board materials.

Mr. Sage moved to recognize that Waddell & Reed had complied with the Boards direction. Mr. Gunkel seconds.

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

Nays: None

Absent: Tabor

PASSED

Annual Enrollment (Informational)

Mr. Collins indicated that PERS is approaching its annual enrollment season. During the last several years staff has been working on continuing to improve this process. One of the significant accomplishments has been the establishment of a standard enrollment timeframe for all programs with the exception of the EPO. The timeframe is now October 1 through November 15th and the programs that are part of the annual enrollment are Health, Life, Dental, Vision, FlexComp, and Long Term Care.

Mr. Collins indicated that this has been a major improvement in terms of focusing the communication to the member and coordinating the process. In addition last year staff used the following process for the annual enrollment.

- Packet outlining programs and procedures sent to home addresses
- Directed to download forms from PERS website
- Submit forms to payroll

This year staff is changing the process to:

- Post all enrollment information on PERS website by October 1st
- Notify members by e-mail via payroll contacts on October 1st and November 1st
- Send postcards to home addresses directing them to the PERS website
- Include a reminder with the PERS FlexComp quarterly statement

Mr. Collins indicated that staff reviewed this proposal with the payroll contacts at PERS mini payroll meeting in July and asked them for comments and suggestion by the middle of August. Staff did not receive any suggestions. Therefore staff is going to give this approach a try this year.

Administrative Rules (Informational)

Mr. Collins indicated that on July 26th our administrative rules were presented to the Legislative Administrative Rules Committee. The committee had no exceptions. This was the last step in the promulgation process. The testimony that was presented to the committee was included in the board materials.

Board Committees (Board Action Requested)

Mr. Collins indicated that at the last meeting it was suggested that staff review PERS procedures for reimbursement of board committees. The present policy was developed in the early 1990's. Include in the board materials was the information previously reviewed by the board in setting the existing policy.

Staff also asked Mr. Scott Miller, Legal Council, to review the policy and included in the board materials was his response. His conclusion was that all Board approved committees would be eligible for reimbursement.

Mr. Sage moved approval of paying all committees established by the Board (Election Committee, Audit Committee, Investment Committee and Wellness Committee). He further moved that payment for meetings of two hours or less, half day payment, and two hours or more, full day payment. Mr. Gunkel seconds.

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

Nays: Sand
Absent: Tabor
PASSED

International Foundation of Employee Benefit Plans Update (Informational)

Mr. Collins indicated that the material in the board books was informational to provide the board with an update.

September Board Meeting (Board Action Requested)

Mr. Collins indicated that discussion had come up on moving the September 16, 2004 board meeting to a later date. The board directed staff to e-mail the board for an alternate date.

Annual Review (Informational)

Chairman Strinden provided the Board with a summary of the Executive Directors annual review.

May 12th, 2004 PERS Audit Committee Minutes (Informational)

Included in the board materials was the May 12th, 2004 PERS Audit Committee Minutes.

Chairman Strinden called for discussion, hearing none the meeting adjourned at 12:10.

Respectfully Submitted

Denise A. Curfman

*Denise A. Curfman
Secretary, NDPERS Board*