

# MINUTES

North Dakota Public Employees Retirement System  
Wednesday, January 22, 2003  
Blue Cross Blue Shield  
107 West Main  
Bismarck, North Dakota

Members Present:

Video Conference

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

Absent

Dr. Terry Dwelle  
Ms. Sandi Tabor

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. Jamie Kinsella, NDPERS  
Mr. Larry Brooks, BCBS  
Ms. Rhonda Peterson, BCBS  
Mr. Tom Tupa, INDSEA  
Mr. Howard Snortland, AFPE  
Ms. Chris Runge, NDPEA AFT 4660  
Mr. Jon Monsen, Brady Martz  
Mr. Patrick Brown, Brady Martz

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

**Minutes**

Chairman Strinden called for any questions or comments regarding the December 19, 2002 NDPERS Board minutes.

**Mr. Gunkel moved approval of the December 19, 2002 NDPERS Board minutes. Mr. Baetsch seconds.**

Audit Report (Board Action Requested)

Mr. Jon Monsen and Mr. Patrick Brown, representatives of Brady Martz, reviewed with the Board the audit report for the year ending, June 30, 2002. This report was included in the Board materials.

**Mr. Sage moved approval of the audit report for the year ending, June 30, 2002. Ms. Sand seconds.**

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

**Nays:** None

**Absent:** Dwelle and Tabor

**PASSED**

BlueCross BlueShield Annual Report (Informational)

Ms. Rhonda Peterson, BCBS representative, reviewed with the Board the Summary of the customer service Survey Results. Mr. Larry Brooks, BCBS representative, provided the Board with a review of the NDPERS Health Care Utilization Study for the period of July 1, 2001 to June 30, 2002. Mr. Don Schott, representative of BCBS, provided the Board with a review of the EPO Performance and Provider Issues. These presentations were included in the Board materials.

EPO Providers and PERS Plan Design (Board Action Requested)

Mr. Collins indicated that at the last meeting the Board reviewed the Executive Recommendation and what it could mean to our plan design. Mr. Collins indicated at this point, the Governor has recommended \$493 per contract per month, and the cost to purchase the present plan design is \$512. The alternate plan design costs about \$503. This design would extend the deductible across all services except office calls, emergency room, preventive screening, newborns, prenatal and postnatal maternity care, maternity delivery (if Prenatal Plus), and Rx. DXL Services would no longer have the copay, but would be processed as deductible and coinsurance. Rx non-formulary drugs would have a \$25 copay and then a 50/50 coinsurance. Otherwise, the design would be what the state have today.

Mr. Collins indicated at this point staff needs to start the renewal negotiations with the EPO providers in order to insure that this product will be available next biennium. Staff is suggesting starting those discussions based upon the alternate plan, since we know at this point there is a possibility we could purchase it. This means, that BCBS will develop a proposed capitation and target rate based upon the new design, and send it to the providers.

**Mr. Gunkel moves approval of Staff recommendation to proceed with the alternative plan. Ms. Sand seconds.**

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

**Nays:** None

**Absent:** Dwelle and Tabor

**PASSED**

Heart of America HMO (HOAHMO) (Board Action Requested)

Ms. Allen reviewed with the Board the Heart of America request to offer Heart of America HMO membership to qualified North Dakota Public Employees living in the Rugby service area. The term of the renewal is from July, 1, 2003 through June 30, 2004. The new rates were included in the board materials. Ms. Allen indicated that the high option premium increased ranged from 5.7% to 6.9%, the low option premiums increased by 4.5%, and the share option premiums increased by 12%. A copy of the Provider Agreement was included in the board materials.

**Mr. Sage moves approval to accept the Heart of America request to offer its HMO to PERS membership in the Rugby service area. Mr. Baetsch seconds.**

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

**Nays:** None

**Absent:** Dwelle and Tabor

**PASSED**

Employee Assistance Program Proposals (Board Action Requested)

Mr. Collins indicated that the methodology that PERS has adopted for providing EAP services is called an agency based approach. Pursuant to this method, each agency is the focal point for the decision on which EAP vendor would be the most appropriate for their employees. To implement this approach, the PERS Board establishes through the RFP process a list of qualified vendors. EAP vendors that are able to successfully meet the requirements in the RFP and provide the service at or below the specified price are placed on a list of qualified vendors. Each agency is offered the list and is allowed to select one vendor from that list to provide services for that agency.

Currently the three vendors providing services to state agencies in North Dakota are:

1. MedCenter One Health Systems
2. St. Alexius / Heartview
3. Village Family Services

Mr. Collins indicated that in the past the Board has approved the RFP proposal, and PERS has sent it out to all existing vendors and placed advertisements in newspapers around the state soliciting additional vendors. We also sent the RFP to vendors who had filed a request with PERS.

Mr. Collins indicated that staff is suggesting the same approach with one exception. Instead of having our existing vendors file an updated proposal, we allow them to file a renewal. This renewal will indicate the price (which must be \$1.35 per member per month or less) and an indication that all services offered in the original proposal still apply and if not they would specify any deviations. If they continue to be able to meet the minimum requirements then we would continue to allow them to offer their services. Concerning the search for additional vendors, staff is suggesting that the same procedure be used as last biennium. This process would start in February and close at the end of February or early March.

**Mr. Gunkel moves approval of staff recommendation to offer current providers a renewal and bid out with other providers via newspaper. Ms. Sand seconds.**

**Ayes:** Baetsch, Gunkel, and Chairman Strinden.

**Nays:** Sage and Sand

**Absent:** Dwelle and Tabor

**PASSED**

Surplus/Affordability Update (Informational)

Mr. Reinhardt provided an over view of the report for the board. This report was included in the board materials.

Annual Enrollment Season – 2002 (Informational)

Ms. Allen indicated the PERS conducted a combined annual enrollment to include the group dental, vision, life insurance and the FlexComp plan. In the past these open enrollments have

been conducted separately. Ms. Allen indicated that in order for staff to assess reaction to this new procedure, a survey was sent to all effected authorized agents. Sixty-six surveys were returned out of 123 sent. Ms. Allen indicated that the over all responses were positive.

FlexComp Annual Enrollment – (Informational)

Ms. Allen indicated that the total salary dollars redirected for the 2003 plan year increased over 2002 as follows: Dependent Care 9.1% and Medical Spending 10.3%. The average dollar amount pre-taxed per person for 2003 increased over 2002 as follows: Dependent Care 2% and Medical Spending 2.6%. The number of participants for the dependent care program increased by 7%. The number of participants for the medical spending program increased by 7.6%.

Defined Contribution Plan – 2002 Enrollment (Informational)

Ms. Allen indicated that one of the projects outlined in PERS goals and objectives as set forth in our Business Strategy Plan was to track the number of contacts staff made with new eligible employees and the number that actually transferred to the defined contribution plan and do an annual report for the board. The following is the number of contacts and transfers to the plan for 2001 and 2002:

	<b>Total Contacts</b>	<b>Total Transfers</b>
<b>2001</b>	98	20
<b>2002</b>	48	6

Board Voting (Informational)

Mr. Collins indicated that at the last meeting a question was asked concerning board voting. Mr. Scott Miller had provided the board with a memo, which was included in the board materials.

AFPE Resolution (Informational)

A copy of the AFPE Resolution was included in the board materials.

Health Care Discussions (Informational)

A copy of the most resent Health Care Discussions was included in the board materials.

Chairman Strinden called for any other business.

Mr. Collins provided the board with a brief legislative update.

Ms. Allen handed out an article on NDPERS Board nominations for the boards review. This article will appear in the next newsletter.

Chairman Strinden called for any other business, hearing none the meeting adjourned at 11:03 AM.

*Respectfully Submitted*

*Denise A. Curfman*

*Denise A. Curfman  
Secretary, NDPERS Board*

# MINUTES

**North Dakota Public Employees Retirement System  
Friday, January 31, 2003  
Supreme Court Conference Room  
State Capital  
Bismarck, North Dakota**

Members Present:

Phone Conference

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

Absent

Dr. Terry Dwelle  
Mr. Howard Sage

Others Present:

Mr. Sparb Collins, Executive Director NDPERS  
Mr. Scott Miller, Attorney General's Office  
Ms. Denise Curfman, NDPERS  
Ms. Kathy Allen, NDPERS  
Mr. Tom Tupa, INDSEA  
Mr. Howard Snortland, AFPE  
Ms. Chris Runge, NDPEA AFT 4660  
Mr. Ron Leingang, Department Human Services  
Mr. Arvy Smith, Health Department

Chairman Strinden called the meeting to order at 3:00 PM.

SB 2335 (Board Action Requested)

Mr. Collins indicated that this bill was filed last Monday. Mr. Collins forwarded a copy of the bill via e-mail to the Board members on Wednesday, January 29<sup>th</sup>. This bill requires PERS to invest in North Dakota. Segal and GRS had been asked to review the bill from a technical stand point, one of the first items identified was that the bill as presently written would result in plan disqualification because it is not consistent with the exclusive benefit rule and may violate the prohibited transaction rule. Mr. Miller, PERS attorney has reviewed this bill and has indicated that it may also have a constitutional

violation as well. These issues have been reviewed with the sponsor. This bill is scheduled for hearing for Monday, February 3<sup>rd</sup> at 9:00 AM. Teachers Fund for Retirement and the state investment board will be taking a position against the bill as presently written. Mr. Collins indicated that staffs recommendation is for PERS to also take a position against the bill as written.

**Ms. Tabor moves approval of staff recommendation to appose this bill as it is presently written. And have staff follow the bill. Ms. Sand seconds.**

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

**Nays:** None

**Absent:** Dwelle and Sage

**PASSED**

Chairman Strinden called for any other business.

Mr. Collins indicated that a Bill was submitted to allow employees of the Department of Public Instruction to switch from Teachers Fund for Retirement to PERS. Staff is working with the actuary at this time. This will only apply to about 20 people.

Mr. Collins indicated that Bill 1180 was submitted at the last session. This Bill is requiring that PERS be part of a state procurement system. Testimony provided was the same as last session, which was due to the fiduciary responsibilities of the PERS board it should not be included in this bill.

Chairman Strinden called for any other business, hearing none the meeting adjourned at 3:15 PM.

*Respectfully Submitted*

*Denise A. Curfman*

*Denise A. Curfman  
Secretary, NDPERS Board*

# MINUTES

North Dakota Public Employees Retirement System  
Thursday, February 20, 2003  
Blue Cross Blue Shield  
107 West Main  
Bismarck, North Dakota

Members Present:

Video Conference

Chairman Jon Strinden  
Mr. David Gunkel  
Ms. Rosey Sand  
Mr. Howard Sage  
Mr. Weldee Baetsch  
Ms. Sandi 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. Deb Knudsen, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Mr. Larry Brooks, BCBS  
Ms. Rhonda Peterson, BCBS  
Mr. Howard Snortland, AFPE  
Ms. Kathy Jochim, Auditors Office  
Mr. Paul Welk, Auditors Office  
Ms. Stacey Sibla, Auditors Office

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

**Minutes**

Chairman Strinden called for any questions or comments regarding the January 22<sup>nd</sup> and January 31, 2003 NDPERS Board minutes.

**Ms. Sand moved approval of the January 22<sup>nd</sup> and January 31, 2003 NDPERS Board minutes. Mr. Baetsch seconds.**

Appeal 2003-001R (Board Action Requested)

The next item on the agenda was Appeal 2003-001R. The legal authority to close this portion of the meeting was NDCC §54-52-26.

Ms. Sand motioned to go into executive session under NDCC §54-52-26. Mr. Baetsch seconded.

The meeting went into executive session at 8:32 AM.

The NDPERS Board came back into public session at 9:07 AM.

**Mr. Gunkel moved to deny the appeal. Ms. Sand seconded the denial of appeal 2003-001R.**

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

**Nays:** None

**Absent:** Dwelle

**PASSED**

Re-Projection of Health Premium (Informational)

Mr. Collins indicated pursuant to PERS renegotiation with BCBS they re-projected the required health premiums in February. For the state the premium amount for the alternate plan changed from \$503.40 to \$498.70. Mr. Collins reviewed the changes in the other premiums and the estimated gain.

Claims Review (Informational)

Mr. Reinhardt reviewed with the Board his findings from his yearly claims review with BCBS.

Quarterly Health Graphs (Informational)

Mr. Reinhardt reviewed with the Board the NDPERS Quarterly Health trend graph for the third quarter of 2002.

Surplus/Affordability Update (Informational)

Mr. Reinhardt provided an overview of the report for the board. This report was included in the board materials.

NDPERS 457 Companion Plan 4<sup>th</sup> Quarter 2002 Report (Informational)

Mr. Reinhardt provided an overview of the report for the board. This report was included in the board materials.

Board Election (Board Action Requested)

Mr. Collins indicated that the terms of retirement board member Howard Sage expires on June 30, 2003. Pursuant to section 71-01-02-01, PERS must conduct an election to fill the vacancy. According to the rules, the Retirement Board must appoint a committee of three from its membership, one of who must be designated as chair, to oversee the election process.

**Ms. Sand moved approval of Mr. Gunkel, Ms. Tabor and Mr. Baetsch as the committee with Mr. Baetsch as Chair. Mr. Sage seconded.**

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

**Nays:** None

**Absent:** Dwelle

**PASSED**

Proposed Legislation (Informational)

Mr. Collins provided the Board with a brief overview of the legislative considerations relating to the PERS proposed legislation.

Consultant Fees (Informational)

Mr. Collins indicated that the report for the quarter ending December 31, 2002 was included in the board materials.

2002 Annual Report (Informational)

This report was included in the board materials.

Audit Committee Minutes (Informational)

The approved minutes for the November 12, 2002 meeting was included in the board materials.

Chairman Strinden called for any other business, hearing none the meeting adjourned at 10:14 AM.

*Respectfully Submitted*

*Denise A. Curfman*

*Denise A. Curfman  
Secretary, NDPERS Board*

# MINUTES

North Dakota Public Employees Retirement System  
Thursday, March 20, 2003  
Blue Cross Blue Shield  
107 West Main  
Bismarck, North Dakota

Members Present:

Video Conference

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

Absent

Dr. Terry Dwelle  
Ms. Sandi Tabor

Others Present:

Mr. Sparb Collins, Executive Director NDPERS  
Mr. Scott Miller, Attorney General's Office  
Ms. Denise Curfman, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Ms. Kathy Allen, NDPERS  
Ms. Cheryle Masset, NDPERS  
Mr. Larry Brooks, BCBS  
Ms. Rhonda Peterson, BCBS  
Mr. Howard Snortland, AFPE  
Ms. Laurie Sterioti Hammeren, Central Personnel

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

**Minutes**

Chairman Strinden called for any questions or comments regarding the February 20, 2003 NDPERS Board minutes.

**Mr. Baetsch moved approval of the February 20, 2003 NDPERS Board minutes. Mr. Sage seconds.**

Purchases (Informational)

Due to weather conditions in Denver this agenda item was moved to the next month's agenda.

Health Plan (Board Action Requested)

Mr. Collins indicated that in the past years PERS has finalized the premiums for the actives and retirees at the March Board meeting, and then moved forward with developing the mailings and setting up enrollment meetings. Since PERS has not been confident about plan design staff have not been able to start on the enrollment material. At this point no changes have been proposed to the Governor's recommendation to increase the funding for health premiums. This means the plan design that will be affordable is the alternate plan (this is also the one the Board approved to move forward with for the EPO renewals). Therefore, staff is suggesting moving forward with planning and implementation based upon the alternate plan design.

**Mr. Sage moved approval of staff recommendation to move forward with the alternative plan design. Ms. Sand seconds.**

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

**Nays:** None

**Absent:** Dwelle, Tabor

**PASSED**

Retiree Plan (Board Action Requested)

Mr. Collins indicated that several months ago the Board established a retiree working group to review the retiree health plan in light of the increase in health care costs. This group has met and developed several alternative health plan designs. Mr. Collins reviewed the designs with the Board. Mr. Collins indicated that group recommended the alternative plan design for retirees.

The Board concurred on moving forward with the alternative retiree health plan.

HIPAA – Monthly Claims Report (Board Action Requested)

Ms. Allen indicated that BCBS sends NDPERS a monthly data tape of adjudicated claims that contains protected health information (PHI). Under HIPAA, PHI is health information that identifies or can be used to identify an individual that is transmitted or maintained in any form of medium. The monthly claims report contains PHI and is therefore, subject to the Privacy Rule.

Ms. Allen indicated that Mr. Mike Mullen, of the Attorney Generals office, view is that as long as the purpose of the tape is to permit NDPERS to perform management audits, financial audits or program monitoring and evaluation, BCBS is permitted under the HIPAA privacy rule to continue to provide this data to PERS. Mr. Mullen's recommendation that the Board affirm that the monthly claims tapes are needed by PERS to perform these functions.

**Ms. Sand move approval for BCBS to continue to send PERS the monthly tapes for the purpose of performing management audits, financial audits and or program monitoring and evaluations. Mr. Gunkel seconds.**

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

**Nays:** None

**Absent:** Dwelle, Tabor

**PASSED**

2002 EAP Utilization (Information)

Mr. Reinhardt reviewed with the Board the 2002 EAP Utilization report.

Amended Provider Agreement (Board Action Requested)

Ms. Allen indicated that section 8 of Senate bill 2054 contains a provision to allow the board to accept trustee-to-trustee transfers from an IRS code section 403(b) annuity or section 457 deferred compensation plan for the purchase of permissive service credit in the defined benefit plan. These transactions are allowed as a result of the EGTRRA passed in 2001.

Ms. Allen indicated that in anticipation that this bill will pass, staff has requested from the Segal Company draft language to Section II-L of the Provider Administrative Agreement. This section already contains language to allow the transfer pursuant to IRC Section 457(e)(17); however, it does not address the issue of transfer penalties. Segal provided PERS with two options.

Ms Allen indicated that staff had sent the two proposed amendment options to the deferred comp providers for their comments. The majority of the providers preferred option 2 which allows for flexibility of whether or not to apply a financial penalty contingent on the withdrawal provision associated with the investment product.

Discussion followed as to why the additional language needs to be added.

The Board decided that no action or change needs to occur.

Companion Plan Annual Review (Informational)

Mr. Reinhardt provided an overview of the report for the Board. This report was included in the board materials.

NDPERS Personnel Policy Manual (Board Action Requested)

Ms. Allen indicated that PERS has made revisions to the Policy Manual subject to changes made by OMB and suggestions by Risk Management. The revisions were included in the board materials.

**Mr. Gunkel moves approval of the revisions to PERS Policy Manual. Mr. Baetsch seconds.**

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

**Nays:** None

**Absent:** Dwelle, Tabor

**PASSED**

Proposed Legislation (Informational)

Mr. Collins provided the Board with a brief overview of the legislative considerations relating to the PERS proposed legislation.

Board Meeting Dates (Board Action Requested)

Mr. Collins indicated that it was requested to change the May 15, 2003 Board meeting to an earlier or later date in May.

The board decided to review this at the April meeting.

Conferences (Board Action Requested)

Mr. Collins indicated that in the past NDPERS paid for up to two board members and one staff to go to the NCPERS Annual Conference and Fidelity Conference.

**Mr. Sage moves approval of one Board member per conference subject to budget. Ms. Tabor seconds.**

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

**Nays:** None

**Absent:** Dwelle, Tabor

**PASSED**

Chairman Strinden called for any other business, hearing none the meeting adjourned at 9:38 AM.

*Respectfully Submitted*

*Denise A. Curfman*

*Denise A. Curfman  
Secretary, NDPERS Board*

# MINUTES

North Dakota Public Employees Retirement System  
Thursday, April 24, 2003  
Blue Cross Blue Shield  
107 West Main  
Bismarck, North Dakota

Members Present:

Video Conference

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

Absent

Dr. Terry Dwelle  
Ms. Sandi Tabor

Others Present:

Mr. Sparb Collins, Executive Director NDPERS  
Mr. Scott Miller, Attorney General's Office  
Ms. Denise Curfman, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Mr. Larry Brooks, BCBS  
Ms. Rhonda Peterson, BCBS  
Mr. Howard Snortland, AFPE

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

**Minutes**

Chairman Strinden called for any questions or comments regarding the March 20, 2003 NDPERS Board minutes.

**Mr. Gunkel moved approval of the March 20, 2003 NDPERS Board minutes. Mr. Baetsch seconds.**

#### House Bill 1123 (Informational)

Mr. Collins indicated the HB 1123 passed. This bill provided the Health Officer authority to appoint a deputy. Mrs. Arvy Smith has been appointed and is now a voting member of the NDPERS Board.

#### Purchases & Account Balance (Informational)

Mr. Collins indicated that at the February meeting it was requested that Segal provide the Board with an overview of the purchase provisions when returning to work. Mr. John Garrett, one of PERS actuaries from Segal, provided the board with an overview of the purchase provisions, via video conference.

Mr. Collins had also requested that Mr. Garrett discuss the interest rate that PERS pays on account balances. Mr. Collins indicated that several questions were asked during the legislative session on why PERS had the interest rate at its current level.

Mr. Sage indicated that the rate was set back in 1984 by the Board. Discussion followed. The Board requested staff to survey other PERS systems as to what rate they are using and bring it back to the board.

#### Purchase Limits (Board Action Requested)

Mrs. Fricke indicated that NDPERS submitted legislation in SB 2058 and SB 2059 that would allow NDPERS to adopt revised federal limitations under Section 415. These laws take effective on August 1, 2003.

The federal limitation revisions were part of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA). However, the ND Century Code required that staff continue to follow the previous limitations, which were the lesser of 25% of an individual's taxable income or \$35,000, until the state law could be changed. The new limitations under EGTRRA increase the amount to the lesser of up to 100% of an individual's includible compensation or \$40,000.

Mrs. Fricke had indicated that staff has worked with Mr. Rod Crane at Segal. Staff recommends that the limits be increased to the lesser of 100% of an employee's includible compensation or \$40,000. With implementation effective date of January 1, 2004. Segal concurs.

**Mr. Gunkel moved approval of staff recommendation that the limits be increased to the lesser of 100% of an employee's includible compensation or \$40,000. With implementation effective date of January 1, 2004. Mr. Baetsch seconds.**

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

**Nays:** None

**Absent:** Tabor

**PASSED**

#### Employer Purchases (Board Action Requested)

Mr. Collins indicated that legislation this session included provisions that allow employers to purchase service credit and sick leave for their employees. Mr. Collins indicated that Segal has identified three implementation issues and three approaches; these were included in the board materials. Mr. Rod Crane was available via video conference to answer questions. The Board discussed the various options /issues related to implementation.

**Mr. Sage moved approval of the intermediate approach which would be to set out the criteria for the program and have the employer certify to PERS that their program meets all the criteria and have them file a copy with PERS. Mr. Baetsch seconds.**

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

**Nays:** None

**Absent:** Tabor

**PASSED**

Hardship 2003-001DC (Board Action Requested)

Mr. Collins indicated that all the information was included in the Board materials.

**Mr. Sage moved denial of appeal. Mr. Baetsch seconds.**

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

**Nays:** None

**Absent:** Tabor

**PASSED**

Wilshire Report (Informational)

Mr. Collins indicated that the "2003 Wilshire Report on State Retirement Systems: Funding Levels and Asset Allocation", was included in the board materials.

Fidelity Recordkeeping Agreement (Informational)

Mr. Collins indicated that Fidelity is proposing an amendment to its record keeping agreement. The purpose of the amendment is to add a new section with regard to its electronic products and electronic services and to update the companies available through its mutual funds option along with the associated accounting and reporting services. A copy of the agreement was included in the board materials.

**Ms. Sand moved approval of agreement subject to Attorney's approval. Mr. Sage Seconds.**

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

**Nays:** None

**Absent:** Tabor

**PASSED**

Health Rates (Board Action Requested)

Mr. Collins indicated that the proposed health rates for the next biennium were included in the board materials. Mr. Collins indicated that two options were presented for the Boards consideration. Both options allocate an average of \$10 per contract per month.

**Mr. Baetsch moved approval of staff recommendation for option 1. Mr. Gunkel seconds.**

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

**Nays:** None

**Absent:** Tabor

**PASSED**

Employee Assistance Program (Board Action Requested)

Mr. Collins indicated that staff has had renewal discussion with each of the existing EAP providers. Staff finds that each provider continues to meet the minimum qualifications. Letters from each provider was included in the board materials.

Mr. Collins indicated that the program was advertised as well. Volk Human Services in Devils Lake had submitted a proposal. This was included in the board materials. Mr. Collins indicated that staff has reviewed the proposal and find that they also meet the minimum requirements.

Mr. Collins indicated that staff has received a request from Higher Education to have the premiums be an even amount. Staff will relay the request to the approved vendors for their consideration and possible action.

**Mr. Gunkel moved approval of all the EAP Vendors: MedCenter One, St. Alexius, The Village and Volk Human Services. Mr. Baetsch seconds.**

**Ayes:** Baetsch, Gunkel, Sand, Smith, and Chairman Strinden.

**Nays:** Sage

**Absent:** Tabor

**PASSED**

Continuation Coverage (Board Action Requested)

Mr. Collins indicated that SB 2176 was submitted and passed by the legislature to allow retirees of political subdivisions that join the PERS health plan the opportunity to participate in the PERS health plan even if they are not a member of an eligible retirement system (PERS, TFFR, TIAA/CREF). Present statute did not authorize coverage for these individuals except for the federally mandated COBRA coverage of 18 months. The dilemma for political subdivision retirees who do not participate in PERS was recently highlighted when the city of Dickinson joined the plan. They had previously allowed their retirees to remain on the city's health plan which is not an eligible retirement system for purposes of continued health coverage. Consequently, when they joined PERS was only able to offer their retirees COBRA coverage for 18 months. However, with the passage of this bill PERS will be able to accept these retirees effective August 1.

As staff moves to implementing this bill staff does note that some political subdivision retirees' COBRA coverage will run out before the effective date of the bill. Given the intent of the legislature staff is suggesting that PERS allow these retirees to continue on the plan by offering them special conversion coverage pursuant to 54-52.1-02(6). This conversion coverage would only be offered to retirees who would be eligible for continued coverage once this bill becomes effective and would only serve as bridge coverage between the expiration of their COBRA coverage and August 1. These individuals would be placed in the appropriate rate category and billed accordingly.

The purpose of offering this coverage is to avoid having to remove these people from PERS coverage now when they would have been eligible under the proposed legislation.

**Mr. Gunkel moved approval of staff recommendation only if an emergency clause was not added to the bill. Ms. Sand seconds.**

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

**Nays:** None

**Absent:** Tabor

## **PASSED**

### Minimum Participation Requirements – Update (Informational)

Ms. Rhonda Peterson, of Blue Cross Blue Shield presented an update to the minimum participation requirements adopted by the board March of 2002. Ms. Peterson indicated that all political subdivisions will be in compliance of the policy by July 1, 2003.

### EPO Network Contracts (Informational)

Mr. Collins indicated that it is necessary to have all EPO networks renew their agreement for the 2003-2005 biennium. BCBS sent out new agreements on March 12, 2003.

### Surplus/Affordability (Informational)

Mr. Reinhardt reviewed the surplus/affordability update with the board. This update was included in the board materials.

### FlexComp Appeal (Board Action Requested)

Mr. Collins indicated that all PERS received the claims request in four separate envelopes on April 2, 3, and 4<sup>th</sup>. The envelopes were all post marked April 1<sup>st</sup>. The member indicates they dropped it in the post office mail box on March 31.

**Mr. Gunkel moved approval of paying the claim with a signed affidavit from the member stating when the claim was mailed. Ms. Sand seconds.**

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

**Nays:** None

**Absent:** Tabor

**PASSED**

### 401(a) Defined Contribution 4<sup>th</sup> Quarter 2002 Report (Informational)

Mr. Reinhardt provided the Board with an overview of the 401(a) Defined Contribution 4<sup>th</sup> quarter 2002 reports. These reports were included in the board materials.

### Legislation (Informational)

Mr. Collins provided the Board with an overview of the bills relating to PERS.

### Board Meetings & Board Pictures (Board Action Requested)

Mr. Collins indicated that at the March Board meeting it was discussed to change the May 15<sup>th</sup> board meeting. Mr. Collins indicated that board pictures will need to be taken prior to June 30<sup>th</sup>.

The May board meeting has been scheduled for Thursday, May 22<sup>nd</sup> at 9:30. Individual and group board pictures to be taken at 9:00 AM on May 22<sup>nd</sup>.

### Conference (Board Action Requested)

Mr. Collins indicated that Express Scripts would like to pay the expenses for Mr. Reinhardt to attend their conference in June. Mr. Collins indicated that it is PERS policy to get Board approval when a sponsoring company is paying the expenses.

**Mr. Sage moved approval of Express Scripts to pay the expenses for Mr. Reinhardt to attend the conference in June. Ms. Sand seconds.**

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

**Nays:** None

**Absent:** Tabor

**PASSED**

**Mr. Gunkel moved approval of a board member to attend the Express Script conference. Mr. Sage seconds.**

Benefit Conference (Board Action Requested)

**Ms. Sand moves approval of one board member to attend the Benefit Conference for Public Employees in Denver. Mr. Baetsch seconds.**

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

**Nays:** None

**Absent:** Tabor

**PASSED**

Health Care Discussions (Informational)

Included in the board materials was the most recent Health Care Discussions newsletter from BCBS.

Information for Board Members (Board Action Requested)

Mr. Collins indicated that staff is receiving a number of calls inquiring on board members phone numbers and addresses. Pursuant to past board direction staff would only respond by giving the PERS number and mailing address. Staff is asking whether or not the board wants to continue this procedure, or would want their office number and office address given to the callers.

All members with the exception of Mr. Baetsch indicated that the general business number and office address can be given to the callers. Mr. Baetsch would continue to use PERS phone number and mailing address.

Chairman Strinden called for any other business, hearing none the meeting adjourned at 10:46 AM.

*Respectfully Submitted*

*Denise A. Curfman*

*Denise A. Curfman  
Secretary, NDPERS Board*

# MINUTES

North Dakota Public Employees Retirement System  
Thursday, May 22, 2003  
Best Western Ramkota Hotel  
Room 3130  
Bismarck, North Dakota

Members Present:

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

Others Present:

Mr. Sparb Collins, Executive Director NDPERS  
Mr. Scott Miller, Attorney General's Office  
Ms. Denise Curfman, NDPERS  
Ms. Kathy Allen, NDPERS  
Mr. Larry Brooks, BCBS  
Ms. Rhonda Peterson, BCBS  
Mr. Tom Tupa, INDSEA  
Ms. Connie Flanagan, RIO  
Mr. Steve Cochrane, RIO  
Ms. Kim Andrews, Walsh County  
Ms. Sharmain Dschaak, NDPERS

Chairman Strinden called the meeting to order at 9:30 AM.

**Minutes**

Chairman Strinden called for any questions or comments regarding the April 22, 2003 NDPERS Board minutes.

**Mr. Sage moved approval of the April 22, 2003 NDPERS Board minutes. Mr. Gunkel seconds.**

#### Annual Investment Review (Informational)

Mr. Steve Cochrane, State Investment Officer/Executive Director of RIO, provided the Board with the annual Defined benefit Investment review.

Ms. Connie Flanagan provided the Board with a review of the PERS Retiree Health Insurance Credit Fund.

#### Interest on Employee Account Balance (Informational)

Mr. Collins indicated that at the April meeting the Board discussed the interest that is paid on employee account balances with PERS. The Board requested staff to seek information on what other retirement systems are doing. Mr. Collins reviewed the survey with the Board. Discussion followed. The Board requested information on the following questions:

- What has been the return of the retirement plan over the last several years?
- Is the 7.5% interest rate compounded?
- What has been the 5 year CD rate over the last 10 years?
- What are the legal considerations of changing the rate?
- What do the board meeting minutes indicate concerning the action to set the rate at 7.5%?
- Identify some options to our present method

#### Law Enforcement Retirement Plan (Information)

Mr. Collins indicated that this last session SB 2033 passed expanding the National Guard system eligibility to political subdivisions. In the next several months staff will need to address how this will be implemented. Mr. Collins indicated that one of the first steps is to establish how the plan will be funded, that is the contribution rate for employers. Unlike PERS plans, where the contribution rate is set in statute, the contribution rate for this plan is set by the Board. To start this process staff has requested Segal to do a two phase analysis. The first phase is to review the funding requirements of the National Guard participants and to identify the various methods for funding the plan. Segal has begun the effort of studying the present Guard group. One variable they are examining is that although the contribution requirement is "0.0%" it does not recognize that many of the participants to this system were called to active duty and although they are no longer reflected in the active population they will be returning to the system. Their return will have an effect on the funding requirement. The second phase of the Segal analysis will be to determine the short-term required contribution rate required of employers electing coverage and to review the implications of the various funding approaches on the political subdivisions and the Guard.

#### Walsh County (Board Action Requested)

Ms. Dschaak indicated that an employer group still includes CASH PAYMENTS IN LIEU OF HEALTH INSURANCE BENEFIT AS SALARY. This salary is the basis on which retirement contributions have been calculated and remitted to PERS. This salary has also been used in determining a member's final average salary for benefit computation and payment.

Ms. Dschaak indicated that the definition of Wages and Salary in N.D.C.C. Chapter 54-52-01 was changed in 1995. From: 19. "Wages" and "Salaries" means the actual dollar compensation excluding overtime paid to or for an employee for the employee's service. To: 20. "Wages" and "salaries" means the member's earnings in eligible employment under this chapter reported as

salary on the member's federal income tax withholding statements plus any salary reduction or salary deferral amounts under 26 U.S.C. 125, 401(k), 403(b), 414(h), or 457. "Salary" does not include fringe benefits such as payments for unused sick leave, personal leave, vacation leave paid in a lump sum, overtime, housing allowances, transportation expenses, early retirement incentive pay, severance pay, medical insurance, workers' compensation benefits, disability insurance premiums or benefits, or salary received by a member in lieu of previously employer-provided fringe benefits under an agreement between the member and participating employer. Bonuses may be considered as salary under this section if reported and annualized pursuant to rules adopted by the board.

Ms. Dschaak, indicated that he employer group that has remitted the cash payment currently has 84 active employees of which 66 are receiving a cash payment in lieu of health insurance. In addition, as of August 1, 1995, this employer group has had 17 retirees, 5 deferred members, 134 refunded members, and 2 deceased members. It is not known at this time how many individuals in these groups took cash payment in lieu of health insurance.

Ms. Dschaak, indicated that staff is looking for direction on how to proceed with correcting members' accounts. Ms. Dschaak reviewed several options with the Board.

**Mr. Gunkel moved approval of staff recommendation option 3; which would reverse the erroneous retirement contributions as completely as possible, with the exception of a short period of time. (August 1, 1995 to January 1, 1998.) For the actives, deferred vested and retirees, staff would try and reconstruct the correct salary history and contributions and make the appropriate adjustments. Retiree overpayments would be handled pursuant to N.D.A.C. 71-02-04-10 Refunded accounts and payments to deceased members would not be pursued. Ms. Tabor seconds. Mr. Baetsch seconds.**

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

**Nays:** Baetsch

**Absent:**

**PASSED**

#### Group Health Premiums (Informational)

Mr. Collins indicated that the premium rates for the 2003-2005 biennium for all groups or retirees that currently participate or may join the plan during the biennium were included in the board materials. The rates are based on the alternative plan design approved by the Board. .

#### EPO (Informational)

Mr. Collins indicated that Greater Plains Clinic, in Dickinson, elected not to continue with the EPO. Staff was recently informed by MedCenter One that they will not be continuing either. A memo expressing our regrets but letting them know they would be welcome to return was sent to them.

#### Wellness Benefit Program (Board Action Requested)

Ms. Allen indicated that at the July 2002 board meeting, the Board approved the implementation of an agenda driven wellness program to provide employers more direction in selecting and conducting on-site wellness programs. The Board selected the 10K-A-Day program. The program was offered as a supplement to the application driven program in effect since 1994. Ms. Allen indicated that 79 requests for information were received, 33 Applications were received and approved. This program was approved for a period of six months. The wellness committee is recommending that the board continue this program for an additional six months, from July 1 through December 31, 2003.

Ms. Allen also indicated that during the Board's review and assessment of the wellness program last year, it was noted that a large portion of the benefits approved were to fund on-site flu shot programs. The committee is requesting the Board's direction as to whether or not we may still consider them for benefits.

**Mr. Gunkel moved approval of extending the 10K-A-Day program for July 1 through December 31, 2003 and to continue the on-site flu shot program. Ms. Sand seconds.**

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

**Nays:** None

**Absent:**

**PASSED**

EAP Contracts (Board Action Requested)

Mr. Collins indicated that the updated EAP contract for the next two years was included in the board materials. The contract has been reviewed by Mr. Miller and Mr. Mullen, legal council.

**Ms. Tabor moved approval of EAP contract and authorizing the Executive Director to sign. Ms. Sand Seconds.**

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

**Nays:** None

**Absent:**

**PASSED**

Surplus/Affordability (Informational)

Mr. indicated that the surplus/affordability update were included in the board materials.

Quarterly Health Graphs (Informational)

Mr. Collins indicated that the quarterly health graphs were included the board material.

401(a) Defined Contribution 1<sup>st</sup> Quarter 2003 Report (Informational)

Mr. Collins indicated that the 401(a) Defined Contribution 1<sup>st</sup> Quarter 2003 Report was included the board material.

NDPERS 457 Companion Plan 1<sup>st</sup> Quarter 2003 Report (Informational)

Mr. Collins indicated that the NDPERS 457 Companion Plan 1<sup>st</sup> Quarter 2003 Report was included the board material.

Survey (Informational)

Mr. Collins indicated that the article included in the board materials is a compilation of the results of a survey on the major challenges facing state retirement systems.

Auditor (Informational)

Mr. Collins indicated that the State Auditor's Office awarded the external audit contract to Eide Bailly LLP to audit PERS for fiscal years ending 2003, 2004, and 2005.

Consultant Fees (Informational)

Mr. Collins indicated that the quarterly consultant fees were included in the board materials.

Business Plan (Informational & Comments)

Mr. Collins indicated that the business plan for 2002 with the activities completed was included in the board materials. Also included in the board materials is the 2003 business plan.

Executive Directors Review (Board Action Requested)

Mr. Collins indicated that it is time for the Board to conduct its review of the Executive Director. And a subcommittee needs to be appointed to coordinate, review and prepare any appropriate recommendations.

**Mr. Gunkel nominated Ms. Sand and Mr. Baetsch. Mr. Sage seconds.**

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

**Nays:** None

**Absent:**

**PASSED**

Planning Meeting (Board Action Requested)

Mr. Collins indicated that several months ago the Board expressed an interest in setting aside a meeting to have a general discussion of strategic planning issue. Discussion followed. The board requested to bring this back at the August meeting.

February 11, 2003 Audit Committee Minutes (Informational)

Included in the board materials was the February 11, 2003 Audit Committee Minutes.

Chairman Strinden called for any other business, hearing none the meeting adjourned at 12:00 PM.

*Respectfully Submitted*

*Denise A. Curfman*

*Denise A. Curfman  
Secretary, NDPERS Board*

# MINUTES

North Dakota Public Employees Retirement System  
Thursday, June 19, 2003  
BlueCross BlueShield  
107 West Main  
Bismarck, North Dakota

Members Present:

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

Others Present:

Mr. Sparb Collins, Executive Director NDPERS  
Mr. Scott Miller, Attorney General's Office  
Ms. Denise Curfman, NDPERS  
Ms. Kathy Allen, NDPERS  
Ms. Sharmain Dschaak, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Ms. Deb Knudsen, NDPERS  
Mr. Howard Snortland, AFPE  
Ms. Sheila Vetter, Job Service North Dakota  
Ms. Mary Schwab, Job Service North Dakota  
Mr. Wayne Kindem, Job Service North Dakota

Via Video Conference

Mr. John Garrett, Segal  
Mr. Walley Malles, Segal

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

**Minutes**

Chairman Strinden called for any questions or comments regarding the May 22, 2003 NDPERS Board minutes.

**Mr. Baetsch moved approval of the May 22, 2003 NDPERS Board minutes. Ms. Smith seconds.**

### Job Service Retirement Plan (Informational)

Mr. Wayne Kindem, Director of Administrative Services, Job Service North Dakota along with Ms. Mary Schwab and Ms. Sheila Vetter, presented the Board with a history of the Job Service Retirement Plan and an overview of the benefits.

### Interest on Employee Account Balance (Informational)

Mr. Collins indicated that at the April meeting the Board heard a discussion by Segal on the actuarial implications of the interest paid on employee account balances. At the May meeting the Board followed up on the discussion from April and reviewed a staff memo that provided further background on the issue and a staff recommendation to change the interest rate. Mr. Collins reviewed the information received on the following questions asked by the Board the month prior:

- What has been the return of the retirement plan over the last several years?
- Is the 7.5% interest rate compounded?
- What has been the 5 year CD rate over the last 10 years?
- What are the legal considerations of changing the rate?
- What do the board meeting minutes indicate concerning the action to set the rate at 7.5%?
- Identify some options to our present method

Mr. Baetsch informed the board that the Association of Former Public Employees had reviewed this issue and is recommending the Board change the interest rate. Ms. Sand pointed out that if the long term assumptions are correct the fund should be able to support the rate. It was also discussed that when the fund was doing better than 8% we didn't increase the rate and therefore it may not be equitable to decrease the rate when the fund is getting less than 8%. Further discussion followed. Mr. Baetsch made a motion to use the indexing of the CD from the Bank of North Dakota. Motion dies, no second. Discussion followed.

**Ms. Sand motions to leave the interest on Employee Account Balance the way it currently is. Ms. Tabor seconds.**

**Ayes:** Gunkel, Sand, Tabor, Smith and Chairman Strinden.

**Nays:** Baetsch and Sage

**Absent:**

**PASSED**

### Investment Committee Report (Board Action Requested)

Mr. Collins indicated that the investment subcommittee met and reviewed the 1<sup>st</sup> quarter 2003 investment reports for the Defined Contribution 401(a) plan and 457 Deferred Compensation Companion Plan. Mr. Collins indicated that the committee found the Invesco Dynamics fund (FIDYX) has not met its performance standards. Included in the board materials was a letter from American General indicating that they have placed the Invesco Dynamics fund on watch.

Mr. Collins also indicated that at the October, 2002 board meeting, the Strong Opportunity fund (SOPFC) was placed on 'formal fund review'. Since that time, the fund has not improved to meet its performance standards.

Mr. Collins indicated that the investment subcommittee is recommending placing the Invesco Dynamics fund on formal fund review and notifying the membership. Also placing the Strong Opportunity fund in a closed status and notifying the membership.

**Ms Sand moves approval of subcommittee's recommendation to place the Invesco Dynamics fund on formal fund review and notifying the membership. And placing the Strong Opportunity fund in a closed status and notifying the membership. Mr. Sage seconds.**

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

**Nays:**

**Absent:**

**PASSED**

Law Enforcement Plan (Board Action Requested)

Mr. Collins indicated that this last session SB 2033 passed expanding the National Guard system eligibility to political subdivisions in order to provide a retirement plan for law enforcement personnel. At the last meeting the board discussed several of the challenges facing implementing this bill and relating to the ongoing administration of the National Guard plan. Specifically this relates to the employer contribution requirement for the plans. Unlike the other plans where the employer contribution is set in statute, for the National Guard/law enforcement plan the PERS Board is given the authority to establish the rate. Therefore the Board must determine a contribution methodology and employer rate for the National Guard and for the political subdivisions. In making this determination, the first issue is should this system have a single rate for the National Guard and law enforcement employers or should the rate be broken down by subgroups and if so what and how should the subgroups be defined?

Mr. John Garrett and Mr. Wally Malles, from Segal were present via video conference and reviewed their findings with the board.

First, Segal suggested having one employer rate for the National Guard, a second rate for political subdivisions that were participating employers of the PERS main system at the time of joining the law enforcement plan and a third rate for political subdivisions that were not on the PERS system.

Secondly, concerning the National Guard rate Segal reviewed planning projections for the next several years. These projections showed that maintaining the 8.33% contribution rate would be the most prudent funding method. Therefore Segal recommended maintaining the same employer contribution rate.

Thirdly, Segal reviewed the data they had used in the law enforcement study during the interim. Based on this information Segal recommended an employer contribution rate 8.31 for political subdivisions that participated in PERS and 6.43 for political subdivisions that did not participate in PERS. Segal based this recommendation on past service liability of one group versus the other and the most equitable method of recognizing it in setting the contribution rate.

**Mr. Gunkel moved approval of Segal's recommendation. Ms. Sand seconds.**

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

**Nays:**

**Absent:**

**PASSED**

Disability consulting Contract (Board Action Requested)

Ms. Allen indicated that the contract with Mid Dakota Clinic for disability consulting services expires June 30, 2003. The Board must determine whether to go out for bid or renew the present contract. Our current contract rate is \$140.00 an hour. Mid Dakota clinic has indicated they wish to continue to perform these service for NDPERS at the

same rate of \$140 an hour for the July 1, 2003, through June 30, 2004, contract period. The amount paid in consulting fees for this contract period beginning on July 1, 2002 to date is \$4,121.25.

Staff recommends that we renew the disability consulting contract for the period July 1, 2003 through June 30, 2004, at the rate of \$140 an hour.

**Ms. Sand moved approval staff recommendation to renew the disability consulting contract with Mid Dakota Clinic for the July 1, 2003, through June 30, 2004, at the rate of \$140 an hour. Ms. Smith seconds.**

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

**Nays:**

**Absent:**

**PASSED**

Health Plan SPD (Board Action Requested)

Ms. Allen indicated that a copy of the draft SPD for active employees was included in the board materials. It was noted that this would be basically the same for retirees. Discussion followed.

**Ms. Tabor moved approval of the draft SPD for PERS. Mr. Gunkel seconds.**

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

**Nays:**

**Absent:**

**PASSED**

Plan Document Changes Board Action Requested)

Mr. Collins indicated that SB 2058 provided that an employer could make supplemental contributions to the Defined Contribution Plan. Specifically the section of statute states:

**SECTION 18.** A new section to chapter 54-52.6 of the North Dakota Century Code is created and enacted as follows:

**Additional employer contributions.** Additional lump sum contributions by an employer to a participating member's defined contribution retirement plan account may be made if the participating member has twenty-five years of service, has not retired, and has not received a retirement benefit under this chapter. Contributions may be made in an amount actuarially equivalent to the amounts determined pursuant to chapter 54-52 as follows:

1. For the conversion of sick leave pursuant to section 54-52-27;
2. The equivalent of up to five years of service credit unrelated to any other eligible service as provided in subsection 5 of section 13 of this Act.

Mr. Collins indicated that one of the steps to implement this is to amend the Defined Contribution Plan Document. Segal has developed the necessary amendments. First drafts of the changes were included in the board materials.

The board asked staff to have the changes identified and brought back to the next meeting.

Fidelity Renewal and Defined Contribution & Deferred Comp Vendor Selection (Board Action Requested)

Mr. Collins indicated that the contract with Valic expires next summer and the contract with Fidelity expires this month. Pursuant to our previous discussions staff will be coordinating the new vendor selection to go to market with both plans at the same time. Therefore the current contract with Fidelity will need to be renewed for the next two years and give them notice that the agreement will be terminating in the summer of 2004. Mr. Collins indicated that staff will need to get started on the new bid process.

Mr. Collins indicated that the first step in the process is to determine if a consultant is needed to assist with the RFP and selection process. Last time the Segal Company was used.

The second step is to determine how to select a consultant if the board decides to have this assistance. We could again retain Segal or develop a formal bid and send it to the major consulting firms. The goal would be to select a firm by September, which would mean that staff would need to issue an RFP by July.

**Mr. Sage moved approval to: renew the Fidelity Contract for one year, to use a consulting firm and to select a consulting firm by RFP. Ms. Tabor seconds.**

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

**Nays:** None

**Absent:**

**PASSED**

Election Results (Board Action Requested)

Ms. Allen indicated that on June 16, 2003, the Election Committee met to review and validate the results of the election for the opening on the PERS Board. The results were reviewed and accepted.

Ms. Allen indicated that Mr. Howard Sage was elected by the active membership. His term will begin July, 2003 and run through June 30, 2008.

**Mr. Baetsch moved approval of the Election Committee results. Ms. Tabor seconds.**

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

**Nays:** None

**Absent:**

**PASSED**

Conferences (Board Action Requested)

Mr. Collins indicated that the 2003 Annual National Association of Government Defined Contribution Administrators (NAGDA) conference is September 20 through 24. In the past the Board has approved for one member of the Board to attend the conference.

**Mr. Sage moved approval of one Board member to attend the conference. Ms. Smith seconds.**

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

**Nays:** None

**Absent:**

**PASSED**

Political Subdivision New Contract (Board Action Requested)

Mr. Collins indicated that an issue has arisen relating to two schools that are merging. One of the schools is currently participating with PERS and the other is not. The contract we currently use does not recognize this situation and a new contract should be drafted.

**Ms. Sand moved approval for Mr. Scott Miller to draft new contract for these situations.  
Ms. Tabor seconds.**

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

**Nays:** None

**Absent:**

**PASSED**

At 10:12 AM the board meeting went into closed session.

At 10:16 AM the board meeting went into open session

Chairman Strinden called for any other business, hearing none the meeting adjourned at 10:17 AM.

*Respectfully Submitted*

*Denise A. Curfman*

*Denise A. Curfman  
Secretary, NDPERS Board*

**Minutes**  
**North Dakota Public Employees Retirement System**  
**Thursday, July 17, 2003**  
**Blue Cross Blue Shield Office**  
**107 W Main**  
**Bismarck, ND**  
**8:30 A.M.**

Members Present:	Mr. Weldee Baetsch
	Mr. David Gunkel
Via Conference Call	Mr. Howard Sage
	Ms. Rosey Sand
	Ms. Sandi Tabor
Via Video Conference	Chairman Jon Strinden
Member Absent:	Ms. Arvy Smith, Health Department
Others Present:	Mr. Sparb Collins, Executive Director NDPERS
	Ms. Kim Humann, NDPERS
	Ms. Kathy Allen, NDPERS
	Ms. Rebecca Fricke, NDPERS
	Ms. Sharmain Dschaak, NDPERS
	Mr. Bryan Reinhardt, NDPERS
	Mr. Scott Miller, Attorney General's Office
	Ms. Rhonda Peterson, BCBSND
	Mr. Tom Tupa, INDSEA
	Mr. Howard Snortland, AFPE
	Mr. Don Bitz, Job Service North Dakota
	Mr. Wayne Kindem, Job Service North Dakota
	Ms. Sheila Vetter, Job Service North Dakota
	Ms. Mary Schwab, Job Service North Dakota
Via Video Conference	Mr. Larry Brooks, BCBSND

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 June 19, 2003 meeting.

**MR. SAGE MOVED APPROVAL OF THE JUNE 19, 2003 NDPERS BOARD MINUTES.  
MS. TABOR SECONDED THE MOTION.**

**RETIREMENT**

**NDPERS Board Meeting**

**July 17, 2003**

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**Job Service (Informational)**

Mr. Don Bitz, Job Service North Dakota, distributed handouts to the Board on the Funding Components and Investment History for the Job Service Retirement Plan. Mr. Bitz provided an overview of this information to the Board.

**Job Service - Contracts (Board Action Requested)**

Ms. Allen indicated upon assuming the administration of the Job Service Retirement Plan effective August 1, 2003, there are some contracts/agreements currently in effect that will transfer to NDPERS effective August 1, 2003. These include the following:

<b><u>Name</u></b>	<b><u>Services</u></b>	<b><u>Renewal</u></b>
The Segal Company	Consulting/Actuarial	January 1, 2004
State Investment Board	Investment Manager	
The Travelers	Benefit Payment Services	October 1, 2003
Department of Labor	Compromise Agreement For Unfunded Liability	

Included with the board materials was a brief summary of each contract which included the actions necessary to transfer them to PERS as recommended by Mr. Scott Miller, legal counsel. Discussion followed.

- Staff recommended the Board approve the transfer of the Job Service contracts with the State Investment Board and Department of Labor to NDPERS and amend them to acknowledge the change in plan administrator.
- Staff recommended the Board approve the renewal of the Travelers benefit payment agreement for one year subject to an acceptable service fee proposal.
- Staff recommended the Board approve the renewal of the Segal contract through June 30, 2004.

Mr. Gunkel recommended amending the Investment Policy Statement to reflect the NDPERS Board is now the Plan Administrator.

**MR. GUNKEL MOVED APPROVAL OF STAFF RECOMMENDATION AND THE CHANGE TO THE INVESTMENT POLICY STATEMENT. MR. BAETSCH SECONDED THE MOTION.**

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

**Nays:** None

**PASSED**

**Retirement Funding (Board Action Requested)**

As the Board had discussed during the last year and most recently relating to the interest on employee account balances the retirement systems funding level has decreased in the last several years due to the investment losses. Consequently, the Board may need to consider and discuss the need to ask for an increase in the retirement contributions (Main, Judges & HP) and the retiree health program. Alternatively the Board could decide not to seek additional contributions in recognition that in the long term this should correct itself if

**NDPERS Board Meeting**

**July 17, 2003**

**Page 3**

the assumed rate of return and asset allocation are accurate. In either case, a decision should be made by December so any appropriate legislation can be drafted and submitted to the Legislative Employee Benefits Committee. To assist in making this decision, staff suggested devoting some time at each of the upcoming meetings to discuss the funding status of the various retirement plans and retiree health program. Included with the board materials was a proposed schedule of discussion items. Also, staff has begun discussions with RIO/TFFR and the employee groups to have a series of town hall type forums around the state in January and February to discuss investments, retirement and health. Members and retirees of both systems would be invited to these meetings. Ms. Sand requested staff to inquire how TFFR plans to address this same issue and update the Board. By general consensus, the Board agreed to move forward with the action plan proposed by staff.

**Plan Document Changes (Board Action Requested)**

Mr. Collins indicated Senate Bill 2058 provided that an employer could make supplemental contributions to the Defined Contribution plan. One of the steps to implement this was to amend the Defined Contribution Plan Document. Segal developed the necessary amendments. Included with the board materials was a draft of the changes for the Board's review and comments.

**MS. SAND MOVED TO APPROVE THE AMENDMENTS TO THE DEFINED CONTRIBUTION PLAN DOCUMENT. MS. TABOR SECONDED THE MOTION.**

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

**Nays:** None

**PASSED**

**Law Enforcement System Contract (Board Action Requested)**

Included with the board materials was a draft of the Participant Agreement form that staff proposed to use for employers wishing to participate in the National Guard/Law Enforcement Retirement System. The waiver of membership form and PEP agreement will be the same as that used for the Main system. Staff recommended approving the proposed draft document.

**MS. TABOR MOVED TO APPROVE THE DRAFT EMPLOYER PARTICIPATION AGREEMENT FOR THE NATIONAL GUARD/LAW ENFORCEMENT RETIREMENT SYSTEM. MR. SAGE SECONDED THE MOTION.**

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

**Nays:** None

**PASSED**

**NDAC 71-02-03-01 (Informational)**

Ms. Fricke indicated staff was currently in the process of reviewing the ND Administrative Code as it relates to NDPERS. She reviewed with the Board a section of existing rules relating to free service credit that has been in place since the 1980's. This was being

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brought to the Board's attention to review its continued applicability and to determine if the Board would like staff to make any changes to this section. This particular section relates to service credit. Discussion followed. Mr. Gunkel recommended staff outline the pros, cons and options for changing this for the Board to review at the next meeting.

**Social Security EVS (Board Action Requested)**

Mr. Reinhardt indicated he was working with the Social Security Administration (SSA) to use their Enumeration Verification System (EVS) to check the data of the NDPERS membership. This would ensure NDPERS has the correct SSN on file for our membership and that we are not paying benefits to any deceased members. Mr. Reinhardt conveyed a problem had arisen in that no one at the SSA would sign our agreement which was necessary for confidentiality purposes. Mr. Reinhardt sought out the opinion of Mr. Scott Miller, legal counsel. Mr. Miller determined as a result of legislative amendments to the statute, effective August 1, 2003, PERS could disclose that information to the SSA without an agreement provided the Board determined it was necessary for operational purposes. Staff recommended the Board approve the submission of NDPERS data to SSA.

**MS. SAND MOVED TO APPROVE THE SUBMISSION OF NDPERS DATA TO THE SOCIAL SECURITY ADMINISTRATION FOR CROSS CHECKING SOCIAL SECURITY NUMBERS BECAUSE IT IS NECESSARY FOR THE OPERATIONAL PURPOSES OF THE AGENCY. MS TABOR SECONDED THE MOTION.**

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

**Nays:** None

**PASSED**

**Investments/Investment Subcommittee (Board Action Requested)**

Mr. Collins reviewed an issue relating to the mutual fund offerings in the Defined Contribution and Deferred Compensation plans. The investment policies provide a method for both of these plans whereby a fund can be closed in two ways. 1) To all participating or 2) to future participants. The Fred Alger fund was closed approximately a year ago in the Defined Contribution plan. At the last board meeting a motion was made to close the Strong Opportunity Fund to future participants in both the Defined Contribution plan and the Deferred Compensation Companion plan. As staff has moved forward implementing the aforementioned action, our new relationship manager with Fidelity pointed out they can no longer close funds only to future participants due to the unique and manual work involved. Staff contacted VALIC (NDPERS Companion Plan provider) who indicated they had the same problem and same issue. The Investment Subcommittee met and is suggesting that since the funds can not be closed to future participants the funds should be put under formal watch underneath the Investment Policies. This would allow existing members to continue to contribute to those funds if they so elect, giving them the opportunity to income average out of it. By putting these funds under formal watch, it will advise the members that these funds are not meeting their investment objectives.

**MR. SAGE MOVED TO APPROVE THE INVESTMENT SUBCOMMITTEE RECOMMENDATION TO PUT THE STRONG OPPORTUNITY FUND AND THE FRED**

**ALGER FUND ON FORMAL WATCH INSTEAD OF CLOSING THEM TO NEW INVESTMENTS. MR. BAETSCH SECONDED THE MOTION.**

Ms. Sand inquired how members already invested in the funds would be notified of the formal watch. Mr. Collins conveyed it would be posted on the PERS Website and placed in the PERSpective newsletter. Discussion followed. Ms. Sand suggested a letter be sent to members invested in these funds notifying them of the formal watch action.

Mr. Sage amended his motion.

**MR. SAGE MOVED TO APPROVE THE INVESTMENT SUBCOMMITTEE RECOMMENDATION TO PUT THE STRONG OPPORTUNITY FUND AND THE FRED ALGER FUND ON FORMAL WATCH INSTEAD OF CLOSING THEM TO NEW INVESTMENTS AND THAT A LETTER BE SENT NOTIFYING MEMBERSHIP CURRENTLY PARTICIPATING IN THE NDPERS COMPANION PLAN AND DEFINED CONTRIBUTION PLAN OF THE FORMAL WATCH ACTION. MR. BAETSCH SECONDED THE MOTION.**

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

**Nays:** None

**PASSED**

**GROUP INSURANCE**

**EAP Update (Informational)**

The Board was advised the EAP renewal process is complete. All agencies have either elected an EAP vendor for the next biennium or retained the one they had for 2001-2003 by default. All EAP vendors have signed the contract. Included with the board materials was a list of agencies and their EAP selections.

**EPO Survey (Informational)**

Mr. Brooks from BCBS, reviewed the highlights of the EPO survey conducted by BCBS. The survey is conducted to assess the satisfaction of NDPERS subscribers with their EPO benefits and services.

**Member Survey (Informational)**

Ms. Peterson from BCBS, provided the Board with a summary of the member service survey results conducted in February. The survey is conducted to assess the satisfaction of NDPERS subscribers with the BCBS Service Unit assigned to the NDPERS group.

**Medicare Prescription Drugs (Informational)**

Mr. Collins indicated there has been much discussion at the national level regarding adding prescription drug coverage to Medicare. Included with the board materials was a summary of the legislation that has been passed by the Senate and the House.

**Health Video (Informational)**

Mr. Collins pointed out that pursuant to the NDPERS business plan, staff is moving toward the use of the internet and other technologies for many of its services. One part of that is

## **NDPERS Board Meeting**

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the use of video based technologies for benefit information instead of having enrollment meetings. Included with the board materials was the first video produced and it is for the health plan. This video is being distributed to many of our employer groups and is available on our web site.

### **MedCenter One (Informational)**

Included in the board materials was updated information on the positive performance of MedCenter One in the EPO program. Also included in the board materials was an article that appeared in the Bismarck Tribune. Beyond the explanation given in that article, NDPERS has not heard anything from MedCenter One. Several meetings ago the Board discussed inviting MedCenter One to a meeting to share their thoughts on the EPO to assist in future planning. Staff included a draft letter in the board materials for the Board's review inviting MedCenter One to the August meeting. Mr. Collins distributed a draft survey staff developed to send out to MedCenter One EPO participants. Mr. Mike Potts and Mr. Steve Lindemann, BCBS, joined the meeting via video conferencing to share their thoughts on the MedCenter One EPO situation. Discussion followed. By general consensus, the Board recommended not to pursue this matter further.

### **Quarterly Health Graphs (Informational)**

The quarterly health utilizations graphs for the 1st quarter of 2003 were included with the board materials.

### **Surplus Affordability Update (Informational)**

The May surplus projection and affordability analysis for the NDPERS group medical plan were included with the board materials.

### **Formulary/Non-Formulary Drugs (Informational)**

Mr. Collins pointed out several drugs had gone off the formulary/non-formulary list and now can be purchased over-the-counter without a prescription. This has resulted in a letter to board members indicating an individual's dissatisfaction with this decision. Dr. Carlisle, BCBS, joined the meeting via video conferencing, and provided the Board with a brief overview on the over-the-counter drug issue and implications it will have for members. Mr. Gunkel requested staff to send a letter on behalf of the Board to the member who sent the letter indicating the Board followed up on this matter with Dr. Carlisle and also requested Dr. Carlisle to write to the member to discuss the policy and procedures on this matter. Dr. Carlisle agreed to respond to the member who had sent a letter to the Board regarding this issue.

## **FLEXCOMP**

### **FlexComp Plan Document (Board Action Requested)**

Ms. Allen indicated Senate Bill 2060, passed during this last legislative session, contained a provision to change the eligibility requirements for the group insurance plans from "17 ½ hours per week and at least 5 months each year" to "20 hours per week and at least 20 weeks each year." The FlexComp plan's eligibility requirements are not in statute or rules; therefore, it is necessary to amend the Plan Document so the eligibility requirements for this plan will be consistent with those of the group insurance plans. Included with the board materials was the proposed amendment to change the eligibility requirements. Staff recommended board approval of the proposed amendment to the Plan Document.

**MR. BAETSCH MOVED APPROVAL OF THE PROPOSED AMENDMENT TO THE FLEXCOMP PLAN DOCUMENT. MR. SAGE SECONDED THE MOTION.**

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

**Nays:** None

**PASSED**

**MISCELLANEOUS**

**Certificate of Achievement (Informational)**

Mr. Collins conveyed that NDPERS had been awarded the *Certificate of Achievement for Excellence in Financial Reporting* by the Government Finance Officers Association for NDPERS comprehensive annual financial report. This certificate of achievement is the highest form of recognition in the area of public employee retirement system accounting and financial reporting. Sharon Schiermeister is the person at NDPERS who is responsible for the preparation of this report.

**August Meeting (Board Action Requested)**

Mr. Collins indicated staff contacted the North Dakota Association of Counties (NDACo) as a possible location for future board meetings. Included with the board materials was a copy of the meeting room contract. Staff will be scheduling a test to make sure the connection works between NDACo and BCBS. Mr. Miller indicated the indemnification and hold harmless statements will have to be removed from the meeting room contract prior to signing. Mr. Miller and Mr. Collins will address this matter with the NDACo. By general consensus, the Board agreed to meet on August 28 at the NDACo location.

Chairman Strinden requested board members to send the Executive Director's evaluation forms to him.

Chairman Strinden called for any other business or comments. Hearing none, the meeting was adjourned at 11:00 a.m.

Prepared by,

Kim Humann  
Administrative Assistant

# MINUTES

**North Dakota Public Employees Retirement System  
Thursday, August 28, 2003  
ND Association of Counties  
1661 Capitol Way  
Bismarck, North Dakota**

**Members Present:**

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

**Others Present:**

Mr. Sparb Collins, Executive Director NDPERS  
Mr. Scott Miller, Attorney General's Office  
Ms. Denise Curfman, NDPERS  
Ms. Kathy Allen, NDPERS  
Ms. Sharmain Dschaak, NDPERS  
Ms. Rebecca Fricke, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Ms. Deb Knudsen, NDPERS  
Mr. Tom Tupa, AFPE/INDSEA  
Ms. Rhonda Peterson, BCBS  
Ms. Chris Runge, NDPEA AFT 4660  
Mr. Ron Gilliam, NDPERS  
Mr. Arnie Seitz, NDPERS  
Mr. John Garrett, Segal  
Mr. Bryan Klipfel, Highway Patrol  
Ms. Lorrie Hammerman, OMB

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

## **Minutes**

Chairman Strinden called for any questions or comments regarding the July 17, 2003 NDPERS Board minutes.

**Mr. Gunkel moved approval of the July 17, 2003 NDPERS Board minutes. Ms. Tabor seconds.**

### **Long Term Funding Issues (Informational)**

Mr. John Garrett, Segal Company, provided the Board with an educational session on actuarial considerations relating to retirement plan funding in a down market. In summary:

- If assumed returns (8.0%) are achieved: PERS Main funded ratio declines and negative margin increases to -4.6%; RHICF funded ratio continues to increase, margin decreases to -0.11% and assets begin to decline in 2019 due to negative cash flow.
- If expected returns (10.3% for Main and 9.4% for RHICF) are achieved; PERS Main funded ratio returns to 100% in 2014 and contribution margin returns to positive in 2016; RHICF funded ratio increases to 60% in 2018 and positive margin returns in 2015 and continues to increase.
- If any benefit enhancements are going to be added additional contributions will be needed.

### **Retirement Credit (Board Action Requested)**

Ms. Fricke provided the board with information regarding amendments made to the NDAC 71-02-03-01 regarding the granting of free service credit. Ms. Fricke also provided the board with the history of the changes to the Administrative Code.

**Ms. Sand motioned to delete 2-5 of the current section 71-02-03-01. Amend subsection 1 to allow prior service to 7/1/66, and to make this amendment prospectively. Ms. Tabor seconds the motion.**

**Ayes:** Baetsch, Gunkel, Sand, Tabor, Smith and Chairman Strinden.

**Nays:**

**Absent:** Sage

**PASSED**

### **Indexing for Highway Petrol (Board Action Requested)**

**Ms Tabor moves approval of the Highway Patrol's recommendation that there be no final average salary indexing for the salaries of deferred vested participants. Ms. Sand seconds.**

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

**Nays:**

**Absent:** Sage and Smith

**PASSED**

### **Travelers Contract (Informational)**

Ms. Allen indicated that at the July meeting, the Board approved the renewal of the The Travelers contract for benefit payment services for one year subject to an acceptable service fee proposal. The Travelers had agreed to renew for one year at the current fees of \$3.25 per payee/per benefit payment made by check, and a fee of \$2.50 per payee/per benefit payment made by electronic funds transfer.

#### USERRA (Informational)

Mr. Collins indicated that included in the board materials was a letter from Mr. Jerry Meske to General Haugen relating to our procedures for returning veterans. Mr. Collins indicated that Mr. Scott Miller will continue to follow this for the board.

#### Investment Returns (Informational)

Mr. Collin indicated that included in the board materials was the investment returns for the year ending June 30, 2003. Mr. Collins indicated that our return for the retirement plan was 5.46%, for the retiree health plan 3.51% and for the Job Service Plan 5.7%.

#### Health Plan Initiative (Board Action Requested)

Mr. Collins indicated that with the recent withdrawal of MedCenter One from the EPO it has caused PERS to look at that product and the direction of managed care in the health plan. The purpose of managed care is to direct the delivery of health care in a manner that produces not only a high quality service but also a positive outcome in a cost effective manner. He noted that PERS uses a capitation/target methodology for the program. If some providers are not willing to engage in this type of program due to the reimbursement method then PERS should review. Therefore staff has proposed the following two efforts:

1. Review using a target methodology in the EPO (presently we use a capitation/target methodology)
2. Review the concept of having a physician based EPO program instead of a clinic based program.

**Ms. Tabor moved approval of staff recommendation to investigate the two concepts and report back to the board in the first part of next year. Ms. Sand seconds.**

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

**Nays:** None

**Absent:** Sage and Smith

**PASSED**

#### Dental Plan Renewal (Board Action Requested)

Ms. Allen indicated that the ING's dental plan renewal rate notification for the January 1, 2004 plan year was in your board materials. Also included was a summary of the experience underwriting formula used to calculate the renewal rates. A 6.91% rate adjustment is proposed for next year. We renewed our contract with ING for 2003 when we accepted its proposal for the plan in response to our RFP. There was no rate increase associate with the proposal. The current rates and the proposed rates for 2004 are as follows:

**Mr. Baetsch moved approval of the 2004 dental rate renewal. Ms. Tabor seconds.**

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

**Nays:** None

**Absent:** Sage and Smith

**PASSED**

#### Wellness Benefit Program (Board Action Requested)

Ms. Allen indicated effective July 1, 2003, BCBS increased the funding for the wellness benefit program to \$38,000 for the biennium. In the past our funding was \$19,000 per biennium. The Committee feels there should be an adjustment to the current criteria established with regard to the wellness dollars available to employers that elect to offer on-site wellness programs.

At its inception, the program allowed a maximum benefit up to \$500 subject to Committee review and approval. Benefit requests in excess of \$500 were subject to review and approval by the Board. Since 1994, we have had 92 applications (34 were for the 10K program) that received benefits of \$500 or less, 3 between \$501 and \$1,000, and 8 over \$1000. Based on these statistics, the Committee is recommending the following benefit structure:

- The first \$500 would be funded at 100%, or actual cost, whichever is less.
- The next \$500 would be funded at 75% to a maximum of \$1,000
- Requests in excess of \$1,000 would be subject to the Board's approval and would also be funded at 75% after the first \$500.

This proposal will maintain the current \$500 allowance while allowing a higher benefit that requires some monetary commitment by the employer or the employees. As the majority of programs funded are for \$500 or less, those agencies accustomed to receiving 100% funding will still have that guarantee with some financial commitment on their part should the program costs exceed the \$500 allowance. In addition, this structure will make it easier for site wellness coordinators to determine the financial commitment that may be required by the employer or the participants if the cost exceeds the allowance.

**Mr. Gunkel motioned for the first \$500 funded at 100% whichever is less. All decision to be made by the committee. Requests in excess of \$500 would be funded or not by the decision of the committee at the levels decided by the committee Ms. Tabor seconds.**

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

**Nays:** None

**Absent:** Sage and Smith

**PASSED**

Minimum Contribution Requirements (Board Action Requested)

Ms. Allen indicated that pursuant to the Board's approval, legislation was submitted to require a minimum premium contribution for political subdivisions. This change allows the PERS Board to establish a minimum employer contribution as a condition to participate in the group insurance program. This provision is intended to prevent adverse selection to the plan that could occur as a result of an employer's individual premium contribution policy. Section 71-03-07-03 of the Administrative Rules is proposed to be amended to give the Board the authority to determine the minimum contribution requirement.

Ms. Allen indicated that BCBS current minimum contribution guidelines are "All new groups enrolled must have at least the minimum employer contribution, which is defined as at least 50% of the single premium." We are providing this information for the Board's consideration in establishing a policy for PERS. These guidelines would be adopted on a prospective basis subject to promulgation of the aforementioned rules.

**Ms. Sand moved approval of adopting the same guideline as BCBS on a prospective basis for the NDPERS Group Health Plan. Ms. Tabor seconds.**

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

**Nays:** None

**Absent:** Sage and Smith

**PASSED**

### BCBS Administrative Service Agreement (Informational)

Mr. Collins indicated that the Administrative Services Agreement for the July 1, 2003 through June 30, 2005 contract period was included in the board materials. Mr. Collins indicated that the document is being reviewed by staff and our legal counsel. It is staffs goal to have a final agreement for your approval at the September meeting.

### Medical Review (Informational)

Mr. Collins indicated that last year the PERS Board adopted the following initiatives relating to the rising cost of health insurance:

- Increase competition for state plan business
  - Change bid statute
  - Allow self administration
  - Develop an independent provider network
- Develop employer based wellness programs
- Increase large case management (chronic care)

The first two initiatives required legislative authorization and were proposed in SB 2060. The first one did not pass but the second one did. Staff will begin work on the wellness proposal this fall. The last one did not require legislative approval and staff has been working on this with BCBS during the last year. BCBS has agreed to dedicate a case manager to PERS. The individual was hired this summer. Included in the board materials was an overview of the case management process and some concepts being talking about relating to enhancements in the process for PERS.

### 2002 NDPERS Health Care Report (Informational)

Mr. Reinhardt provided the Board with an overview of the 2002 NDPERS Health Care Report. This report was included in the board materials.

### Surplus/Affordability Update (Informational)

Mr. Reinhardt provided the Board with an overview of the Surplus/Affordability Update. This report was included in the board materials. It was noted that the estimated ending balance is slightly less than 6 million.

### FlexComp (Informational)

Mr. Collins indicated that at the last meeting the Board discussed the issue of certain prescription drugs going over the counter and the effect on insurance and flex reimbursement. The Board requested that staff contact Segal to review this issue and provide some background relating to flex. Mr. Collins indicated that Segal reviewed the issue and there response was included in the board materials.

### Deferred Compensation Contributions (Board Action Requested)

Mr. Collins indicated that Employers who participate in the Deferred Compensation Plan (DCP) are responsible for setting up the payroll deductions for authorized deferred comp contributions and remitting the contributions directly to the designated investment provider. In reviewing current procedures, staff feels compliance and internal controls could be improved if employers sent the deductions to PERS, instead of directly to the investment providers. Mr. Collins indicated that PERS is monitoring compliance after the fact and performing a lot of manual reconcilements.

This change would provide the following advantages:

- Only authorized deductions would get sent to the provider
- More convenient for employers – they would only need to issue one check payable to PERS for all deferred comp deductions

- PEP calculation would be more reliable, as we would know that deferred comp deductions under the State's plan were actually taken and sent to the provider
- Improve the process for reconciling contributions to the provider reports
- Providers would only need to deal with PERS, instead of each employer. This could result in lower administrative charges.
- Moving from manual to electronic transmission should cut down on provider errors posting contributions to participant accounts

The following disadvantages were also identified:

- Delay in deductions getting sent to providers. Could take 3 days from date PERS receives the contributions until the contributions are posted to the employee's account
- Will require mainframe programming changes to handle employers who are not on a monthly pay cycle
- Will require mainframe programming to create electronic files for each provider, which could all be different formats
- Number of wire transfers will increase – need to send to each provider company each time we receive deductions throughout the month.

Mr. Collins indicated that In order to accomplish this change, the following business processes would need to be changed:

- We currently are on a monthly reporting cycle – will need to establish new process that allows employers to report deferred comp deductions for each payroll to insure timely transmission to providers
- Providers will need to be able to receive electronic transmission of contribution information

Mr. Gunkel moved approval of staff recommendation to implement the change for all deferred compensation providers effective August 1, 2004. Ms. Smith seconds.

Discussion followed:

**Mr. Gunkel withdrew his motion. Ms. Smith seconds.**

The Board requested that staff move forward and to bring setup costs for programming and additional work effort back to the board for final approval.

Request for Proposal (Board Action Requested)

Mr. Collins indicated that pursuant to the action of the Board at the last meeting staff sent out the RFP to seek assistance with the proposal process for the defined contribution and deferred comp programs. Staff reviewed the proposal. Mr. Reinhardt handed the results out to the Board.

**Ms. Tabor moves approval to award the RFP to Deloitte & Touche. Ms. Sand seconds.**

**Ayes:** Baetsch, Gunkel, Sand, Tabor, Smith and Chairman Strinden.

**Nays:** None

**Absent:** Sage

**PASSED**

Final Section 457 Regulations (Board Action Requested)

Ms. Allen indicated that on July 10, the IRS issued final regulations relating to Section 457 deferred compensation plans. The final regulations contain some specific rules related to the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001 and apply for taxable

years beginning January 1, 2004. There are two provisions that will have implications for our members. They are the ability to defer sick, vacation, and back pay and the refunding of excess deferrals.

### **Deferral of Sick, Vacation, and Back Pay**

Currently, these additional payments are not eligible for deferral. The regulations now allow participants to defer accumulated sick pay, vacation pay, and back pay. The agreement to defer these payments must be made before the beginning of the month in which such amounts will be paid or made available and the participant must be an employee in that month. The deferrals are treated as part of the participant's "annual deferrals," and are subject to the plan's annual maximum deferral limits and catch-up contribution limits, if applicable.

### **Excess Deferrals**

When deferrals in excess of the annual maximum limit occur, the excess is taxable to the participant in the year deferred. The excess cannot be refunded as it is considered an in-service distribution which is prohibited by the 457 regulations. Under the final regulations, a plan must now provide for distribution of any excess deferrals, including any earned income, to the participant as soon as administratively practicable after it is determined that the amount is an excess deferral.

Ms. Allen indicated that staff recommends amending the appropriate documents in order to implement the provisions of the final regulations for the deferral of sick, vacation, and back pay effective January 1, 2004. According to the regulations, a plan must allow for refund of excess deferrals; therefore, no action is required and staff recommends that implementation of this provision be immediately.

**Ms. Sand moves approval of staff recommendation. Ms. Tabor seconds.**

**Ayes:** Baetsch, Gunkel, Sand, Tabor, Smith and Chairman Strinden.

**Nays:** None

**Absent:** Sage

**PASSED**

### Deferred Comp – QDRO Model (Board Action Requested)

Ms. Allen indicated that the EGTRRA 2001 regulations contained a provision to allow Section 457 plans to distribute accounts prior to termination consistent with the requirements of a qualified domestic relations order (QDRO). In order to allow this option in the state's deferred comp plan, it was necessary to submit enabling legislation. With approval of Section 17 of SB 2058, the Board now has the authority to apportion a participating member's account in the deferred compensation plan in accordance with the requirements of a QDRO.

Ms. Allen indicate that in order to implement this legislation, staff developed a draft model domestic relations order to assist members and their attorneys in establishing a QDRO with the deferred comp plan. The draft model has been reviewed by Mr. Miller and Segal. This draft model was included in the board materials.

**Ms. Tabor moved approval of the draft model. Ms. Sand seconds.**

**Ayes:** Baetsch, Gunkel, Sand, Tabor, Smith and Chairman Strinden.

**Nays:** None

**Absent:** Sage

**PASSED**

NDPERS 401(a) Defined Contribution 2<sup>nd</sup> Quarter 2003 Report (Informational)

Mr. Reinhardt provided the Board with an over view of the 401(a) Defined Contribution 2<sup>nd</sup> Quarter 2003 Report. This report was included in the board materials.

NDPERS 457 Companion Plan 2<sup>nd</sup> Quarter 2003 Report (Informational)

Mr. Reinhardt provided the Board with an over view of the 457 Companion Plan 2<sup>nd</sup> Quarter 2003 Report. This report was included in the board materials.

Employer Participation Agreements (Board Action Requested)

This item was deferred to the next meeting.

September Board Meeting (Board Action Requested)

Mr. Collins indicated that there was a request to change the September 18<sup>th</sup> board meeting. Discussion followed. The board meeting was not changed.

Retiree Working Group (Board Action Requested)

Mr. Collins proposed that the board continue to use the retiree working group it established earlier this year to look at the retiree plan design. The purpose of continuing to use this group would be have it review issues facing retirees and propose initiatives or changes for the board's consideration later this year. There has always been the PERS benefits committee that has assisted PERS and in fact has already started to meet. However the benefits committee is more focused on active member issues. With today's challenges it may be helpful to have another committee that is more focused on retiree issues. I would propose continuing the committee used last time which consisted of the following members:

Mr. Carl Rodlund	Mr. James Saver
Mr. Howard Snortland	Mr. Tom Tupa
Mr. Joe Novak	Ms. Chris Runge

In addition Mr. Collins suggested asking Mr. Gerald Balzer, Mr. Rob Graham and Mr. Chet Nelson.

**Mr. Baetsch moves approval of continuing the retiree working group with the above listed individuals. Ms. Tabor seconds.**

**Ayes:** Baetsch, Gunkel, Sand, Tabor, Smith and Chairman Strinden.

**Nays:** None

**Absent:** Sage

**PASSED**

Audit Committee Minutes (Informational)

Included in the board materials were the May 13, 2003 Audit Committee Minutes.

Draft of Proposed Rules (Informational)

Mr. Collins indicated that the draft of the proposed additions, deletions and revisions to the administrative rules were included in the board materials.

Consultant Fees (Informational)

Included in the board materials were the consultant fees paid for the quarter ending June 30, 2003.

Web Demo (Informational)

Mr. Ron Gilliam and Mr. Arnie Seitz, from NDPERS IT division, provide the Board with a brief review and demo of NDPERS new web site and new products that PERS is rolling out.

Chairman Strinden called for any other business, hearing none the meeting adjourned at 11:05 AM.

*Respectfully Submitted*

*Denise A. Curfman*

*Denise A. Curfman  
Secretary, NDPERS Board*

# MINUTES

North Dakota Public Employees Retirement System  
Thursday, September 18, 2003  
Health Department, State Capitol, Room 210, Bismarck  
BCBS, 4510 13<sup>th</sup> Ave SW, Fargo

Members Present:

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

Others Present:

Mr. Sparb Collins, Executive Director NDPERS  
Mr. Scott Miller, Attorney General's Office  
Ms. Denise Curfman, NDPERS  
Ms. Kathy Allen, NDPERS  
Ms. Sharmain Dschaak, NDPERS  
Ms. Rebecca Fricke, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Ms. Deb Knudsen, NDPERS  
Mr. Tom Tupa, AFPE/INDSEA  
Ms. Rhonda Peterson, BCBS  
Mr. Douglas Davis, Fidelity Investments  
Mr. Steve Cochran, RIO  
Ms. Connie Flanagan, RIO  
Mr. John Garrett, Segal  
Mr. Cal Fleischer, American General, VALIC  
Mr. Keith Poch, American General, VALIC  
Mr. Tim VanderLaan, American General, VALIC  
Mr. Dave Baker, American General, VALIC  
Mr. Mike Simonich, American General, VALIC  
Mr. Charles Sobocinski, American General, VALIC

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

**Minutes**

Chairman Strinden called for any questions or comments regarding the August 28, 2003 NDPERS Board minutes.

**Ms. Smith moved approval of the August 28, 2003 NDPERS Board minutes. Mr. Sage seconds.**

#### 457 and 401(a) Plan renewals (Informational)

Mr. Douglas Davis, Fidelity Investments, appeared before the Board. Mr. Davis provided the Board with an over view of Fidelity Investments and its services to PERS for the year ending June 30, 2003.

Mr. Cal Fleischer and Mr. Keith Poch, American General, VALIC appeared before the Board. They provide the Board with an overview of the 457 Plan Companion plan for the year ending June 30, 2003. Ms. Lisa Mitchell, American General, VALIC, reviewed with the Board distributions, VRU & internet activity.

#### Segal (Informational)

Mr. John Garrett, from Segal appeared before the Board via video conference from Denver. Mr. Garrett provided the Board with an overview of asset smoothing methodologies.

#### FICA (Board Action Requested)

Mr. Collins indicated that two years ago on of our political subdivisions was undergoing an audit by the IRS and one of their auditors took exception to the method for handling the employer pick up of retirement contributions. At that time we hired Ms. Carol Calhoun, a Washington DC attorney to assist us in the matter since the method in question is also the same method used by the state of North Dakota and therefore any change would have significant financial implications. The IRS closed the audit and decided not to pursue the matter. Mr. Collins indicated that recently the IRS addressed this issue relating to 403(b) plans. Staff suggested adding this to the next board agenda and getting a briefing from legal staff.

**The Board concurred with staffs' recommendation and asked for a briefing at the next meeting.**

#### Investment Policies (Board Action Requested)

Ms. Connie Flanagan reviewed several suggested changes to the PERS Investment Policy that RIO is recommending. Ms. Flanagan indicated that the changes are suggested to more accurately reflect the intent behind the restrictions and to allow RIO to use derivatives in a risk controlled manner.

**Mr. Gunkel moved approval of suggested changes. Mr. Sage seconds.**

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

**Nays:**

**Absent:** Tabor

**PASSED**

#### Security Standards (Board Action Requested)

Mr. Reinhardt indicated that another component of the Health Insurance Portability and Accountability Act (HIPAA) is the Security Rules. The Security Rules differ from the Privacy Rules in that they only pertain to *electronic* protected health information. The department of Health and Human Services grouped the Security Standards into administrative, physical, and technical safeguards to protect the confidentiality, integrity, and availability of electronic protected health information.

The Security Rules identified each standard as either 'required' or 'addressable'. The required components must be done and the addressable ones must be done if applicable or must be documented as to why they do not need to be implemented. In the NDPERS HIPAA Security Standards manual, the required components are in the color RED and the addressable components are in the color BLUE. A draft copy was included in the board materials.

Mr. Reinhardt indicated that Security is the last element of HIPAA. The Security Rule implementation date is April 21, 2005.

**Mr. Baetsch moved approval to adopt and put into place the HIPAA Security Policies and Procedures as stated. Mr. Sage seconds.**

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

**Nays:**

**Absent:** Tabor

**PASSED**

Administrative Agreement (Board Action Requested)

Ms. Allen indicated that the second draft of the administrative agreement with BCBSND was included in your board materials.

Mr. Miller recommended changing the language to comments instead of approval and disapproval on page 16, Section 10.9. To read as follows:

If NDPERS creates benefit communications for it's Members, relating to the Certificate of Insurance attached as Exhibit A, such communications will be sent to BCBSND for approval comments prior to distribution. BCBSND will have 5 business days to approve or disapprove comment on the communication.

**Mr. Sage approved the draft with Mr. Miller's recommendation. Ms. Sand seconds.**

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

**Nays:**

**Absent:** Tabor

**PASSED**

Smoking Cessation SB 2297 (Board Action Requested)

Mr. Collins indicated that one of the efforts the Board worked on last biennium was to try and get a smoking cessation program established. Due to difficulties in establishing a relationship with a provider staff was not able to get it set up. However this last session, SB 2297 was considered and passed. This bill provided funding for this biennium to set up smoking cessation programs and included funds for state employees. Staff is seeking the board's approval to move forward to implement a smoking cessation program for state employees. If approved, staff will work with the Health Department, BCBS and others to develop a methodology. Staff will also begin the process of seeking a grant from the Health Department.

Ms. Smith volunteered to be on the committee to work with staff.

**Mr. Gunkel moved approval for staff to begin this effort. Mr. Sage seconds.**

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

**Nays:**

**Absent:** Tabor

**PASSED**

FlexComp Plan-Administrative Changes (Informational)

Ms. Allen indicated that effective with the 2004 Plan Year, PeopleSoft Flexible Spending Account Administration will replace the software currently being used to administer the

FlexComp Plan. This will result in several administrative changes that will affect both payroll administrators and plan participants. The following outlines these changes:

- Employee Records - agency payroll staff will now have the responsibility for setting up the FlexComp record for employees who elect to participate in the plan. Payroll will sign the form certifying that the employee meets the eligibility requirements and has been set up on the system for the benefits applied for on the form and send the original to NDPERS.
- Identification Number - employees will no longer use their social security number as their identification number. The employee identification number issued to employees by the Office of Management & Budget will be used on all FlexComp forms.
- Direct Deposit - Direct deposit of FlexComp reimbursement checks will now be available to employees. If they are currently having their payroll check direct deposited, their FlexComp reimbursement must be deposited into the same account.
- Confirmation of Election Options – PERS will send a confirmation letter to all participants that will detail how their record was set up based on the information they provided on the form.

#### Over the Counter Drugs (Board Action Requested)

Mr. Collins indicated that in the board materials was an announcement from the Treasury Department and a copy of Revenue Ruling 2003-102 that indicates that over the counter drugs are now eligible for reimbursement in the flex program. While the rules allow plans to pay for over the counter drugs, it was noted that the plan document must also allow it. Segal reviewed the PERS plan document and noted that as presently written, the plan would pay for over the counter drugs effective July 1, 2003. Staff noted that if we were to implement this provision on another date the plan document would need to be amended. Staff reviewed the advantages and disadvantage of the various implementation dates.

Discussion followed.

**Mr. Sage makes motion to put into effect for the 2004 plan year. Mr. Baetsch seconds.**

**Ayes:** Baetsch and Sage,

**Nays:** Gunkel, Sand, Smith and Chairman Strinden.

**Absent:** Tabor

**FAILED**

It was noted that since no action was taken to amend the plan document the implementation date was January 1, 2003.

#### Draft Rules (Board Action Requested)

Mr. Collins indicated that the draft rules were in the board materials for the Boards approval to begin the formal review process. Mr. Collins indicated at the last meeting one proposed rule to note was the reduced benefit option (71-02-04-13). Staff proposed a change that more clearly makes this option available to people who are close to retirement. This option was adopted about 6 years ago to allow members who have exhausted all their purchase opportunities the ability to gain additional service to retire. The reason this was put in place is that some of our members who were close to retiring were being laid off or were being required to leave service but did not meet the rule because they were short a couple of years. These same members may have also exhausted their ability to purchase. In an effort to assist these members with their transition out of state employment staff worked with Segal to develop the reduced benefit option. This option provides a mechanism for the member to get a benefit from PERS earlier but it is actuarially reduced. To determine if it has an actuarial effect staff referred it to Segal for their review. Mr. John Garrett's response was in the board materials. Mr. Garrett raises some issues relating to the actuarial method presently being use and is suggesting that if kept this

option should be modified. The proposed modification was in the draft rules and was in the information from Segal.

Mr. Collins indicated that the matrix in the board materials shows whether or not the proposed change will have an economic impact on small entities and the reason for the change. The economic impact analysis on small entities is a new requirement. There is little guidance on how to do the analysis so staff looked at the criteria and the proposed rule and made an assessment. In 95% of the rules it did not appear to staff that our rules would have any impact on small entities.

Mr. Collins indicated that once approved staff will begin the notice procedures, hearing, etc and once complete the rules will be brought back to the Board for final review and approval.

**Mr. Baetsch moved approval for staff to proceed and for the method change for calculating the reduced benefit options. Ms. Sand seconds.**

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

**Nays:**

**Absent:** Tabor

**PASSED**

#### Meeting Rooms (Board Action Requested)

Mr. Collins indicated that the cost break down for video conferencing was in the board materials. Discussion followed. The board concurred on the Health department and when that was not available the Association of Counties.

#### Annual Enrollment (Informational)

Mr. Collins indicated that the enrollment materials for the annual open enrollment were in the board materials.

#### Benefit Committee Update (Informational)

Mr. Collins indicated that the PERS Benefit Committee met on August 27, 2003. Included in the board materials were the minutes of that meeting for your review. The committee identified several items for follow-up and staff is preparing some information for their consideration.

Staff would suggest that we add to the retiree committee two of our past board members, Mr. Ron Leingang and Mr. Mike Bothun. The first meeting of this committee has been scheduled for October 7th.

#### NDPERS Personnel Policy Manual (Board Action Requested)

Ms. Allen indicated that revisions to PERS Policy Manual subject to legislative and administrative changes have been made. Those changes were outlined in the board materials.

**Ms. Sand moved approval of adopting the changes. Mr. Baetsch seconds.**

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

**Nays:**

**Absent:** Tabor

**PASSED**

#### IFEBC Board Participation (Board Action Requested)

Mr. Collins indicated that PERS policies state that the board must approve any third party paying the travel expenses of a staff member. Mr. Collins indicated he has been nominated to

serve on the International Foundation of Employee Benefit Plans Public Funds Board. This would begin in January and be for about 3 years. Service would include several board meetings during the year and participation at their annual conferences. The International Foundation would pay expenses for the board meetings.

**Mr. Gunkel moved approval to have the Executive Director's expenses paid by IFEBP for participation on the Public Funds Board. Ms. Sand seconds.**

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

**Nays:**

**Absent:** Tabor

**PASSED**

Consultant Renewal (Board Action Requested)

Mr. Collins indicated that PERS contract with Segal and Deloitte expire next year. Segal has the contract to provide actuarial and technical assistance for PERS retirement plans and Deloitte does the same for PERS group insurance plans. Staff is suggesting that we begin the RFP process based upon the following schedule:

October/November	PERS Board reviews & approves RFP
November/Dec	RFP issued
Jan/Feb	Response reviewed
Feb/March	Finalized selected
March/April	Firms interviewed by Board and project awarded

**Mr. Gunkel moves approval of staff recommendation. Ms. Sand seconds.**

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

**Nays:**

**Absent:** Tabor

**PASSED**

Annual Benefit Conference (Board Action Requested)

Ms. Smith requested approval for several board members to attend this conference.

**Mr. Sage moved approval. Mr. Baetsch seconds.**

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

**Nays:**

**Absent:** Tabor

**PASSED**

Chairman Strinden called for any other business, hearing none the meeting adjourned at 11:30 AM.

*Respectfully Submitted*

*Denise A. Curfman*

*Denise A. Curfman  
Secretary, NDPERS Board*

# MINUTES

North Dakota Public Employees Retirement System  
Thursday, October 16, 2003  
North Dakota Association of Counties, Bismarck  
BCBS, 4510 13<sup>th</sup> Ave SW, Fargo

Members Present:

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

Others Present:  
Bismarck Location:

Mr. Sparb Collins, Executive Director NDPERS  
Mr. Scott Miller, Attorney General's Office  
Ms. Denise Curfman, NDPERS  
Ms. Kathy Allen, NDPERS  
Ms. Sharmain Dschaak, NDPERS  
Ms. Rebecca Fricke, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Ms. Deb Knudsen, NDPERS  
Ms. Sharon Schiermeister, NDPERS  
Mr. Tom Tupa, AFPE/INDSEA  
Ms. Rhonda Peterson, BCBS  
Ms. Chris Runge, NDPEA AFT 4660  
Mr. Bryan Klipfel, NDHP  
Mr. Howard Snortland, AFPE  
Ms. Fay Kopp, RIO  
Mr. Larry Books, BCBS  
Mr. John Garrett, Segal

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

**Minutes**

Chairman Strinden called for any questions or comments regarding the September 18, 2003 NDPERS Board minutes.

**Mr. Gunkel moved approval of the September 18, 2003 NDPERS Board minutes. Ms. Smith seconds.**

FICA (Informational)

Ms. Carol Calhoun, a Washington Attorney, via telephone conference, provided the Board with an update on the FICA tax issue relating to employer pick ups of employee retirement contributions.

SB 2013 (Informational)

Mr. Collins indicated that this last session SB 2013 provided that employees of the Department of Public Instruction that participated in the Teacher Fund for Retirement could make an election to transfer to the Public Employees Retirement System. For those employees electing to transfer the present value of their accrued benefit would be transferred from TFFR to PERS and all service in TFFR would be recognized by PERS.

Mr. Collins indicated that this summer a special election opportunity was held for DPI employees. All the eligible individuals elected to change from TFFR to PERS. The present value of the accrued benefit for this group was \$3,789,319. This amount was transferred from TFFR to PERS at the end of September. The new member accounts were set up in September as well.

Mr. Collins indicated that the bill also provided that these members would contribute a higher amount to the retiree health credit fund (3.1%) for eight years to provide for the additional benefit they will get in this system. The necessary changes to implement this provision were made to the administrative systems.

Mr. Collins specified that the provisions of this bill have been implemented.

Purchase Update (Information)

Ms. Fricke provided the board with information relating to the implementation of legislation that allows additional funds to be applied towards purchasing service credit. The following information was reviewed.

	Calculations Prepared	Letters Prepared	Benefit Estimates Prepared
Indicated use of eligible funds for payment	158	108	264
No indication for payment method	144	123	248
Total	302	231	760

From August 1 through September 30, 16 members have elected to purchase service credit with a transfer or rollover from 18 eligible funds. The total amount of funds accepted by NDPERS from these eligible fund sources is \$477,255.98. The source of the funds accepted was broken out as follows:

457 Plans	13
403(b) Plans	1
Traditional IRAs	4
Previously Qualified Plans	0

Prior to the new law becoming effective, only 9 members had purchased service credit with an eligible rollover and the total amount of funds that were accepted by NDPERS prior to August 1, 2003 for this purpose was \$454,631.42. The total amount of rollovers accepted on behalf of these 9 members was 15. The funds were accepted from 12 conduit IRAs and 3 401(k) funds.

#### QDRO Model (Board Action Requested)

Ms. Allen indicated that included in the board materials for the boards review was the model for domestic relations order (QDRO) for members of the Job Service Retirement Plan. This model was provided to PERS by Job Service. It was originally drafted by Job Services legal counsel. The model was amended to change the references to Job Service North Dakota to the North Dakota Public Employees Retirement System. Ms. Allen indicated that staffs recommendation was to approve the model.

**Ms. Tabor moved approval staff recommendation to approve the QDRO model. Ms. Smith seconds.**

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

**Nays:**

**Absent:**

**PASSED**

#### Walsh County (Board Action Requested)

Mr. Collins indicated that at the May meeting the board reviewed a situation relating to Walsh County relating to paying retirement contributions on ineligible wages. Mr. Collins indicated that the Board's action was for staff to reverse the erroneous retirement contributions as completely as possible, with the exception of a short period of time (August 1, 1995 to January 1, 1998.) The total contribution amount that goes back to the County is \$146,000. That contribution amount includes both the employer and the employee contribution. NDPERS has given interest of 7.5% on refunded contributions. Of the \$146,000 that was paid back in contributions the interest would be an additional \$87,000. Before remitting this to the County staff wanted to bring this to the Boards attention. The Board requested a review of this practice at the November meeting and directed staff to pay the principal to the county but wait until the board reviews the interest payment methodology in November. The board also asked Mr. Miller to review the practice from a legal perspective.

#### USERRA – (Information)

Mr. Miller reviewed with the board that when folks were first being called up there was a concern as to whether or not the laws that were on the books relating to military service were still timely. The PERS Board asked the Attorney Generals Office for an Attorney Generals Opinion. The Attorney General reviewed whether or not the employer was responsible to pay the employee contribution for the returning service members. There had been an opinion from 1990 that was written under the VRRRA. The Attorney General agreed with that opinion stating that the Employer does not need to pick that up. This was codified last session in our statutes. Mr. Miller indicated that there is a member who has come back from active service who is displeased with that position and has taken it to the Federal Department of Labor. They are stating that USERRA requires the employer to pay. Ms. Tabor received a letter indicating that they will be referring this to the Department of Justice. Mr. Miller indicated that a meeting has been set for the following week to review our position. Mr. Miller indicated that he would report back to the Board.

#### Contributions (Board Action Requested)

Mr. Collins indicated that at the August meeting the Board reviewed a memo from Ms. Sharon Schiermeister, relating to changing the method for handling the 457 plan contributions. The board asked that staff get an estimate of the programming charges. ITD has indicated that the estimated cost would be about \$5,100. This amount PERS could absorb in its budget if the board should decide to make this change. Mr. Collins indicated that if this change is not made based upon information from our previous bid, providers like Fidelity would not bid on the 457 plan since they want only one payroll source.

**Mr. Gunkel moves approval of staff recommendation to move forward with the changes for all deferred compensation providers to have employers send deferred comp contributions directly to PERS instead of the provider companies effective August 1, 2004. Mr. Baetsch seconds.**

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

**Nays:**

**Absent:**

**PASSED**

Pharmacy Rebates (Board Action Requested)

Mr. Collins indicated that included in the board materials was a letter from BCBS dated August 29, 2003, relating to a new program they are putting in place for their fully insured business relating to the pharmacy rebates. He reviewed that PERS gets about \$1,000,000 per year in rebates, this amount is figured into the premium calculation. Since this is anticipated as income during the biennium it offset the need for premium. Mr. Collins indicated BCBS is proposing to allocate some of the premium rebate money directly to the member by setting up member rebate accounts. This will reduce the amount available for general premium reduction.

Mr. Collins indicated that after getting the letter from BCBS staff had several questions and the second letter in the board materials was the answers to staffs questions.

Mr. Collins indicated that BCBS is offering this option to PERS at this time. The cost would be deducted as part of our final accounting.

Staff is recommending not proceeding with this at this time and discussing this as part of plan design efforts for the 2005-2007 biennium.

**Ms. Tabor moved approval of staff recommendation to not proceed at this time. Ms. Sand seconds.**

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

**Nays:**

**Absent:**

**PASSED**

Flu Shots (Informational)

Ms. Allen provided the board with a review of dates, times, and location for the upcoming Flu Shots provide by UND Family Medical Practice. Ms. Allen indicated that this may be the last year UND will provide them free due to the administrative cost.

Employer Participation Agreement (Board Action Requested)

Ms. Allen indicated that due to legislative changes, updates to our administrative procedures and changes in federal regulations, it was necessary to amend the Employer Participation Agreements for the health, life, FlexComp, and deferred compensation plans. Included in the board materials were the agreements along with a brief summary of the reason for the amendments to each agreement.

**Ms. Smith moved approval of the amendments to the Employer Participation Agreements for the health, life, FlexComp and deferred compensation plans. Ms. Tabor seconds.**

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

**Nays:**  
**Absent:**  
**PASSED**

Benefit Committee (Informational)

Mr. Collins indicated that in the board materials were the NDPERS Retiree Benefits Committee meeting minutes for their review.

Purchase Appeal 2003-002R (Board Action Requested)

NDPERS received notification that a member would like an issue reviewed by the Board regarding the election to purchase additional service credit. The individual did not complete the purchase within the required timeframe due to a personal financing issue and therefore, was not allowed to purchase. The member is requesting the opportunity to make the purchase.

Mr. Miller indicated that the federal law requires an individual to be an active contributing participant in the plan in order to be able to make payments towards a purchase contract within that plan. Since contribution reporting is a month behind. To support this procedure, an administrative rule was added under NDAC 71-02-03-02.2(4) which states that payments "may only be received until the fifteenth of the month in which the member retires or takes a lump sum refund." He noted that the member has passed the required timeframes.

**Ms. Tabor moved to deny the appeal. Ms. Sand seconds.**

**Ayes:** Baetsch, Gunkel, Sand, Sage, Smith and Chairman Strinden.  
**Nays:**  
**Absent:** Tabor  
**PASSED**

Conference (Board Action Requested)

Ms. Smith requested approval for several board members to attend a conference in January.

**Ms. Sand moved approval. Mr. Sage seconds.**

**Ayes:** Baetsch, Gunkel, Sand, Sage, Smith, Tabor and Chairman Strinden.  
**Nays:**  
**Absent:**  
**PASSED**

Actuarial Reports (Informational)

Mr. John Garrett, Segal Company appeared before the Board via video conference. Mr. Garrett reviewed the 2003 actuarial reports with the Board.

<u>System</u>	<u>Actuarial Rate for 2003</u>	<u>Statutory Rate</u>	<u>Margin</u>
Main	5.51%	4.12%	-1.39%
Judges	12.10%	14.52%	2.42%
Guard	2.75%	8.33%	5.57%
HP	16.96%	16.70%	-.26%
Retiree Hlth Credit	.98%	1.00%	.02%

These reports were included in the board materials.

Chairman Strinden called for any other business, hearing none the meeting adjourned at 10:20 AM.

*Respectfully Submitted*

*Denise A. Curfman*

*Denise A. Curfman  
Secretary, NDPERS Board*

**Minutes**  
**North Dakota Public Employees Retirement System**  
**Thursday, November 20, 2003**  
**Health Department, State Capitol**  
**Room 210, Judicial Wing**  
**Bismarck, ND**  
**8:30 A.M.**

Members Present: Mr. Weldee Baetsch  
Mr. David Gunkel  
Mr. Howard Sage  
Ms. Rosey Sand  
Ms. Arvy Smith  
Ms. Sandi Tabor

Via Video Conference Chairman Jon Strinden

Others Present: Mr. Sparb Collins, Executive Director NDPERS  
Ms. Kim Humann, NDPERS  
Ms. Kathy Allen, NDPERS  
Ms. Sharmain Dschaak, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Mr. Scott Miller, Attorney General's Office  
Ms. Rhonda Peterson, BCBSND  
Mr. Tom Tupa, INDSEA  
Mr. Howard Snortland, AFPE  
Ms. Chris Runge, NDPEA AFT 4660

Via Video Conference Mr. Larry Brooks, BCBSND

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 October 16, 2003 meeting.

**MR. GUNKEL MOVED APPROVAL OF THE OCTOBER 16, 2003 NDPERS BOARD MINUTES. MR. BAETSCH SECONDED THE MOTION.**

**DEFINED CONTRIBUTION & DEFERRED COMPENSATION**

**Deloitte Request For Proposals (RFP) (Board Action Requested)**

The staff members from Deloitte & Touche LLP who have worked on this project joined the board meeting via video conferencing. Included with the board materials was a draft of the RFP for the defined contribution plan and deferred compensation plan. The RFP was developed by Deloitte based upon information supplied by staff and the investment committee. Mr. Collins indicated staff suggested two changes to the RFP: 1) extending

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the date for the RFP to January 15, 2004 and 2) putting a question and answer period in the RFP with a deadline for the questions to be submitted to PERS by the end of December and PERS would answer back by the beginning of January. Once approved, the RFP will be sent to firms interested, will be placed on the PERS web site and ads will be run in newspapers statewide. Discussion followed.

**MS. TABOR MOVED TO APPROVE THE DEFINED CONTRIBUTION AND DEFERRED COMPENSATION PLAN RFP WITH THE RECOMMENDED CHANGES. MS. SAND SECONDED THE MOTION.**

**Ayes:** Baetsch, Gunkel, Sage, Sand, Smith, Tabor and Chairman Strinden

**Nays:** None

**PASSED**

**RETIREMENT**

**Walsh County (Board Action Requested)**

Earlier this year, it was discovered that Walsh County was treating payments made in lieu of health insurance as retirement salary, which is in violation of statute. At the previous board meeting, staff was directed to pay the principal to Walsh County but to review the current interest payment methodology. Included with the board materials was an explanation of the current practice and options available. Mr. Miller also reviewed the legality of this issue. Mr. Miller conveyed after reviewing this issue in statute and the administrative rules, he did not find any authority for the Board to pay interest for the overpayment by Walsh County.

**MR. GUNKEL MOVED TO REFUND THE MONEY TO WALSH COUNTY WITHOUT INTEREST. MS. TABOR SECONDED THE MOTION.**

**Ayes:** Baetsch, Gunkel, Sage, Sand, Smith, Tabor and Chairman Strinden

**Nays:** None

**PASSED**

**Job Service COLA (Board Action Requested)**

Ms. Allen indicated the plan document for the Retirement Plan for Employees of Job Service North Dakota indicates, "effective each December 1 of any year, the monthly amount of each retirement annuity, death benefit or disability benefit then payable shall be increased by the percent increase, if any, in the Consumer Price Index." It further states..."no increase in retirement allowance granted under the Plan, or the date for commencement of such increase, will become effective unless the same increase has been authorized for the Civil Service Retirement System, and unless the increase has been authorized by the NDPERS Board." This provision for a COLA increase was authorized by the United States Department of Labor (USDOL) as part of a larger agreement reached with the USDOL in the late 1970's. Since that time the Plan practice has been to provide COLA's consistent with the Federal Civil Service Plan. It has been the practice of Job Service to provide these increases every year. This year the Federal

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Civil Service Plan will provide an annual adjustment of 2.1%. To accommodate the requirements in the plan document, staff requested that a procedure be developed for the Board to review and take action on the increases for future years. Staff recommended approval of the 2.1% increase and designate October of each year as the month to review the COLA increase for the following year. Discussion followed.

**MR. GUNKEL MOVED TO APPROVE THE 2.1% COLA INCREASE FOR THE YEAR AND FOR THE BOARD TO REVIEW THE COLA INCREASE IN OCTOBER EACH YEAR FOR THE FOLLOWING YEAR. MS. SAND SECONDED THE MOTION.**

**Ayes:** Baetsch, Gunkel, Sage, Sand, Smith, Tabor and Chairman Strinden

**Nays:** None

**PASSED**

**Retirement RFP (Board Action Requested)**

A draft RFP for retirement plan services was included with the board materials. The RFP provides for services relating to retirement including an experience study and asset/liability study. Mr. Collins indicated the defined contribution plan was not identified in the RFP and suggested these specifications be added. Mr. Collins recommended the fee for the deferred compensation and defined contribution plans be changed from a fixed fee to a fee per service basis. Mr. Collins also suggested changing the response date to January 15, 2004, adding in a question period, and adjusting the review percentages so they equal. Once approved, the RFP will be placed on the NDPERS web site and invitation letters will be sent to all major actuarial consulting firms.

**MR. GUNKEL MOVED APPROVAL OF THE RETIREMENT RFP WITH STAFF'S SUGGESTED CHANGES. MS. SMITH SECONDED THE MOTION.**

**Ayes:** Baetsch, Gunkel, Sage, Sand, Smith, Tabor and Chairman Strinden

**Nays:** None

**PASSED**

**National Guard/Law Enforcement (Board Action Requested)**

Ms. Dschaak indicated that a review of the previous service aspect of this retirement plan has indicated that this provision could cause adverse selection to the retirement plan if an employee joins at a later date. Joining at a later date would allow an employee to join closer to retirement without having the employer contribute the higher employer contribution rate to pay for the enhanced benefit provisions. An amendment to the National Guard/Law Enforcement Employer Participation Agreement is necessary to avoid this adverse selection. Staff recommended the removal of the provision relating to employees that waive participation at an employer's initial enrollment in the law enforcement retirement plan at a later date. The revisions to the agreement have been reviewed by Mr. Miller, legal counsel, and he concurred with the deletions of the agreement. Staff recommended adoption of the proposed amendment to the National Guard/Law Enforcement Employer Participant Agreement.

**MR. SAGE MOVED APPROVAL OF STAFF'S RECOMMENDATION TO ADOPT THE PROPOSED AMENDMENT TO THE NATIONAL GUARD/LAW ENFORCEMENT EMPLOYER PARTICIPATION AGREEMENTS. MS. TABOR SECONDED THE MOTION.**

**Ayes:** Baetsch, Gunkel, Sage, Sand, Smith, Tabor and Chairman Strinden  
**Nays:** None

**PASSED**

**DEFINED CONTRIBUTION DEFERRED COMP**

**401(a) 3<sup>rd</sup> Quarter 2003 Reports (Informational)**

Included with the board materials was the 401(a) Defined Contribution 3rd Quarter 2003 Report.

**457 NDPERS Companion Plan 3<sup>rd</sup> Quarter 2003 Reports (Informational)**

Included with the board materials was the NDPERS 457 Companion Plan 3rd Quarter 2003 Report.

**Investment Subcommittee (Informational)**

The investment subcommittee is recommending placing the Janus Balanced Fund on "Formal Fund Review" due to recent Janus management changes, operational challenges, and the ongoing investigation by the New York Attorney General's Office. Information was distributed explaining what has taken place and the actions other groups are taking. The Alger and Strong companies are also under investigation with funds in the 457 companion plan and 401(a) defined contribution plan. The Board already has these funds on "Formal Fund Review" due to poor investment performance. Mr. Collins indicated the investment subcommittee suggested that a letter be sent to all 457 companion plan and 401(a) defined contribution plan members acknowledging PERS is aware of the situation and advising them of this situation. Discussion followed.

**MR. SAGE MOVED TO PUT THE JANUS BALANCED FUND ON FORMAL FUND REVIEW AND ALSO AUTHORIZE STAFF TO NOTIFY THE MEMBERSHIP OF THE MUTUAL FUND INVESTIGATIONS THAT ARE TAKING PLACE. MR. BAETSCH SECONDED THE MOTION.**

**Ayes:** Baetsch, Gunkel, Sage, Sand, Smith, Tabor and Chairman Strinden  
**Nays:** None

**PASSED**

**GROUP INSURANCE**

**RX (Board Action Requested)**

Included with the board materials was a letter from Ms. Chris Runge, NDPEA, concerning purchasing drugs from Canada. Ms. Runge also included a series of articles relating to this initiative. This initiative has grown dramatically in terms of the number of states

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pursuing this idea in the last several months. Staff was seeking direction from the Board on whether or not this alternative should be investigated for PERS. If the Board is interested, staff will ask the Pharmacy Benefits Managers, Blue Cross Blue Shield (BCBS) and the North Dakota Pharmacy Association, to address the Board at the next meeting on this issue. Staff will also compile information from Minnesota and other states on their efforts and progress to date. Staff will contact the Governor's office to let them know of our interest. Discussion followed. It was suggested that the Board should also hear from the member groups on this issue. Staff recommended moving forward with researching this alternative.

**MS. SAND MOVED APPROVAL TO RESEARCH THE LEGALITY, FEASIBILITY AND POSSIBLE BENEFITS THAT MAY BE DERIVED FOR THE STATE BY PURCHASING DRUGS FROM CANADA. MR. BAETSCH SECONDED THE MOTION.**

**Ayes:** Baetsch, Gunkel, Sage, Sand, Smith, Tabor and Chairman Strinden

**Nays:** None

**PASSED**

**Life Insurance (Board Action Requested)**

Ms. Allen conveyed currently an employee called to active duty can keep their employee and spouse supplemental life insurance coverage in force for up to 12 months provided they continue to make the monthly premium payments. Due to the extension of the assignments for many active duty reservists, it is possible that the tour for some of these individuals may exceed the 12-months limit and they could lose their eligibility to retain their life insurance coverage. According to the Life Insurance Plan document, the continuation period is one year. However, coverage can be continued for up to an additional 12 months for a total of two years, subject to Board approval. Staff recommended Board approval for the extension of the continuation period for employee and spouse supplemental coverage for an additional 12 months to allow a total of 24 months of coverage continuation for reservists on active duty. Discussion followed.

**MR. GUNKEL MOVED TO EXTEND THE TIME PERIOD TO 24 MONTHS FOR ALL EMPLOYEES. MS. TABOR SECONDED THE MOTION.**

**Ayes:** Baetsch, Gunkel, Sage, Sand, Smith, Tabor and Chairman Strinden

**Nays:** None

**PASSED**

**Smoking Cessation (Board Action Requested)**

Mr. Collins indicated a draft of the basic elements for a smoking cessation program for state employees was included with the board materials. This draft was put together by Dr. Rice, BCBS. The document is the result of a joint effort among PERS, BCBS and the Health Department. The Health Department has indicated the program could be eligible for a grant up to \$250,000.00. An issue has been raised regarding the participation of BCBS. Specifically BCBS had recently indicated there would be an administrative fee of 10% of the total payments. Staff expressed their concern that this fee was unexpected

since prior to this a fee had never been mentioned. Staff felt that the amount proposed by BCBS was too high, diverted too much program funding to administration and was not consistent with the goal of trying to maximize the effort toward smoking reduction. Mr. Collins conveyed the only alternative would be to bring this effort totally in house. If this was done the medical and technical expertise of BCBS would be lost. While PERS would charge its variable costs to the project there would be no charges for the fixed costs to it since they are already built into overhead expenses, therefore, this would leave more funds to cessation efforts. This is the main difference in approaches envisioned by BCBS and PERS staff. However, in bringing this effort in house staff recognized this was not anticipated in the appropriations request or the anticipated work efforts for this biennium. Mr. Collins presented options for obtaining the additional operating funds through the contingency line item or Emergency Commission for receipt of necessary funds. Staff recommended approval of the smoking cessation methodology, authorizing staff to submit and application and having the administration done by PERS and not BCBS. Discussion followed. It was noted that BCBS could roll out the program on a statewide basis by January 1, 2004. Staff indicated if it was brought in house they could not start the program within the same time frame but would have to roll it out over the first half of 2004.

**MS. TABOR MOVED TO ADOPT BCBS 10% FEE AND AUTHORIZE BCBS TO ADMINISTER THE PLAN. MR. SAGE SECONDED THE MOTION.**

Mr. Brooks conveyed since the information he received from Dr. Rice for a January 1 implementation date was given to him a few weeks ago, he requested to verify with Dr. Rice that the implementation date was still ok and report back to the Board later in the meeting.

**Ms. Tabor withdrew her motion. Mr. Sage withdrew his second to the motion.**

**Health RFP (Board Action Requested)**

Staff is currently in the process of developing the RFP for the health and life consultant. One of the major work efforts by the consultant is the renewal with BCBS for the health plan. The work effort is substantially more in those years when going out to formal bid, which is done every six years. In 2004 a formal bid must be sought. Staff explained the process that has taken place in the past. The difference in the formal bid years versus the renewal years is that in the renewal years a fixed estimate is received from BCBS for the subsequent biennium that is submitted to the Governor. In the bid years, this is not received until December and therefore, an estimate is submitted to the Governor. Consequently, the amount approved by the Governor may not be correct. In order to resolve this dilemma, an alternative would be to move up the formal bid from October to July with responses due by August 1. The consultant would review the responses and report to the Board in early September and staff would then forward to OMB the fixed price estimate in early October. The life plan also goes to bid in 2004. If the timing is changed for the health bid, the life bid can be left with the October issuing date. Staff recommended issuing the health RFP in July and continuing to issue the life RFP in October.

**MS. SAND MOVED TO APPROVE CHANGING THE TIMEFRAME FOR ISSUING THE HEALTH RFP SO A FIRM AMOUNT MAY BE OBTAINED. MR. SAGE SECONDED THE MOTION.**

**Ayes:** Baetsch, Gunkel, Sage, Sand, Smith, Tabor and Chairman Strinden  
**Nays:** None

**PASSED**

**Health Background (Informational)**

Mr. Collins gave a presentation on PERS Health Program Overview which was also given to the Legislative Employee Benefits Programs Committee.

**Smoking Cessation (continued)**

Mr. Brooks reported that Dr. Rice conveyed the January 1, 2004 implementation date should not be a problem.

**MS. TABOR MOVED TO ADOPT THE 10% FEE AND HAVE BCBS IMPLEMENT THE SMOKING CESSATION PROGRAM BY JANUARY 1, 2004. MS. SAND SECONDED THE MOTION.**

**Ayes:** Baetsch, Gunkel, Sage, Sand, Smith, Tabor and Chairman Strinden  
**Nays:** None

**PASSED**

**Health Background (Informational)**

Ms. Janine Weideman, BCBS, gave a presentation on the national and local healthcare costs which was also given to the Legislative Employee Benefits Programs Committee.

Chairman Strinden conveyed he had to leave the meeting and asked Mr. Gunkel to serve as Acting Chairman during his absence.

**Surplus/Affordability (Informational)**

The October surplus projection and affordability analysis for the NDPERS group medical plan was included with the board materials. Mr. Reinhardt reviewed some changes in the analysis that were found after the board materials were distributed.

**MISCELLANEOUS**

**2004 NDPERS Board Meetings (Board Action Requested)**

The proposed 2004 board meeting schedule and locations was included in the board materials. Mr. Collins indicated it may be necessary to hold two meetings in February and March due to the deferred compensation and defined contribution plans RFP process. Due to a conflict in Ms. Sand's schedule, she will not be able to attend the board meeting on December 18. Discussion followed. Mr. Collins indicated he would contact Deloitte to see if they would be available on Friday, December 19 as they will be giving a presentation. Mr. Collins will have Ms. Curfman contact board members and set up a location for a possible board meeting date of Friday, December 19.

**MS. SAND MOVED TO APPROVE THE 2004 BOARD MEETING SCHEDULE. MS. SMITH SECONDED THE MOTION.**

**Ayes:** Baetsch, Gunkel, Sage, Sand, Smith, Tabor and Chairman Strinden  
**Nays:** None

**PASSED**

**NDPERS Website Information (Informational)**

Mr. Collins indicated currently board member's individual pictures are on the PERS web site. Staff would like to include additional information next to each of the pictures. Included with the board materials was the information staff would be adding to this area of the website. By general consensus, the Board approved adding this information to the web site with the changes submitted.

**Pre-Retirement Education Programs (PREP) Update (Informational)**

An update on PREP conducted by PERS was included with the board materials. This program is intended to provide pre-retirement education geared to assisting long-term employees and spouses in planning for a successful life after leaving state employment. This program is available to all employers participating in PERS.

**Compensation Committee Recommendation**

Mr. Baetsch indicated the compensation committee had a recommendation, however, due to the fact that the Chairman was no longer in attendance this item should be deferred to the next meeting. By general consensus, the board agreed to defer this item to next meeting.

Acting Chairman Gunkel called for any other business or comments. Hearing none, the meeting was adjourned at 11:40 a.m.

Prepared by,

Kim Humann  
Administrative Assistant

# MINUTES

**North Dakota Public Employees Retirement System  
Thursday, December 19, 2003  
North Dakota Association of Counties, Bismarck  
BCBS, 4510 13<sup>th</sup> Ave SW, Fargo**

Members Present:

Mr. David Gunkel  
Ms. Rosey Sand  
Mr. Howard Sage  
Mr. Weldee Baetsch  
Ms. Arvy Smith

Via Video Conference:

Chairman Jon Strinden

Members Absent:

Ms. Sandi Tabor

Others Present:

Bismarck Location:

Mr. Scott Miller, Attorney General's Office  
Ms. Denise Curfman, NDPERS  
Ms. Kathy Allen, NDPERS  
Ms. Sharmain Dschaak, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Ms. Deb Knudsen, NDPERS  
Ms. Sharon Schiermeister, NDPERS  
Ms. Jamie Kinsella, NDPERS  
Ms. Cheryle Masset, NDPERS  
Mr. Tom Tupa, AFPE/INDSEA  
Ms. Rhonda Peterson, BCBS  
Ms. Chris Runge, NDPEA AFT 4660  
Mr. Howard Snortland, AFPE  
Mr. Jerry Hugginn, ICMA Retirement Cord.  
Mr. David Peske, ND Medical Association  
Mr. Howard C. Anderson Jr., ND Board of Pharmacy  
Mr. Galen Jordie, ND Pharmaceutical Association  
Ms. Barb Aasen, Eide Bailly, LLP  
Ms. Mary Niles, Health Tracer  
Mr. Howard Snortland, AFPE

Via Video Conference:  
Fargo

Mr. Sparb Collins, Executive Director NDPERS  
Mr. Larry Books, BCBS

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

## **Minutes**

Chairman Strinden called for any questions or comments regarding the November 20, 2003 NDPERS Board minutes.

**Ms. Sand moved approval of the November 20, 2003 NDPERS Board minutes. Mr. Baetsch seconds.**

### **National Guard/Law Enforcement Retirement Plan (Board Action Requested)**

Mr. Collins indicated that in preparation to administer the Law Enforcement plan two situations arose and involve enhancements to the PERS computer system and programming. The first enhancement would be to the PERS' employer profile and the need to be able to record two different employer retirement contributions rates. At present, the system cannot accommodate an employer who has elected to join both retirement plans and have two different employee contribution payment methods. This enhancement would cost PERS at least \$10,000.00

The second enhancement relates to potential simultaneous employee membership in the Main system and the Law Enforcement system. At present, PERS cannot administer this type of dual membership. Further investigation is needed to determine the cost to implement this change and to review of dealing with this legislatively. We will report back to you in the near future about this issue with a recommended course of action.

Mr. Collins indicated at this time, staff would like to go forward with the first enhancement. The reason we are bringing this to the board's attention is that this was not anticipated in our budget. Two options are available. The first is to authorize a transfer from the contingency line item immediately. The second is to wait and do the transfer later. This later approach would allow staff to better project its operating line item and to address any other implementation issues as a single transfer.

**Ms. Sand moved approval of the project and to wait for the transfer to a later date. Mr. Gunkel seconds.**

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

**Nays:**

**Absent:** Tabor

**PASSED**

### **RX (Informational)**

Mr. Collins indicated that at the last meeting the board discussed the issue of obtaining Rx from Canada. At that meeting it was decided to gather additional information by requesting presentations from the Board of Pharmacy, BCBS and our member groups.

Bob Stroup, legal council for BCBS, appeared before the board via video conferencing to provide the Board BCBS position on obtaining RX from Canada.

Howard Anderson, Executive Director, State Board of Pharmacy appeared before the Board to provide them with the State Board of Pharmacy's position on obtaining RX from Canada.

Chris Runge, NDPEA AFT 4660 and Tom Tupa, INDSEA, also appeared before the Board on behalf of their Association's position on obtaining prescription drugs at a lower cost.

**Ms. Sand motioned to have PERS continue to monitor any changes in the law and to look at other ways to reduce the cost of drugs.  
Mr. Baetsch seconds.**

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

**Nays:**

**Absent:** Tabor

**PASSED**

Audit Report (Board Action Requested)

Mr. Collins indicated that in the board materials was the most recent audit report for the PERS agency.

Ms. Barb Aasen, Eide Bailly, LLP, appeared before the Board to present the audit report.

**Mr. Gunkel moved approval of the Audit Report. Mr. Sage seconds.**

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

**Nays:**

**Absent:** Tabor

**PASSED**

Surplus/Affordability (Informational)

Mr. Reinhardt provided the Board with an overview of the latest Surplus/Affordability report. The report was included in the board materials.

Wellness Benefit (Board Action Requested)

Ms. Allen indicated that the Wellness Committee met on November 24, 2003 to discuss the agenda driven program approved by the Board in July, 2002. This program is a supplement to the application based program in place since the plan's inception in 1994. The intent of the agenda driven program was to develop and maintain a list of wellness initiatives that could assist employers in selecting and conducting on-site programs for their employees. The Board selected the 10K-A-Day program from the list provided by the wellness committee. This program was offered from November 1, 2002 through June 30, 2002 and at its May meeting, the Board approved extending the availability of this program through December 31, 2003.

Ms. Allen indicated that the Committee is in the process of investigating the feasibility of some new initiatives to add to the program agenda.

At this time, the Committee recommends that we retain the 10K program with the intention to supplement this with additional programs subject to research and recommendations.

**Mr. Sage moves approval of extending the 10-K-A-Day program and to talk with BCBS in working with their 10-K-A-Day program. Ms. Sand seconds.**

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

**Nays:**

**Absent:** Tabor, Smith

**PASSED**

Smoking Cessation (Informational)

Mr. Collins indicated the grant application for the Smoking Cessation Program was submitted to the Health Department. A copy of that grant was included in the board materials.

Dr. Rice appeared before the board via video conferencing and provided the Board with an overview of the Smoking Cessation Program. Dr. Rice presented the board with a draft of the brochure that would be going to all NDPERS members the first of the year.

### Deloitte & Touche (Informational)

Mr. Pat Pechacek of Deloitte & Touche provided the board with the presentation given to the Legislative Employee Benefits Committee and reviewed with the board what some other states are doing relating to the health insurance crisis facing employees and employers. States reviewed included Alaska, Minnesota, Wisconsin, Iowa and Illinois.

### External Health Strategies (Board Action Requested)

Mr. Collins indicated that at the last meeting the board discussed the various issues facing the plan. The issue relating to the EPO was the reluctance of some providers to accept the risk associated with capitated reimbursement. Consequently, the plan does not have managed care options in the Bismarck, Minot and Dickinson areas. In August the board discussed this and it was decided to explore two alternative approaches:

1. Review using a target methodology in the EPO (presently PERS use a capitation/target methodology) which could be more acceptable to a broader group of providers.
2. Review the concept of having a physician based EPO program instead of a clinic based program. In concept this program would be at the physician level meaning that PERS would contract with one more physicians in a given geographical area to provide services to our members. The physician could be reimbursed under an alternative methodology then fee for service and would likely have a large part of their practice devoted to PERS members. This would give the physician the opportunity to focus more on the needs of PERS members and managing the health care of the PERS group. Like the EPO our members would be able to receive services from this physician with less out of pocket expenses.

For the last several months staff has been working with BCBS on the two options. In the board materials was the product of that effort.

Mr. Collins indicated that concerning the target methodology staff would recommend continuing to explore this option by reviewing it with our existing EPO providers to determine their interest or lack of interest in changing methodologies.

Mr. Collins indicated that concerning the physician based EPO program it was concluded that it could be difficult to generate a sufficient number of office visits to warrant a meaningful contractual relationship with a single physician or more than a single physician in a given area. However this does present another opportunity for contracting that would be based upon this approach. Pursuant to this idea staff would put out an RFP to purchase a block of office calls that would be contracted for on a prepaid basis. Based upon the responses to the bid the board could award a prepaid contract to a particular clinic. Members in the area could access services at that clinic at the lower cost. The cost that the member would have to pay would be based upon the results of the bid. If the bid amount was low enough it is possible that no co-payment would apply. This latter strategy is designed to add some additional competition for providing basic services to PERS members. Staff is suggesting continuing to explore how this concept could be piloted in a specific area of the state. If the board is interested in further exploring this concept staff would work with BCBS to refine the idea, develop an implementation and bidding methodology for the boards review.

**Mr. Gunkel moved approval for staff to move forward with the target based reimbursement methodology for the EPO. Mr. Sage seconds.**

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

**Nays:**

**Absent:** Tabor, Sand, and Smith  
**PASSED**

**Mr. Sage moved approval of staff moving forward with developing a pilot program to bid out certain service. Mr. Gunkel seconds.**

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

**Nays:**

**Absent:** Tabor, Sand, and Smith  
**PASSED**

Medicare Prescription Drug Program (Informational)

Mr. Collins indicated that the Medical RX Program passed Congress and was signed by the President. Staff will begin to look into the bill in more detail to determine how it may affect the PERS retiree plan. A summary of the bill was included in the board materials.

FlexComp Plan Document Amendments (Board Action Requested)

Ms. Allen indicated that the amendment to the FlexComp plan document was included in the board materials.

**Mr. Sage moved approval of the amendments to the FlexComp Plan document. Mr. Baetsch seconds.**

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

**Nays:**

**Absent:** Tabor, Sand, and Smith  
**PASSED**

Board Meetings (Informational)

At the last meeting the Board discussed the need for two special meetings in February & March for the vendor selection for the 401(a) and 457. Mr. Collins indicated that February 12, 2004 and March 11, 2004 have been identified.

The board requested staff to look at another day in March besides the 11<sup>th</sup>.

Mr. Collins indicated that staff would e-mail the board additional dates.

Quarterly Consultant Fees (Informational)

Mr. Collins indicated that this was informational for the boards review.

IT Billing (Board Action Requested)

Mr. Collins indicated that during the last legislative session the legislatures considered SB 2015 which made changes to the IT Department. The Bill anticipated transferring some of PERS IT cost and staff to the IT department to offset some of the General funds. The April 10<sup>th</sup> memo from the Attorney Generals office reviewed the proposal in SB 2015 and indicated that there may be some fiduciary problems. After going to the legislative leadership PERS was excluded from SB 2015.

We recently received a notice from the IT Department stating that they had a million dollar short fall and they were going to be making this up in two ways:

1. Reduce their costs
2. IT billing surcharge

Mr. Collins indicated that the surcharge fee is \$6,000.00. This surcharge is similar in concept to the proposal in SB 2015 and raises the same fiduciary concerns. Therefore staff has not paid the surcharge and is seeking the Board's direction on how to proceed. At this point staff identified the following three options:

1. Pay the bill.
2. Go back to the IT department and indicate that based on the April 10, 2003 letter from the Attorney General's Office PERS is unable to pay this surcharge unless the IT department can present to PERS an alternative legal basis for PERS to pay.
3. Go to the Attorney General's office and ask for an opinion as to whether PERS can pay this or not.

**Mr. Gunkel moved approval of option 2.**

**Mr. Sage seconds.**

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

**Nays:**

**Absent:** Tabor, Sand, and Smith

**PASSED**

Appeal 2003-001H (Board Action Requested)

Ms. Allen indicated that the member is appealing the repayment arrangements for an underpayment of premiums for group health coverage. In February, 2003 the member cancelled the Medicare Part B coverage. Retirees must have both Medicare Parts A & B in order to be eligible for coverage under the Dakota Retiree Plan. Blue Cross Blue Shield notified us in November that the member was no longer covered under Medicare. Staff verified this with the member and changed the premium from the Medicare single rate to the non-Medicare single rate. In addition, BCBS requested payment of the difference in premium between the single Medicare rate and the single non-Medicare rate retroactive to February. The total underpaid premium is \$1,254.00.

According to Section 71-03-05-08 of the Administrative Code, "If underpayment is the result, in whole or in part, of the wrongdoing, negligence, misrepresentation, or omission of the individual, underpayments must be made in full with sixty days of written notification." Staff sent written notification to the member on November 20, 2003 in compliance with the policy set forth in the code. A copy of the letter is included for your information. Section 71-03-05-09 states, "A person not satisfied with the repayment arrangements made under this policy may appeal the executive director's decision in writing to the board." The member sent a written response dated November 25, 2003 proposing a payment schedule of \$150 a month for repayment of the premium.

**Mr. Gunkel moved approval to allow the member to pay \$150 per month based upon the Administrative Rules allows the latitude to do so. Mr. Baetsch seconds.**

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

**Nays:**

**Absent:** Tabor, Sand, and Smith

**PASSED**

Formulary Program (Informational)

Mr. Collins indicated that the board requested information from BCBS on their formulary program. The information was handed out to the board.

### Job Service (Informational)

Mr. Collins indicated that at the last board meeting the question came up as to why Job Services cost of living increase is set at December 1<sup>st</sup>. Staff visited with Job Service and they indicated the reason for December 1<sup>st</sup> is that their program is patterned after the Federal Civil Service which uses December 1<sup>st</sup>.

### Health RFP (Informational)

Mr. Collins indicated that at the last board meeting the board approved the format for the health RFP and asked if the board like to see the final RFP prior to sending it out?

The board decided that PERS staff could send out the RFP and that it does not need to be viewed by the board.

### Overpayment (Informational)

Mr. Collins indicated that at the last board meeting the board discussed the overpayment of retirement contributions by one county. At that meeting the Board decided, based upon the advice of our attorney, that interest was not payable on refunded amount. Staff indicated that there were a couple of other entities in the past for which refunds were given with interest. For those larger amounts staff is going back and asking for the interest payments back. Mr. Collins indicated that at the next board meeting staff will bring the small amounts to the Board and request that they be written off as de minimus.

### Executive Director Review (Board Action Requested)

Mr. Baetsch indicated that the committee has completed the Executive Director's review. Mr. Baetsch handed the review out to the board members. Mr. Baetsch indicated that there are two recommendations:

1. Salary adjustment
2. Process the board/committee goes through annually to review the Executive Director.

One recommendation was for a 3% salary adjustment based upon a review of the salaries of other state administrators. The other recommendation was to not provide a salary increase this year since no general salary increase was provided to classified state employees. Discussion followed.

Mr. Baetsch motioned for the increase. Mr. Gunkel seconds.

Mr. Sage motions to call the question. Question fails.

It was noted that several Board members were absent and it was suggested that this topic be deferred to the next meeting when others could be present.

Mr. Baetsch withdraws his motion, Mr. Gunkel withdraws.

Chairman Strinden defers this to the January Board meeting.

Chairman Strinden called for any other business, hearing none the meeting adjourned at 11:30 AM.