

# MINUTES

## North Dakota Public Employees Retirement System

Thursday, January 19, 2006  
ND Association of Counties, Bismarck  
BCBS, 4510 13<sup>th</sup> Ave SW, Fargo  
8:30 A.M.

Members Present: Ms. Joan Ehrhardt  
Mr. Ron Leingang  
Mr. Howard Sage  
Ms. Arvy Smith  
Chairman Jon Strinden

Via Video Conference: Ms. Rosey Sand

Members Absent: Ms. Sandi Tabor

Others Present: Mr. Sparb Collins, Executive Director, NDPERS  
Ms. Cheryl Stockert, NDPERS  
Ms. Kathy Allen, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Ms. Deb Knudsen, NDPERS  
Ms. Diane Heck, NDPERS  
Ms. Cheryle Masset-Martz  
Mr. Scott Miller, Attorney General's Office  
Mr. Bill Kalanek, AFPE/INDSEA  
Mr. David Peske, ND Medical Association  
Ms. Patricia Hill, ND Pharmacy Association  
Mr. Steve Cochrane, Retirement & Investment Office  
Ms. Peg Nelson, Discovery Benefits  
Mr. Michael Fix, ND Insurance Department  
Ms. Lisa Kudelka, Bismarck Public Schools  
Mr. Bill Robinson, Gallagher Benefit Services  
Mr. Weldee Baetsch

Via Video Conference: Mr. Larry Brooks, BCBSND  
Mr. Kevin Schoenborn, BCBSND  
Ms. Onalee Sellheim, BCBSND  
Mr. Tom Christensen, BCBSND  
Mr. Mark Tschider, BCBSND  
Ms. Kamie Kueneman, Prime Therapeutics  
Ms. Leslie Thompson, Segal Company  
Mr. Brad Ramirez, Segal Company

Chairman Jon Strinden called the meeting to order at 8:35 a.m.

**MINUTES (Board Action Requested)**

Chairman Strinden called for any questions or comments regarding the minutes of the December 15, 2005 Board meeting.

**THERE BEING NONE, MS. SAND MOVED APPROVAL OF THE DECEMBER 15, 2005 BOARD MINUTES. MR. SAGE SECONDED THE MOTION. THE MINUTES WERE APPROVED.**

**Board Election Results (Board Action Requested)**

Mr. Collins reported that Joan Ehrhardt was elected to the Board and is in attendance at the Board meeting today.

**MR. LEINGANG MOVED TO ACCEPT THE BOARD ELECTION RESULTS. MS. SAND SECONDED THE MOTION.**

**Ayes:** Leingang, Sage, Sand, Smith, Strinden

**Nayes:** None

**PASSED**

Chairman Strinden congratulated Joan and welcomed her to the Board.

**RETIREMENT**

Scott was unable to give the Constitutionality of Benefit Changes presentation, so it will be rescheduled for the February Board meeting.

**Job Service Retirement Plan**

Mr. Collins stated that at the last Board meeting we discussed the timberland asset allocation as part of the Job Service retirement plan. Timberland is part of a fixed income portfolio and it has been allocated back to all the various funds that are part of the State Investment Board, including Job Service and the PERS funds. Approximately 20% of the portfolio is invested in timberland. Mr. Collins indicated that at this Board meeting Mr. Steve Cochrane, Retirement and Investment Office (RIO), will give the Board a perspective on this portfolio, followed by Ms. Leslie Thompson, from Segal, who will also give us an actuarial perspective. Mr. Collins further indicated that at the February Board meeting Callan, the investment consultant to the State Investment Board, and representatives from the timberland investment group will share their perspective on this issue. At the March meeting, Mr. Collins indicated staff will summarize the information regarding the timberland investment for the Board, and at that time the Board could determine if any actions are required.

Mr. Cochrane appeared before the Board and explained various features of this fund from an investment perspective. Major points covered by Mr. Cochrane included:

- The pension trust is about \$3.3 billion in a pool which includes 5 funds.
- Job Service makes up approximately 3% in this pension trust.
- Job Service asset allocation is comprised of 5 funds that have been given to the State Investment Board for implementation.
- Domestic Fixed Income is 55% (very conservative fund).
- RMK and TIR are the timberland investment managers.
- Timberland is part of this fixed income.
- If we segregate the timberland fund, it would be 19% of the total Job Service asset allocation.
- There are a number of issues that TIR will address next month which will include how the portfolio is managed.
- Job Service goal is to start moving toward reducing volatility in their funds, and there is low volatility in the fixed income fund.
- If Job Service for some reason needs cash out of this fund, the Investment Office could segregate this fund very easily into a separate cash pool, and reallocate the assets with very minor impact on the remaining investors.
- Liquidity is not a problem. RIO can accommodate the fund's needs.
- RIO has two diverse timberland managers who manage their properties in a different manner.
- RMK is a traditional, broadly diversified fund distributed across a wide band geographically comprised of southern pines, and scientifically managed for its optimized production. They tend to be outside of urban areas and are located in multiple states.
- TIR built their business plan, more geographically concentrated, and tends to lie in the areas between Atlanta and Chatanooga. A very large portion of these properties are situated geographically in areas that are growing very rapidly. This area north of Georgia is exploding with development.
- There is a real estate component here. Real estate may drive 50% or more of the return characteristics of the TIR holdings.
- RIO has two 12 year agreement cycles – one is in the 4<sup>th</sup> year and the other in the 3<sup>rd</sup> year and are looking at an 8-9 year time period. The concerns with 15 years out and liquidity do not apply.
- The North Dakota Pension Trust fund is doing extremely well.

Mr. Cochrane stated this is a good study. There are many valid questions as to whether or not this exposure makes sense in this fund. Mr. Cochrane indicated that from his perspective, the more you look at this issue, the more you come to the conclusion that there is not a problem in this fund nor does it cause a liquidity problem for the future.

Ms. Leslie Thompson, Segal, Denver, stated the Job Service fund is unique because it is a closed fund. The risk PERS is managing is that you want your assets to stay ahead of the present value of benefits, so no new contribution would be required. Ms. Thompson suggested PERS take a more detailed look at cash flow. She also recommended moving

the 8% return assumption to 7% or lower. This is a conservative recommendation, but unlike any other PERS plan, the Job Service plan has to be more conservative because it is a closed fund. The Board asked Segal to prepare a memo reviewing the implications of a change in the 8% return assumption for review at the February meeting.

### **13<sup>th</sup> Check**

Mr. Collins reported that the 13<sup>th</sup> check was sent to retirees. The total payment was approximately \$2.3 million dollars, averaging \$385. The PERS office has been receiving calls from retirees who were pleased with and appreciated receiving the check.

## **GROUP INSURANCE**

### **Smoking Cessation**

Ms. Allen presented information recapping the smoking cessation program activities that ended June 30, 2005. This program, which began October 2003, was funded with a \$250,000 grant from the Health Department authorized by the 2003 legislature. NDPERS used approximately \$35,000 of that grant. The balance was forfeited and we have received a new grant this biennium. Mr. Collins reported our goal is to market this program more aggressively during the current grant period and it will be incorporated into the wellness program. Mr. Brooks reported we currently have 43 people enrolled in the program. The medical management program staff at BCBS follows up with the individuals after approximately 6-9 months to determine if they are still smoke free. Ms. Sand suggested incorporating counseling in a post program format. Mr. Sage suggested following up with the program participants to receive ideas on how to improve the program. Mr. Collins reported that feedback from the last biennium was to pay 100% which we are now doing.

### **Dental/Long Term Care Request for Proposal**

Mr. Collins reported that staff has developed an RFP for the dental and long term care plans. If the Board approves, PERS will send it out January 20 to a list of consultants who are interested in the products. It will also be posted to the PERS web page. One component that was included in the RFP, in addition to bidding it out as a fully insured product, was to bid it as a self-funded program. This is consistent with the statute at Section 54-52.1-04.7. It was suggested that this could enable the Board to explore the whole range of options. Mr. Bill Robinson from Gallagher Benefit Services stated that the state of Wyoming switched to self-funded even though it is a voluntary dental program, and it has been very successful.

**MR. LEINGANG MOVED TO APPROVE THE REQUEST FOR PROPOSAL WITH THE SELF FUNDED OPTION. THE MOTION WAS SECONDED BY MS. SAND.**

**Ayes:** Leingang, Sage, Sand, Ehrhardt, Strinden.  
**Nays:** None

**PASSED**

**Flu Shot Report**

Ms. Allen gave the Board a recap of this year's flu shot program conducted by UND Center for Family Medicine. The total number of state employees, family members, and retirees that participated was 1,297. UND is planning for next year's campaign as they generally order vaccine in April. Ms. Allen indicated PERS will be working with them in communication efforts and we will also work with them in streamlining the process. One idea we implemented this year to streamline the process was to put the consent form out on the website so the participants could complete the form prior to coming to the clinic, which helped expedite the process.

**Pharmacy Network Update**

Mr. Brooks from BCBSND appeared before the Board and referred them to a January 16, 2006 memo recapping where the plan is to date relating to implementation of the Prime National Network. There is only one pharmacy that is not participating, Irsfeld Drug in Dickinson, and they have the option to participate at any time. Referring to the table in that memo, the standard rate (urban) is average wholesale price (AWP) minus 14% and the generic is at the maximum allowable cost (MAC) or AWP minus 20% with a \$2.00 dispensing fee. For limited access (which is primarily the rural pharmacies) they are at AWP minus 11% for brand names and MAC or AWP minus 20% for generics plus a \$3.80 dispensing fee.

**Medicare Rx PDP Plan Update**

Mr. Collins reported that effective January 1, 2006 the NDPERS health plan has 2,105 Medicare Single, 1,339 Medicare Family, and 363 One on Medicare contracts. Premium rates have dropped for a total of \$3,422,847 per year savings for retirees. It was noted that PERS continues to receive calls on the new Medicare PDP because of the transition difficulties. One problem area is with those enrolled in both our plan and Medicaid. They were auto-enrolled by Medicaid which took them off our system. This has caused confusion.

Mr. Brooks stated that because Medicare Part D is a federal program, there are many issues and circumstances they have no control over. Ms. Kueneman indicated Prime has developed claims processing functionality to handle a 30-day transitional period for retail beneficiaries and a 90-day transitional period for long term care beneficiaries. Mr. Collins asked why the 5 excluded drugs were not covered now for PERS retirees. Ms. Kueneman indicated that CMS used certain criteria. Two of the five excluded drug types caused falls and related safety issues in the elderly population. There may be drug substitutes, so it is recommended the individual check with their physician.

**Group Medical Plan Surplus/Affordability Update**

Mr. Reinhardt reported we will begin projecting the 2005-2007 biennium after we have about six months experience. The surplus should put us close to the required \$14.3 million projection provided to the last Legislature that they used to fund the plan for this biennium.

## **DEFERRED COMPENSATION**

### **AXA Equitable/Training**

Ms. Allen reported that at the December meeting she informed the Board that Equitable did not respond to our request regarding their noncompliance of the agents' training requirements. The Board indicated they wanted Equitable to respond to this issue and how they would address these issues in the future. Staff notified Equitable of this requirement and was subsequently notified that Equitable had prepared a response dated November 29, 2005 and hand delivered it to our office. Staff was unable to locate this document, Equitable provided us with another copy and is in compliance with the training requirements. Therefore, there is no further action to recommend on this issue.

## **MONTHLY TOPICS**

### **HSA Overview**

Mr. Collins indicated that Mr. Bill Robinson from Gallagher Benefit Services was at the meeting, along with BCBSND, to speak to the Board regarding consumer driven health plans such as high deductible health plans and health spending accounts. BCBSND also appeared before the Board and reviewed the product they presently offer. They discussed actuarial concerns relating to such plans as an option. They also noted the HDHP they presently offer is not widely used.

Ms. Peg Nelson from Discovery Benefit Services appeared before the Board and reviewed the Health Savings Account they offer as part of the BCBS product.

Next month the agenda will continue the discussion on HDHP's, and the Board will hear from Colorado on their plan. Mr. Robinson and BCBSND will provide additional information.

### **COLA'S**

The topics of cost of living adjustments to be presented by Ms. Thompson from Segal will be covered at a future Board meeting.

### **IT Project**

Mr. Collins reported to the Board that the PERS office issued the Request for Proposal for technical assistance in preparing the IT consulting RFP, and that Nexus was retained. He further indicated that PERS is in the process of working on the RFP to retain a contractor to assist in the development and implementation of a business applications system for

PERS. The goal of PERS staff is to have the RFP finalized and released by the end of January. Mr. Collins asked for the Board's approval to continue with this plan. The next step would be to get responses back so a selection can be made by the end of March. PERS could have this consultant on board by April 1. Mr. Collins reviewed the four phases of the project:

- Project assessment would start in April to June.
- Develop an RFI from June to August, so if it is still a go we could put this in the Executive Budget.
- The next step would be to develop the RFP between October to December, get the information to the Board in January to make sure the RFP numbers match up with our RFI numbers. If they do not, then we are in a position to go before the Legislature and say they don't match up to get our funding requirement. We would then retain a software vendor the first part of 2007. The vendor would come on board in February 2007.
- The fourth phase of this project would be ongoing project management.

It was further noted that the Teachers Fund for Retirement system replacement cost \$2 million which is for one system. PERS is a series of retirement systems plus group insurance programs which will result in it being several times the cost of the Teacher's system. Mr. Collins asked for concurrence from the Board, based on this outline, to proceed.

**BY GENERAL CONCENSUS, THE BOARD APPROVED STAFF TO RELEASE THE REQUEST FOR PROPOSAL TO RETAIN A CONTRACTOR FOR DEVELOPMENT OF AN RFP FOR NDPERS BUSINESS APPLICATION SYSTEM REPLACEMENT TO BE RELEASED THE END OF JANUARY.**

### **MISCELLANEOUS**

Chairman Strinden called for any comments on the remaining miscellaneous agenda items or if any Board member had new business. The miscellaneous agenda items included: State Investment Board PERS Members; 2005 Annual Report; June Board Meeting Date Change; and State Investment Board Agenda. Hearing none, the meeting adjourned at 11:20 a.m.

Prepared by,

Cheryl Stockert  
Secretary to the NDPERS Board

# MINUTES

## North Dakota Public Employees Retirement System

Thursday, February 16, 2006  
ND Association of Counties, Bismarck  
BCBS, 4510 13<sup>th</sup> Ave SW, Fargo  
8:30 A.M.

Members Present: Ms. Joan Ehrhardt  
Mr. Ron Leingang  
Mr. Howard Sage  
Ms. Arvy Smith  
Ms. Sandi Tabor

Via Video Conference: Chairman Jon Strinden

Members Absent: Ms. Rosey Sand

Others Present: Mr. Sparb Collins, Executive Director, NDPERS  
Ms. Cheryl Stockert, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Ms. Sharmain Dschaak, NDPERS  
Ms. Cheryle Masset-Martz, NDPERS  
Ms. Rebecca Fricke, NDPERS  
Ms. Pam Binder, NDPERS  
Mr. Scott Miller, Attorney General's Office  
Mr. David Peske, ND Medical Association  
Mr. Steve Cochrane, Retirement & Investment Office  
Mr. Michael Fix, ND Insurance Department  
Mr. Tom Tupa, AFPE/SEA  
Ms. Onalee Sellheim, BCBSND  
Mr. Josh Dozak, NDPEA  
Ms. Jodee Buhr, NDPEA  
Ms. Laurie Sterioti Hammeren, Human Res. Mgmt. Services  
Ms. Kelly Schmidt, ND State Treasurer  
Mr. Weldee Baetsch  
Mr. Paul Erlendson, Callan Associates, Inc.  
Mr. Tom Johnson, TIR  
Mr. Keith Johnson, Custer District Health

Via Conference Call: Ms. Lisa Clute, First District Health Unit  
Ms. Lana Fischer, Kidder County District Health Unit  
Ms. Julie Ferry, Nelson/Griggs District Health Unit  
Mr. Mike Melius, Upper Missouri District Health Unit

Ms. Wanda Kratochvil, Walsh County Health District  
Ms. Sharon Unruh, Central Valley Health Unit  
Ms. Robin Iszler, Central Valley Health Unit

Via Video Conference: Mr. Larry Brooks, BCBSND  
Mr. Kevin Schoenborn, BCBSND  
Mr. Tom Christensen, BCBSND  
Ms. Janine Weideman, BCBSND  
Ms. Kamie Kueneman, Prime Therapeutics  
Mr. Bill Robinson, Gallagher Benefit Services  
Mr. David Kaye, CO Dept. of Personnel & Adm.  
Ms. Vinita Biddle, CO Dept. of Personnel & Adm.

Chairman Jon Strinden called the meeting to order at 8:40 a.m.

### **MINUTES (Board Action Requested)**

Chairman Strinden called for any questions or comments regarding the minutes of the January 19, 2006 Board meeting.

**THERE BEING NONE, MR. LEINGANG MOVED APPROVAL OF THE JANUARY 19, 2006 BOARD MINUTES. MS. EHRHARDT SECONDED THE MOTION. THE MINUTES WERE APPROVED.**

### **GROUP INSURANCE**

#### **District Health Units**

Mr. Collins noted that at previous Board meetings, PERS began a process to review the classification of district health units in the state health plan. The issue is that district health units are treated by PERS as state agencies. They receive the state rate (flat rate) rather than the rate for political subdivisions. However, unlike state agencies they are not required to participate in the PERS health plan, but can make an election to do so. In addition, health districts are not treated as a state agency for purposes of the voluntary programs such as dental, vision, long term care, and the employee assistance program. It was noted they seem to operate more like a political subdivision not a state agency and the question becomes why we differentiate the rates for them. The only other entity that is not a state agency that receives the state rate is the Garrison Diversion Conservancy District, which according to counsel, is considered a political subdivision from a legal standpoint.

Mr. Collins stated that Mr. Keith Johnson, Administrator, Custer District Health Unit, was present to share information regarding this issue. Other representatives from the following health districts joined the Board meeting via conference call: First District

Health Unit, Minot; Kidder County District Health Unit, Steele; Nelson/Griggs District Health Unit, McVille; Upper Missouri District Health Unit, Williston; Walsh County Health District, Grafton; and Central Valley Health Unit, Jamestown.

Mr. Johnson stated this is a very critical issue for the district health units. Mr. Johnson referred the Board to his written testimony dated February 16, 2006. Mr. Johnson stated it is apparent to him that this request from staff to review their status from state agency to political subdivision results from an honest puzzlement as to why they should be treated differently than other political subdivisions in the state. He told the Board that if their classification was changed, the health districts costs would increase \$214,780. He indicated in his testimony that the Garrison Conservancy District and the Regional Court System are treated as state agencies for insurance purposes. Consequently, health districts should be treated as state agencies and be dealt with in the same manner. Ms. Tabor pointed out the fact that the District Courts became state agencies and employees. She was trying to determine what the correlation was between the county courts and the health districts and what Mr. Johnson was trying to suggest in his testimony.

Mr. Miller asked Mr. Johnson to explain his testimony regarding the legislature passing language that allowed the health districts into the health plan at state agency rates. Mr. Johnson responded there was no language giving the health units state agency rates; it was something PERS did.

Mr. Johnson closed his comments by saying that over the years their relationship with PERS has been mutually beneficial. They appreciate what PERS does for their personnel packages. It is what makes it possible for the health districts to hire high quality people. The salaries aren't always the best, but with the fringe benefits package, it swings potential employees to decide to come to work for the health districts. Mr. Johnson continued to review his written testimony with the Board which is available on file at PERS.

Ms. Smith questioned if we were referring not to just the district health units, but also county health departments as well. There is no clear reason as to who is treated one way or another regarding the state rate. Ms. Masset, PERS staff, explained the entire employer groups that are in the group health insurance were pulled from our database. Mr. Johnson stated that a district health unit is a separate entity formed by the member counties, that has a separate governing board and a separate funding source under Chapter 23-35 of the North Dakota Century Code. There are also health departments around the state that are a department of county government and would come under the county regulations.

Ms. Smith informed the Board that she was asked questions regarding this issue at the last interim Budget Committee on Health Care in December. Some of the members of that committee expressed great concern about this issue and the financial impact to public health and indicated this could become a legislative issue.

Ms. Tabor has two things she wants answers to regarding this issue for the April discussion. First question is, what is the Board's authority relating to setting rates and classifying entities into the rate structure? The second question is, if we have authorization, then what is the reason for allowing the exception? Ms. Tabor expressed concern if we grant one exception for this, why not another? Chairman Strinden indicated those were good questions and asked Sparb to have staff look into those items and report back to the April meeting.

Ms. Kratochvil from Walsh County Health District, Grafton, had a clarification/comment. In 2003 they changed their name from Walsh County Health Department to Walsh County Health District, specifically because of recommendations from PERS relating to the fact that they had become a health district and the name should reflect that.

Ms. Clute from First District Health Unit, Minot, reiterated the fact this is an important issue for the health districts. The financial impact would force them into decreasing health insurance benefits. There is no way they could absorb the additional costs. Ms. Clute was at the legislative committee meeting when they discussed this issue, and one of their suggestions was that PERS should consider not implementing any new policies before the next session.

Chairman Strinden thanked Mr. Johnson for the information provided to the Board and also the comments from representatives of the health districts. The Board will review this issue at the April meeting.

#### **Heart of America Medical Center, Rugby**

Mr. Collins stated the Heart of America Medical Center in Rugby is again seeking approval to offer its health plan to PERS membership in the Rugby service area.

**MS. TABOR MOVED TO ACCEPT THE HEART OF AMERICA MEDICAL CENTER IN RUGBY TO OFFER ITS HEALTH PLAN TO PERS MEMBERSHIP IN THE RUGBY AREA. MR. LEINGANG SECONDED THE MOTION.**

**Ayes:** Ehrhardt, Leingang, Sage, Tabor, and Chairman Strinden.

**Nays:** None

**Absent:** Sand, Smith

**PASSED**

#### **Prudential Group Contract**

Mr. Collins reported the contract has been reviewed and approved by the Attorney General's Office. Mr. Miller indicated that it took some effort to have Prudential agree to the provisions in the contract as required by the state.

**MS. TABOR MOVED TO ACCEPT THE APPROVED CONTRACT FOR SIGNATURE.  
MR. SAGE SECONDED THE MOTION.**

**Ayes:** Ehrhardt, Leingang, Sage, Smith, Tabor, and Chairman Strinden.

**Nays:** None

**Absent:** Sand

**PASSED**

**Quarterly Health Graphs**

Mr. Reinhardt referred the Board to the 2005 quarterly health graphs. He indicated that the trend line of total membership has gone up from \$165 to \$200. Keep in mind this an approximate 21% trend for the 2 years, about 10% annually. We need to be aware of this as we project for 2007-2009 plan year for health care. Mr. Reinhardt responded to a Board question regarding the large spike on the retired dependents list, which he indicated was likely the result of one large claim.

**RETIREMENT**

**Job Service Retirement Plan**

Mr. Collins reported to the Board that Mr. Paul Erlendson from Callan, and Mr. Tom Johnson from Timberland Investment Resources (TIR) were at the meeting to present information regarding the Job Service timber allocation, which is a follow-up from our last Board meeting. Mr. Paul Erlendson from Callan, an investment consultant to the State Investment Board (SIB), has reviewed the Job Service asset allocation and will provide comments to the Board.

Major points covered by Mr. Erlendson:

- This is a unique pension plan with no current contributions.
- JSND's plan is financially sound.
- The SIB investment structure employs strategies intended to minimize cost, control risk, and maximize return.
- A decision was to put 20% in large cap equity, 5% in small cap equity, 5% in international fund, and 55% in fixed income.
- The SIB took steps to enhance the fixed income program through the addition of timber.
- Industry best practices focuses on broad asset classes in the asset allocation process.
- An asset class is a group of investments that share common characteristics. They generally react similarly to economic factors (i.e. if interest rates go up, eventually the value of your bonds returns go down).

- Timber is much less sensitive to changing interest rates because timber is not as closely valued according to interest rates, it is also valued according to demand for wood products, fiber products, etc.
- JSND's fixed income structure uses active strategies in the context of a Total Return approach (i.e. appreciation plus income) to investing.
- Total Return relies on the fixed income portfolio to anchor the fund, with greater investment risks assumed in other asset classes.
- Timber offers a unique form of investment: its income is derived from harvesting a commodity; supply and demand conditions can dominate income and capital appreciation; investment returns defined by biological growth, timber prices and timberland appreciation; biological growth touted as a natural hedge to inflation; value added from manager's operational skill (harvesting and forest management).
- RMK and TIR, timber managers, both operate with different styles of management.
- There are elements of diversification by style of management functions.
- The properties themselves are diversified across six different states, in over 360 tracts.
- In total, there are 600 different "securities" in this portfolio as of December 21, 2005.

#### Conclusions for JSND:

- The strategies employed to implement manager structures to meet the needs of plans are changing and adapting rapidly. The use of timber within the SIB's fixed income structure, although unusual, fits within this trend.
- JSND's fixed income allocation contains a variety of both investment strategies and managers. The incremental diversity present at both the manager and investment strategy levels results in risk reduction.
- The two timber portfolios comprise over 360 individual tracts, roughly equivalent to a well diversified set of individual holdings in either an equity or a fixed income manager's portfolio.
- Given the requirements imposed by the JSND fund's benefit and funding policies, fixed income constitutes 55% of the fund's target asset allocation. As a consequence, timber equates to approximately 19% of fund assets. It is critically important that the timber portfolio produce cash flows that are equivalent to or higher than that which is available from bonds.
- The timber program is well diversified at the manager and asset levels. It provides beneficial diversification benefits. The projected cash flows must be monitored going forward to assure their adequacy to JSND's needs.

Mr. Collins indicated that Segal has reviewed our 8% return assumption and that we could potentially reduce that down to 6%, maybe even 5 ½ % at market value. If we have 55% currently in fixed income results in 19% timber, what happens if we go 100% fixed income and now we are 40% timber? Mr. Cochrane indicated we could create another bucket for fixed income exposure that Job Service could invest directly in to. An example would be within the insurance trust, as Workforce Safety ratcheted down their target exposure, they began to include asset types that we haven't strategically used such as

treasury inflation protected securities (TIPS). When we carved out a piece of that fund, it created a strategic exposure to TIPS. They are the only fund within the insurance trust which has about 15 participants that actually invest in those TIPS.

Mr. Erlendson stated the timber portfolio is a very well diversified portfolio, so there is no risk in the diversification within this portfolio. Inflation is the worst enemy of fixed income portfolios, because it decreases the value of assets. As you move forward and you make no significant changes in your assumptions, then the one thing you will want to do is monitor the cash flow that is coming off the timber portfolio.

Mr. Sage questioned the responsibility of the Board relating to the asset allocation of timberland and if the Board was liable if there was a failure. This is the concern of the Board. Mr. Erlendson responded that the trustees are trying to do what is in the best interest of the plan. You are gathering the best information you can to evaluate the alternatives. Many of these issues are far more complex and do not lend themselves to black and white kinds of answers, and you are exercising due diligence in your efforts.

Mr. Miller commented that the SIB invested in timber four years ago. PERS was involved with this portfolio as a result of legislation passed in the 2003 session effective either July or August 2003. Ms. Tabor commented we have done our due diligence. We need to continue to monitor this portfolio.

Major points of Mr. Johnson, Timberland Investment Resources:

- Biological growth, coupled with intensive management, drive timberland returns.
- Value is driven by biological growth and trees growing into higher value product classes (this is 40% of the return).
- Intensive management involves maximizing biological growth through improved planting and on the ground forest management.
- Land management is targeted planned use at the end of the investment term.
- Timberland values are driven by land use potential (higher and better use) such as residential communities, office, retail, and industrial sites, or retirement and second home tracts.
- Timber prices are influenced primarily by regional timber market dynamics.
- U.S. timber prices are derived by a number of sectors of the economy, many are interest rate sensitive such as new home sales, furniture sales, new offices and factories, packaged food and merchandise.
- Timber prices tend to revert to the norm over time, which corresponds to changes in inflation.
- Miscellaneous income includes hunting leases which can command high premiums.
- There are two types of risk that you are exposed to in timberland investments: one type of what is systematic risk. It's just by virtue that you are in that asset class you are exposed to it. One way to mitigate that risk is through diversification. As Mr.

Erlendson pointed out this portfolio is diversified. Also included in this risk category is biological risk such as fire, wind, and insects.

- Another type of risk is non-systematic risk which is manager specific. Managers you select will have different tools for measuring inventory, for forecasting, modeling the growth yield, harvesting which ultimately culminate the decision-making about how to manage that portfolio and cash flows.

Mr. Collins indicated that the Job Service Retirement Plan will be discussed at the next Board meeting. The Board will decide if any action is necessary based on the information presented.

The Constitutionality of Benefit Changes presentation will be presented at the January Board meeting.

## **DEFINED CONTRIBUTION**

The Board reviewed a report on the defined contribution plan. It was noted that a total of 5 new eligible employees transferred to the defined contribution plan in 2005.

## **MONTHLY TOPICS**

### **HSA's**

Mr. Collins indicated that Mr. Bill Robinson from Gallagher Benefit Services was at the meeting and has arranged for the Board to hear information from the state of Colorado regarding consumer driven health plans such as high deductible health plans (HDHP's) and health spending accounts. Mr. Robinson stated Mr. David Kaye, Deputy Director of Human Resources for the State Department of Personnel Administration, and Ms. Vinita Biddle, Employee Benefits Supervisor, were available at the Board meeting to discuss the Colorado HDHP.

Mr. Kaye and Ms. Biddle appeared before the Board and explained various features of their HDHP and HSA in the state of Colorado. Major points included:

- Colorado introduced its qualified HDHP (PPO-H plan) with an HSA option effective July 1, 2005.
- The state does not contribute to the HSA and employees pay 100% of any fees associated with their accounts.
- Only PPO-H is a qualified HSA plan.
- Approximately 10% of enrollees selected the HDHP option without the State sponsored HSA.
- Approximately 3.3% enrolled in the HDHP with the HSA.

- The state does not know how many employees have opened HSA accounts on their own.
- In 2006 Colorado began self-funding all medical plans except for two localized HMO's.
- The Plan Design for the PPO-H qualified HSA plan includes:
  - PPO plan design.
  - \$1000/\$2000 in network and \$2000/\$4000 out of network deductibles.
  - Annual out of pocket maximums of \$5000/\$10000 in network and \$10000/\$20000 out of network.
  - Coinsurance of 85% in and 65% out of network (includes prescription drugs).
  - Preventative services subject to coinsurance but not deductibles.
- Plan pricing. PPO-H is not the lowest cost option for employees.

Ms. Biddle stated the employer contribution to the plans ranges about 63% across the board. The type of employee that elects the HDHP's versus the type of employee that elects your higher coverage plans is split about 50% each between single and family. Many of the employees at this first enrollment did not understand the concept of HSA so they believe there will be more during the next enrollment period. There are about 9,000 participating in the Kaiser plan and about 16,000 participating in the self-funded plan. Their medical plans have always included an employee contribution.

Major points covered by Mr. Bill Robinson regarding the state of Wyoming plan:

- Wyoming has offered an HDHP since 2005 with a \$2,500 deductible that is not HSA qualified.
- Prescription drugs are not subject to deductible and coinsurance in the \$2,500 HDHP.
- January 1, 2006 the state offered an HSA eligible \$1,500 deductible plan in addition to the existing non-qualified HDHP.
- Wyoming does not contribute to employee's HSA's or fund the account fees.
- Wyoming is a self-funded plan.
- Approximately 235 people out of 12,000 are enrolled in the HDHP in Wyoming.
- The Plan Design for the HDHP/HSA has the following characteristics:
  - Plan pricing. Employees do not contribute to either of the two HDHP's. Employees wanting a HDHP in 2006 for dependents must elect the HSA plan.
  - Employees electing either HDHP whose total costs are less than the State contribution can use the balance to offset the costs of other contributory coverages (but cannot receive the balance as cash or for contributions to an HSA).

### **BCBSND HDHP 2005-2007 Illustrative Rates**

Ms. Janine Weideman from BCBS developed an illustrative rate for a HDHP using a \$1,500 deductible, 80/20 coinsurance, \$2,500 coinsurance maximum, 2 per family, no copays, deductible applies to all services including prescription drugs. These deductibles would be times 2 for a family. There would be an approximate 15% premium savings when going with the HDHP. Highlight of the assumptions are that it assumes that employees do not have individual choice. Adverse selection risk is significant. This is a general overview of how this HDHP could be set up, which is subject to much change.

### **Retiree Health Insurance Credit Program (RHIC)**

Mr. Collins reported that at the planning meeting in October 2005, the Board requested further study of the RHIC program. Specifically, if you have two retired spouse state employees, they can presently apply for two single plans; however, the two spouses cannot combine their credits for a family plan. We are seeking Board action to determine if changes are needed to the existing statute and submitted during the 2007 legislative session. Mr. Dschaak reported that there are additional factors to be considered in combining RHIC's including: How should members receiving retirement benefits from a surviving spouse account and an individual account be treated; How should beneficiaries receiving retirement benefits from multiple surviving spouse accounts be treated; and How should participating spouses who elect optional forms of RHIC be treated. Possible changes may be required: business system enhancement; more in-depth member education; additional staff efforts; an actuarial impact as a result of more utilization of the RHIC funds; and an increased opportunity for overpayment of benefits. Mr. Collins asked the Board if this is something that should be considered for possible legislation.

**MS. SMITH MOVED TO INCLUDE ON THE LIST OF LEGISLATIVE CHANGES FOR THE 2007 SESSION A PROVISION TO ALLOW A PARTICIPATING RETIRED HUSBAND AND WIFE TO COMBINE HEALTH CREDIT TO PURCHASE A FAMILY PLAN. MR. SAGE SECONDED THE MOTION.**

Mr. Collins reported this item will be added to the legislative proposals list and agenda. At the next Board meeting, we will go through the proposed legislation list with the Board to determine the topics we need to prepare legislation for. This will be completed by April 1, 2006. The March meeting will be our last chance to put together items for legislation.

**Ayes:** Ehrhardt, Leingang, Sage, Smith, and Chairman Strinden.

**Nays:** None

**Absent:** Sand, Tabor

**PASSED**

### **New Board Member Orientation**

Mr. Collins indicated that Ms. Tabor, Ms. Sand, and he had developed new Board member orientation program. Since Ms. Tabor and Ms. Sand are not available at this time, this agenda item will be moved to the next Board meeting in March.

### **FLEXCOMP PROGRAM**

#### **Open Enrollment**

The flexcomp annual enrollment for the 2006 plan year concluded on November 15, 2005. Participation for 2006 in the dependent care account is 28 less than 2005. Total dollars pretaxed shows an 8.5% decrease over 2005. Participation in the medical spending account for 2006 is 47 less than in 2005. Total dollars pretaxed increased by approximately 1.6%.

Mr. Collins indicated that with the new PeopleSoft online system, employees will no longer be receiving a hard copy of their payments or quarterly reports. Our flexcomp program was included in the PeopleSoft system to enable participants to use the online system to track their balances. Later this summer flexcomp participants can go online and view their flex information. When the online system is implemented, PERS will discontinue mailing the quarterly statements and advice statements to participants.

### **MISCELLANEOUS**

#### **PERS Benefits Committee Legislative Proposals**

Mr. Collins indicated this issue will be discussed further at the March meeting.

#### **IT Request for Proposal**

Mr. Collins stated the information regarding the RFP has been provided to the Board. This issue will be included on the March agenda and we may conduct interviews of these firms in late March.

#### **Board Committees**

Mr. Collins suggested we could take action on the agenda item or wait until Ms. Sand and Ms. Tabor were present. Ms. Smith pointed out she is on the Wellness Committee.

**MR. SAGE MOVED WE ESTABLISH THE COMMITTEES AND INCLUDE MS. EHRHARDT ON THE BENEFITS COMMITTEE, WITH THE REMAINING BOARD MEMBER ASSIGNMENTS REMAINING AS ASSIGNED. MR. LEINGANG SECONDED THE MOTION.**

**Ayes:** Ehrhardt, Leingang, Sage, Smith, and Chairman Strinden.

**Nays:** None

**Absent:** Sand, Tabor

**PASSED**

Mr. Sage stated the NCPERS Conference is going to be held in May and he requested to attend this conference.

**MR. SAGE MOVED THE BOARD APPROVE TWO BOARD MEMBERS TO ATTEND THE NCPERS CONFERENCE IN MAY 2006. MS. SMITH SECONDED THE MOTION.**

**Ayes:** Ehrhardt, Leingang, Sage, Smith, and Chairman Strinden.

**Nays:** None

**Absent:** Sand, Tabor

**PASSED**

Ms. Smith requested information regarding HSA's, specifically those categories of PERS members that benefit, and what percentage of our membership would be included in that group. This will assist the Board in determining the benefit to a smaller group of participants versus a larger group.

The meeting adjourned at 11:40 a.m.

Prepared by,

Cheryl Stockert  
Secretary to the NDPERS Board

# MINUTES

## North Dakota Public Employees Retirement System

Thursday, March 16, 2006  
Dakota Carrier Network, 1615 Capitol Way, Bismarck  
BCBS, 4510 13<sup>th</sup> Ave SW, Fargo  
8:30 A.M.

Members Present: Ms. Joan Ehrhardt  
Mr. Ron Leingang  
Mr. Howard Sage  
Ms. Sandi Tabor

Via Video Conference: Ms. Rosey Sand  
Chairman Jon Strinden

Members Absent: Ms. Arvy Smith

Others Present: Mr. Sparb Collins, Executive Director, NDPERS  
Ms. Cheryl Stockert, NDPERS  
Ms. Deb Knudsen, NDPERS  
Ms. Kathy Allen, NDPERS  
Ms. Sharon Schiermeister, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Mr. Ron Gilliam, NDPERS  
Ms. Cheryle Masset-Martz, NDPERS  
Ms. Rebecca Fricke, NDPERS  
Ms. Diane Heck, NDPERS  
Mr. Leon Heick, NDPERS  
Mr. Scott Miller, Attorney General's Office  
Ms. Fay Kopp, RIO  
Ms. Kathy Mangskau, ND Dept. of Health  
Ms. Jodee Buhr, NDPEA  
Mr. Bill Kalanek, AFPE

Via Video Conference: Mr. Gary Dauenhauer, BCBSND  
Mr. Mark Tschider, BCBSND  
Mr. Bob Pope, Nexus

Chairman Jon Strinden called the meeting to order at 8:30 a.m.

### **MINUTES (Board Action Requested)**

Chairman Strinden called for any questions or comments regarding the minutes of the February 16, 2006 Board meeting.

**THERE BEING NONE, MR. LEINGANG MOVED APPROVAL OF THE FEBRUARY 16, 2006 BOARD MINUTES. MR. SAGE SECONDED THE MOTION. THE MINUTES WERE APPROVED.**

### **LEGISLATION**

Mr. Collins and the Board discussed the proposed legislation recommended by the Employee Benefits Committee.

Item 1, the 13<sup>th</sup> Check – the recommendation was to propose legislation to issue three-quarters or 75% of a check rather than the half check issued January 1, 2006, and make the target rate of return 9.16% as of June 30, 2007 or 2008 rather than 11.2% as in previous the legislation.

Items 2 and 3 – the Benefits Committee also discussed the possibility of rather than doing the 13<sup>th</sup> Check, request a cost of living adjustment for our retirees. It was discussed to fund the COLA in one of two ways – as a permanent increase to the employer contribution, or it could be fully paid in two years.

Item 7, increase the retiree health credit from \$4.50 to \$5.00; the cost would be .15% based upon an old estimate (this could change after the final actuarial valuations).

Item 9, combine retiree spouse health credits.

Item 10, establish a VEBA for state employees (sick and annual leave payments would be automatically directed into the VEBA). The funds in the VEBA can be cashed out by the employee and become taxed or the employee could take it out of the VEBA on a pretax basis to pay for eligible expenses such as health care.

Item 12, set up a default enrollment in the 457 plan for new employees at \$25 each month in the state's 457 plan; employees can elect to opt out.

Item 13, return to work – eliminate the provision in the health insurance statute that does not allow an employer to pay for group health insurance for temporary employees. Gallagher suggests employees be employed for 20 hours or more per week to qualify for the health insurance benefit. Currently, if a temporary employee works for 2 hours a week, they qualify for health insurance, and that exposes PERS to potentially adverse selection.

Item 14, health spending accounts, the Benefits Committee believed this issue should be deferred until more information is received. The committee will monitor this issue as an option in the future.

Item 15, currently retiree health insurance is one package (including Medicare Parts A, B, and D). With the arrival of Medicare Part D, this bill would allow retirees to choose the medical and prescription drug coverage as separate policies, providing more flexibility and choice for the retiree. A study would need to be conducted to determine actuarial impacts, if any.

Item 16, increase the basic life coverage from \$1,000 to \$5,000.

Mr. Collins stated PERS staff has met with the National Guard, Highway Patrol, Job Service and Judges retirement systems. The Judges have requested consideration of a bill to restart their method of paying their retirees. In the past, their retirees have received 2% every January, and when the market went down, the COLA was put on hold. The Judges system is fairly well funded with a 2.9% positive margin.

Mr. Collins indicated that for several bienniums a provision was included to allow employers in both the defined benefit and defined contribution plans to place an amount equal to the sick leave into the retirement plan for both DB and DC plans. As this provision was enacted, it became more limited for the DC plan. Staff suggested we harmonize these two plans so they are consistent.

The remaining items were technical items to update the North Dakota Century Code. A copy of the memo is available at the PERS office.

The Board discussed their approach to the retiree increases. The Board suggested doing a permanent increase with additional contributions. One recommendation was to give retirees a 4% COLA. To fund this, we would ask the legislature for 1% and 1% from employee contributions. Mr. Miller commented that a 4% increase for retirees cannot be funded through employees because employees must also have a corresponding benefit for their increased contribution (constitutionality of benefits provision). Another suggestion was to give retirees a 13<sup>th</sup> check and a COLA. The bill could be drafted to include an either or provision. Mr. Miller stated the bill could be submitted with two sections, and the second section says if the first section doesn't pass, then the second section could pass. The Board felt we could submit two bills on each increase. Another approach could be to submit a bill for a 13<sup>th</sup> check for 2007-2008, then submit a separate bill for COLA for 2008-2009 that would fully pay the cost of the benefit in two years, since the enhancement is fully paid in two years and no long term obligations are placed on employees.

The Board agreed to submit legislation for a 13<sup>th</sup> check, and include in the bill a 2% ad hoc increase starting 2 years from now with an employer contribution.

**MR. SAGE MOVED TO SUBMIT LEGISLATION FOR THIS BIENNIUM TO ISSUE A 13<sup>TH</sup> CHECK FOR RETIREES SUBJECT TO THE TARGET RATE OF RETURN AT 9.16%, AND ALSO SUBMIT A SECOND BILL TO INCREASE THE EMPLOYER CONTRIBUTION NEXT BIENNIUM TO FUND A 2% COST OF LIVING ADJUSTMENT. MS. SAND SECONDED THE MOTION.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Tabor, Ms. Ehrhardt, Chairman Strinden.

**Nays:** None

**Absent:** Ms. Smith

**PASSED**

Mr. Collins indicated if we include an increase for the defined benefit plan, it is recommended we should increase by this same amount in the defined contribution plan.

Mr. Leingang questioned why legislation for #6 was not included. Mr. Collins indicated it did not get recommended because of the new GASB provision, with the implicit liability of almost \$12 million. By reducing it, we would spread about \$763,000 on the active rates next biennium. Pre Medicare rates are very high right now.

**MS. SAND MOVED WE SUBMIT LEGISLATION FOR ALL REMAINING RECOMMENDED BILLS (#7, 9, 10, 12, 13, 14, 15, 16) AND STAFF RECOMMENDATIONS TO NORTH DAKOTA CENTURY CODE #17, 18, 19, 21, 22, AND 23). MS. TABOR SECONDED THE MOTION.**

Some Board members expressed concern requiring employees to contribute \$25 into a 457 deferred compensation plan. Mr. Collins indicated this has been discussed in committee, but that at the time of enrollment employees can opt out. It was noted that this issue was discussed several years ago and the motion did not pass. Mr. Collins indicated that statistics show when employers offer this option, there is almost twice the participation than when it is not offered. The first year PERS allowed employees to make an affirmative election on pre-taxing the first \$50,000 in life coverage, we had about 5% or less participation rate, however, when PERS changed that to a default election, then 95% of employees participated.

**MS. SAND AMENDED HER ORIGINAL MOTION NOT TO SUBMIT A BILL FOR #12, THE AUTOMATIC ENROLLMENT IN THE 457 PROGRAM FOR NEW EMPLOYEES AT \$25 PER MONTH. THE MOTION WAS SECONDED BY MS. TABOR.**

Vote on motion to amend:

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Tabor, Ms. Ehrhardt, Chairman Strinden.

**Nays:** None

**Absent:** Ms. Smith

**PASSED**

Vote on amended motion:

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Tabor, Ms. Ehrhardt, Chairman Strinden.

**Nays:** None

**Absent:** Ms. Smith

**PASSED**

**MR. SAGE MOVED THAT PERS NOT SUBMIT A BILL FOR #12, THE AUTOMATIC ENROLLMENT IN THE 457 PROGRAM FOR NEW EMPLOYEES AT \$25 PER MONTH. MS. TABOR SECONDED THE MOTION.**

It was noted that this program is becoming a more popular option nationwide. What is important about this is that even though it is automatic enrollment, they can opt out right away. Mr. Miller indicated that the draft bill reads they have 30 days from their start date to opt out and we do not start taking money out for 2 ½ months. The first month they can't have dollars withdrawn for deferred compensation is well after their opt out period.

**Ayes:** Mr. Sage, Ms. Tabor

**Nays:** Mr. Leingang, Ms. Sand, Ms. Ehrhardt, Chairman Strinden

**Absent:** Ms. Smith

**FAILED**

**MS. SAND MOVED TO INTRODUCE A BILL RELATING TO #12 MANDATING \$25 MONTHLY PAYMENT TO THE 457 (DEFERRED COMPENSATION) PROGRAM WITH AN OPT OUT PROVISION. MR. LEINGANG SECONDED THE MOTION.**

Board discussion related to the fact that if legislation passes, PERS must have good policies in place and train the authorized agents so employees understand the process. The Board members had concerns that \$25 is a lot of money, and government should not be in the business of telling people how to run their lives.

**Ayes:** Mr. Leingang, Ms. Sand, Ms. Ehrhardt, Chairman Strinden.

**Nays:** Mr. Sage, Ms. Tabor

**Absent:** Ms. Smith

**PASSED**

## **MONTHLY TOPICS**

### **TFFR IT Program Experience**

Ms. Fay Kopp, Deputy Director of the Retirement and Investment Office, presented an overview of TFFR's IT business system upgrade project. The total project took 4 years.

Project planning began in 2000-2001 when they identified the need for an outside study of their pension software solutions to replace or upgrade the existing TFFR system. TFFR staff made the recommendation to their board to update their business system. The next year a consulting contract was entered into with MSI/ESI to conduct a feasibility study/business case. TFFR board approved \$2 million to be included in the 2003-05 optional budget request. The budgeted dollars for this project came out of the TFFR funds, not general funds. In 2002-03 consultant and staff conducted vendor and product analysis even though the RFP was not approved at that point. Their board then approved the high level project plan, contingent upon legislative approval of the budget which was subsequently approved at \$2 million in an optional budget package to replace the TFFR mainframe system. The selection process stage began in 2003-04 to work with the consultant to develop an RFP.

The contract was signed in March 2004 and went live January 2006, with final signoff on February 2, 2006 (4 months behind schedule). There were no changes in scope of the project. There was some schedule slippage, problems with resource availability and data conversion delays. There were 15 change requests during the course of the project. The total consulting fees paid were \$399,200. Maintenance fees are \$100,000 per year. Total paid to date for the project is \$1.9 million. Project end date was 4 months behind schedule, so had to report to State Information Technology Advisory Council (SITAC). Many project challenges included performance bond requirement, staff limitations (RIO, ITD, and vendor), prioritization at agency level and at ITD.

Ms. Kopp summarized that the success of the project was a result of the commitment of their board, staff, the consultant, ITD, and the vendor. She noted it will:

- Cost more than you want to spend and it will be worth every cent (make sure of that).
- Take the guidance and expertise of an IT consultant.
- Take the support from your board and management (moral support and financial support).
- Take coordination and support from ITD, a big player in this process, as well as assistance from the Attorney General's Office, OMB Procurement Office, and other state entities.
- Take an incredible amount of staff time and effort, more than expected, and much hard work, flexibility, patience and commitment from staff.

### **New Board Member Orientation**

Mr. Collins indicated a committee, including Ms. Tabor and Ms. Sand, developed an orientation program for new PERS Board members and reviewed it with the Board.

**MS. TABOR MOVED APPROVAL OF THE NEW BOARD MEMBER ORIENTATION.  
MS. SAND SECONDED THE MOTION.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Tabor, Chairman Strinden

**Nays:** None

**Absent:** Ms. Smith

## **PASSED**

### **Airtime Review**

Mr. Collins stated that in follow-up to the planning meeting Melanie Walker from Segal has provided the Board with information relating to purchase of service credit in a governmental defined benefit plan, specifically, service credit known as air time. According to her summary, the purchase of service credit is acceptable and there have been purchase of service credit clarifications included in legislation which states that direct transfers from 457 and 403(b) plans into a governmental defined benefit plan to purchase service are not subject to the limits on air time under the Code and qualified service credit can be purchased for periods for which there is no service. Based upon this information, It appears PERS will not need to recommend legislative changes.

### **FlexComp Program Grace Period**

Ms. Allen stated this issue had been discussed in June 2005 when the Board moved to amend the medical spending account provisions of the flex comp program to incorporate the provisions of the IRS two and one/half month rule. That rule allows participants to submit claims incurred between January 1 and March 15 (grace period) of the plan year to be paid out of any account balance remaining from the previous plan year. The amendment included a 6-week run-out period or until April 30 for participants to submit these claims. Final guidance was issued December 2005 and the Board moved to go forward with the amendment to the plan document. Therefore, staff is recommending that the plan year run-out provisions be amended to coincide with the grade period run-out of April 30 for both the medical spending and dependent care. This would be effective January 1, 2007 for the 2006 plan year.

**MS. SAND MOVED TO APPROVE THE PROPOSED AMENDMENTS TO THE FLEXCOMP PROGRAM PLAN DOCUMENT AS RECOMMENDED BY PERS STAFF. MS. TABOR SECONDED THE MOTION.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Tabor, Ms. Ehrhardt, Chairman Strinden.

**Nays:** None

**Absent:** Ms. Smith

## **PASSED**

### **IT Consultant**

Mr. Collins indicated Mr. Bob Pope is at the Fargo location for this Board meeting. PERS staff is suggesting we interview the top three vendors in late March – Maximus, MTG, and Wechsler. The average hourly rates do not vary much for each of the three vendors. As you can see, our costs are higher than what you had seen for TFFR. Board members suggested the review committee meet to interview the vendors and give their recommendations to the Board for final approval. The Board suggested that PERS send the proposal over to ITD for their review of the vendors.

Mr. Collins indicated PERS goal is to have a firm committed by the first part of April. The Board agreed to schedule a special meeting the first week of April to review staff recommendation and approve a firm.

### **SIB Alternate Member**

Mr. Collins indicated, according to state statute, PERS can have an alternate member for the State Investment Board (SIB). Ms. Sand had been the alternate member and now she is on the SIB. Ms. Tabor indicated she is willing to serve as an alternate member to the SIB.

**MS. SAND MOVED THAT MS. TABOR BE APPOINTED AS THE ALTERNATE MEMBER ON THE STATE INVESTMENT BOARD. MR. SAGE SECONDED THE MOTION.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Tabor, Ms. Ehrhardt, Chairman Strinden

**Nays:** None

**Absent:** Ms. Smith

**PASSED**

### **Audit Committee Minutes**

The Audit Committee minutes of November 30, 2005 were presented to the Board for their information.

### **Legislative Employee Benefits Committee**

Chairman Strinden stated information has been provided regarding the activities of the Employee Benefits Committee. There were no comments from the Board.

### **State Investment Board**

Information provided to the Board relating to upcoming agenda and approved minutes. There were no comments from the Board.

## **RETIREMENT**

### **Job Service Retirement Plan**

Mr. Collins reported that the Board has been reviewing the issue of timberland investment in the fixed income portion of the portfolio. PERS staff has put together a recap of the information presented. Based upon the Segal recommendation, it is recommended PERS drop the assumed rate of return in the JSND retirement plan from 8% to 7%. If that rate of return can go down even more in the future, PERS can move toward investments that are more guaranteed so returns are predictable. It was noted by all presenters that timberland is not increasing the risk in this portfolio causing any liquidity risks. Therefore, Mr. Collins suggested PERS could write a letter to Mr. Steve Cochrane, State Investment Board, summarizing our findings and noting our goal is to continue to move toward the elimination of risk in this plan. This information would be shared with the Investment Board so the Investment Board does recognize and realize this plan is unique in terms of its characteristics compared to the PERS plan and some of the other plans.

Mr. Sage stated that this has been a lengthy process, but felt it was important that we did undertake it.

**MR. SAGE MOVED TO ACCEPT STAFF RECOMMENDATION. MS. TABOR SECONDED THE MOTION.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Tabor, Mr. Ehrhardt, Chairman Strinden

**Nays:** None

**Absent:** Ms. Smith

**PASSED**

### **Constitutionality of Benefit Changes**

Mr. Scott Miller presented information regarding constitutionality of benefit changes which he also presented to the Teachers Fund for Retirement. A copy of this presentation is available at the PERS office.

## **GROUP INSURANCE**

### **Addendum to Group Health Care Insurance Policy for MedicareBlue RX PDP**

Mr. Collins stated PERS is seeking Board approval to sign this addendum to reflect the new MedicareBlue RX Prescription Drug Program rates. Mr. Miller has reviewed it and approved the addendum.

**MS. TABOR MOVED TO APPROVE THE ADDENDUM. MS. SAND SECONDED THE MOTION.**

Ayes: Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Tabor, Ms. Ehrhardt, Chairman Strinden  
Nays: None  
Absent: Ms. Smith

**PASSED**

**Dental and Long Term Care RFP**

Ms. Allen reported that at the December meeting the Board approved preparing a request for proposal (RFP) for consulting services to bid out the dental and long term care programs. PERS staff evaluated all four proposals and as the results indicate, the scores on the technical elements were close among all firms. Gallagher Benefit Services received the most points in terms of price and when combined with the technical score, gave them the highest overall score of 85.3. Based on the analysis, staff recommends that Gallagher Benefit Services be awarded the bid for consulting services for the dental and long term care plans.

**MS. TABOR MOVED TO AWARD CONSULTANT SERVICES FOR THE DENTAL AND LONG TERM CARE PLANS RFP TO GALLAGHER BENEFIT SERVICES. MS. SAND SECONDED THE MOTION.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Tabor, Ms. Ehrhardt, Chairman Strinden  
**Nays:** None  
**Absent:** Ms. Smith

**PASSED**

**Smoking Cessation Program**

Ms. Allen reported we were notified there are two new nicotine replacement therapies (NRT's) available on the market – Nicotrol NS, a nasal spray, and Nicotrol Inhaler. Blue Cross contacted us requesting our direction regarding coverage for these two new smoking deterrents as they have had requests from smoking cessation providers and also have two claims pending reimbursement. Staff requested input from Kathy Mangskau of the Department of Health and Dr. Rice with BCBS regarding the effectiveness of the spray and inhaler. Dr. Rice indicated both products are FDA approved for the same indication as other NRT's. Ms. Mangskau indicated that the inhaler and spray offer options for individuals that are allergic to or unable to use other products. Both these new products require a prescription for purchase. The cost for an 8-week program for the new products is somewhat higher, but it does fall within the reimbursement guidelines in the grant proposal, and since our proposal does not specify product names, it is staff's interpretation and consequent recommendation that Nicotrol

spray and inhaler are eligible for coverage and that Blue Cross should be instructed to reimburse them accordingly.

**MS. SAND MOVED TO ACCEPT STAFF RECOMMENDATION THAT NICOTROL SPRAY AND INHALER ARE ELIGIBLE FOR COVERAGE. MS. TABOR SECONDED THE MOTION.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Tabor, Ms. Ehrhardt, Chairman Strinden

**Nays:** None

**Absent:** Ms. Smith

**PASSED**

**Surplus/Affordability Update**

Mr. Reinhardt reported the projection for the 2003-2005 biennium was \$15.8 million. \$14.3 million was allocated by the legislature to BCBS to buy down the premiums. The early projection of 2005-2007 shows an ending balance of \$2.1 million. If you recall at the last meeting, we were running at about a 10% per year trend. Keep in mind we probably won't have that \$14.3 million, so in addition to the current trend, we will have to make up that buy down. Staff will be looking at reprojecting rates this summer.

**2005 BCBS Claims Review**

Mr. Reinhardt reported that each year staff reviews 100 BCBS claims to determine if they were processed and paid correctly. When a member has additional service and the can coordinate benefits, the member receives a credit to their copayments, deductibles, and coinsurance. It is a complicated process, they call it coordination of benefits banking. Staff received notice from BCBS they will discontinue this practice. Another issue is the fact the Prime Therapeutics cannot determine if a member has Prenatal Plus. They have been waiving the deductible for all prenatal vitamin prescriptions and applying 15% coinsurance since all were generic. There are now nonformulary prenatal vitamins available. Should these be processed at the 50% nonformulary coinsurance instead of the generic coinsurance? The copayment amount for prenatal vitamins is waived when the members enrolled under the Prenatal Plus program. BCBS is compiling information and will get back to staff on this issue.

**DEFERRED COMPENSATION**

**4<sup>th</sup> Quarter 2005 Reports**

Mr. Reinhardt reported the 4<sup>th</sup> Quarter Reports for the 457 Companion Plan and 401(a) Plan are included. The Investment Subcommittee met last month to review this information. The 401(a) plans increased to over \$14.1 million and the 457 Companion Plan increased to about \$16.5 million.

Mr. Collins indicated there were schedule conflicts with the April Board meeting, but the meeting will be scheduled as originally set for April 20.

The meeting adjourned at 11:30 a.m.

Prepared by,

Cheryl Stockert  
Secretary to the NDPERS Board

# MINUTES

## North Dakota Public Employees Retirement System

Thursday, April 20, 2006  
ND Association of Counties, Bismarck  
BCBS, 4510 13<sup>th</sup> Ave SW, Fargo  
8:30 A.M.

Members Present: Ms. Joan Ehrhardt  
Mr. Ron Leingang  
Mr. Howard Sage  
Ms. Arvy Smith  
Ms. Sandi Tabor

Via Video Conference: Ms. Rosey Sand  
Chairman Jon Strinden

Others Present: Mr. Sparb Collins, Executive Director, NDPERS  
Ms. Cheryl Stockert, NDPERS  
Ms. Deb Knudsen, NDPERS  
Ms. Kathy Allen, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Ms. Rebecca Fricke, NDPERS  
Mr. Scott Miller, Attorney General's Office  
Mr. Kevin Schoenborn, BCBS  
Ms. Onalee Sellheim, BCBS  
Ms. Jodee Buhr, NDPEA  
Mr. Bill Kalanek, AFPE  
Mr. Tom Tupa, APT  
Ms. Jodi Buhr, NDPEA  
Mr. Keith Johnson, Custer District Health Unit

Via Video Conference: Mr. Larry Brooks, BCBS  
Ms. Cheryl Keller-Johnson, BCBS  
Mr. Bob Stoup, BCBS  
Ms. Nancy Vogeltanz-Holm, UND

Chairman Jon 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 March 16, and April 4, 2006 Board meetings.

**THERE BEING NONE, MS. SAND MOVED APPROVAL OF THE MARCH 16 AND APRIL 4, 2006 BOARD MEETING MINUTES. MS. TABOR SECONDED THE MOTION. THE MINUTES WERE APPROVED.**

## **GROUP INSURANCE**

### **District Health Units**

Mr. Collins stated we have been evaluating this issue the last couple of months. Mr. Keith Johnson from the Custer District Health Unit presented to the Board proposed legislation relating to Section 54-52.1-03.1, which states "The Garrison Diversion Conservancy District, and district health units required to participate in the public employees retirement system under section 54-52-02, may participate in the uniform group insurance program under the same terms and conditions as state agencies." This legislation attempts to bring district health units in under the same terms and conditions as state agencies. Mr. Collins indicated that the staff recommendation would be "to maintain the status quo until the legislature has an opportunity to address this issue by reviewing the proposed legislation". If no changes are made to the law, then District Health Units would be considered political subdivisions beginning in 2007. Any new health districts that apply with PERS would obtain the political subdivision rate not the state rate for health insurance purposes.

**MS. SMITH MOVED TO ACCEPT STAFF RECOMMENDATION. THE MOTION WAS SECONDED BY MS. SAND.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Smith, Ms. Tabor, Ms. Ehrhardt, and Chairman Strinden

**Nays:** None

**PASSED**

## **BCBS Annual Report**

Mr. Shoenborn from BCBS presented information relating to their annual report. Topics presented included: claims incurred July 1, 2004 through June 30, 2005; annual comparisons of Total PERS and Total Actives; Annual Comparisons on EPO and PPO actives; Annual Comparisons on Retirees and COBRA; Discounts Comparisons on Active and Retiree Members; Demographics; High Dollar Claims for Actives and Retirees; Case Benefit Management; Prescription Drugs for Actives and Retirees; Member Education;

Wellness Benefit Programs Update; Smoking Cessation; and Health Dialog. The complete report is on file at the NDPERS office.

### **Group Medical Plan – Surplus/Affordability Update**

Mr. Reinhardt presented information regarding the February 2006 surplus projection and affordability analysis for the NDPERS group medical plan. The projection for the 2003-2005 biennium shows an ending balance of \$15.6 million; the amount targeted for the 2005-2007 biennium is \$14.3 million.

### **Pilot Program – Worksite Wellness**

Ms. Nancy Vogeltanz-Holm from UND gave an update on the worksite wellness project. There are 4 Bismarck state agencies with approximately 400 employees involved in the pilot project (OMB, Tax Department, Commerce Department, and State Historical Society). Two worksites are receiving high level intervention and 2 are receiving medium level intervention. The preliminary data with health councils reporting various activities including walking/physical activity clubs, weight loss clubs, outside presentations, healthy snacks, and incentives. All worksites reported at least moderate level of activities with moderate employee interest/participation. Planned activities for the period May to December 2006 include continuation of all ongoing activities, 12-month evaluation reports to worksites, initiate Year 2 Personal Behavioral Health Profiles (PBHP's) including immediate feedback, and revise/update self-help materials including health newsletters.

### **Employer Based Wellness Discount Program**

Ms. Knudsen stated the information provided is a follow-up to information received in February. Letters have been sent to the heads of employer groups either informing them they had taken the appropriate steps to achieve the wellness discount or informing them that they had not yet submitted the necessary documentation to receive the discount. It was explained that the wellness discount program is optional and non-participation would result in an increase in premium effective July 1, 2006. Varied activities have been planned by agencies. Some of the smaller entities are partnering with others to develop their wellness program which seems to be working very well. Mr. Collins indicated that Ms. Rebecca Fricke will be taking over the wellness program duties.

### **BCBS Contract Amendment**

Ms. Allen reported that the Summary of Material Modifications and Service Agreement for the Dakota Plan does not include the portion that refers to the prescription drug benefit for Medicare retirees since they are now enrolled in the Medicare BlueRx Prescription Drug Plan effective January 1, 2006. The amendment reflects the adjusted premiums for this group as a result of the implementation of the PDP. PERS staff has reviewed and verified the premium schedule and recommends approval of the changes.

**MS. TABOR MOVED APPROVAL OF THE ADMINISTRATIVE SERVICE AGREEMENT AMENDMENT. MS. SMITH SECONDED THE MOTION.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Smith, Ms. Tabor, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**PASSED**

**Prenatal Plus Program Prenatal Vitamins**

Mr. Reinhardt indicated that at the previous meeting there was discussion regarding an issue with prenatal vitamins copayment amount not being waived when the member is enrolled under the prenatal plus program. Mr. Brooks stated it was unfortunate this happened. The SPD should be followed and BCBS recommendation is to make this change immediately. The Board raised the question what was paid out in error and what was the cost to the members and PERS. BCBS will provide this information at the next Board meeting.

**MS. SAND MOVED TO ADOPT OPTION 1 TO HAVE BCBS ADMINISTER THE PRENATAL VITAMIN COST SHARING AS WORDED IN THE SPD. MS. TABOR SECONDED THE MOTION.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Smith, Ms. Tabor, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**PASSED**

**Coordination of Benefits – BCBS**

Mr. Brooks from BCBS reported the National Association of Insurance Commissioners changed their regulations to no longer mandate banking of coordination of benefit dollars. These new regulations were effective January 1, 2006 and were implemented by the ND Insurance Commissioner. Therefore, BCBSND made the decision to discontinue administering this provision effective January 1, 2007 for all fully insured and self-funded health benefit plans across the state. Ms. Keller-Johnson from BCBS explained that COB banking only affects those members that have dual insurance, when the PERS plan pays secondary. If BCBS's payment as the secondary plan is less than it would have been if BCBS was the primary plan, the calculated amount "saved" accumulates (banks) during the year. These banked amounts are used to reimburse the member for eligible out-of-pocket amounts that are not ordinarily covered (co-pays, deductibles and coinsurance). The Board requested information from BCBS relating to how many employees can coordinate benefits and what effect this change in policy will have on them. Mr. Brooks stated as far as notifying employees, there is no best way to obtain good information relating to all members with dual coverage. BCBS is willing to assist NDPERS with informing members of this change. The Board raised the question as to how many

employees are currently using this benefit, and also of the total banked dollars for 2004, how many were professional versus institutional claims. Action was postponed until the May meeting to allow BCBS to share requested information with the Board.

## **MONTHLY TOPICS**

### **IT Project Update**

Mr. Collins requested the Board meeting be moved one week later (June 29) in order to give Wechsler (our IT consultant) an extra week to complete the feasibility study. The meeting is tentatively scheduled for June 29 beginning at 1:30 p.m. Mr. Collins stated the contract with Wechsler has been reviewed and approved by the Attorney General's Office and ITD. We are seeking Board approval for signature.

**MS. TABOR MOVED TO APPROVE AND SIGN THE WECHSLER CONTRACT. MR. SAGE SECONDED THE MOTION.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Smith, Ms. Tabor, Ms. Ehrhardt, and Chairman Strinden

**Nays:** None

**PASSED**

## **MISCELLANEOUS**

### **2005/2006 Business Plans**

Mr. Collins indicated the 2005 Business Progress Report and 2006 Business Plan is available for the Board's review. We are currently reviewing the 2006 Plan and will report to the Board in May with any changes resulting from the IT Project.

### **Legislation**

Mr. Collins indicated the proposed legislation was submitted to the Employee Benefits Committee based on the actions at the March meeting. The matrix in the Board book shows the bill language as well as what PERS is trying to accomplish. As we receive the technical evaluations on each bill and review the information, the Board can make any necessary changes.

The State Investment Board agenda and minutes were provided to the Board members for their information.

Mr. Collins stated that this summer Ms. Ehrhardt will attend a retirement training educational session relating to retirement plans and benefits.

NDPERS Board Meeting  
April 20, 2006  
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**MS. TABOR MOVED TO APPROVE MS. EHRHARDT AS WELL AS ANOTHER INDIVIDUAL TO ATTEND THIS SESSION. MR. LEINGANG SECONDED THE MOTION.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Smith, Ms. Tabor, and Chairman Strinden  
**Nays:** None  
**PASSED**

The meeting adjourned at 10:35 a.m.

Prepared by,

Cheryl Stockert  
Secretary to the NDPERS Board

# MINUTES

## North Dakota Public Employees Retirement System

Thursday, May 18, 2006  
ND Association of Counties, Bismarck  
BCBS, 4510 13<sup>th</sup> Ave SW, Fargo  
8:30 A.M.

Members Present: Ms. Joan Ehrhardt  
Mr. Ron Leingang  
Mr. Howard Sage  
Ms. Rosey Sand  
Ms. Arvy Smith

Member Absent: Ms. Sandi Tabor

Via Video Conference: Chairman Jon Strinden

Others Present: Mr. Sparb Collins, Executive Director, NDPERS  
Ms. Cheryl Stockert, NDPERS  
Ms. Deb Knudsen, NDPERS  
Ms. Kathy Allen, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Ms. Cheryle Masset-Martz, NDPERS  
Ms. Diane Heck, NDPERS  
Mr. Scott Miller, Attorney General's Office  
Mr. Kevin Schoenborn, BCBS  
Ms. Jodee Buhr, NDPEA  
Mr. Bill Kalanek, AFPE  
Mr. Tom Tupa, APT  
Ms. Patricia Hill, ND Pharmacists Association  
Mr. David Peske, ND Medical Association  
Mr. Weldee Baetsch

Via Video Conference: Mr. Larry Brooks, BCBS  
Mr. Brad Bartle, BCBS  
Mr. Michael Potts, BCBS  
Mr. Tom Christensen, BCBS  
Dr. Jon R, Rice, BCBS  
Ms. Jodi Carlisle, BCBS  
Ms. Shamayne Gerlach, BCBS  
Ms. Cheryl Wigginton, BCBS

Chairman Jon 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 April 20, 2006 Board meeting.

**THERE BEING NONE, MR. LEINGANG MOVED APPROVAL OF THE APRIL 20, 2006 BOARD MEETING MINUTES. MS. SAND SECONDED THE MOTION. THE MINUTES WERE APPROVED.**

## **RETIREMENT**

### **Segal Renewal**

Mr. Collins indicated that two years ago we contracted with Segal for actuarial valuation and consulting services for retirement, deferred compensation, retiree health credit, and flexible compensation. Segal has submitted, in their May 16, 2006 letter to PERS, the proposed fee increases for a two year period, July 1, 2006 through June 30, 2008. The increase is approximately 13% per year overall. Segal was the lowest at the general bid, so even if we rejected this proposal and went to bid they are not out of line with what the market was at the last bid. Mr. Collins indicated Segal has been very responsive and excellent to work with. It is staff recommendation that we renew with Segal for the two year period.

**MR. LEINGANG MOVED TO RENEW THE SEGAL CONTRACT FOR TWO YEARS (JULY 1, 2006 THROUGH JUNE 30, 2008). THE MOTION WAS SECONDED BY MR. SAGE.**

**Ayes:** Leingang, Sage, Sand, Smith, Ehrhardt, and Strinden.

**Nays:** None

**Absent:** Tabor

**PASSED**

### **Mid Dakota Clinic Renewal**

Ms. Allen stated our contract with Mid Dakota Clinic for disability consulting services expires on June 30, 2006. The current contract rate of \$150 per hour has been in effect since July 1, 2004. Mid Dakota wishes to continue to perform these services for PERS at a rate of \$160 per hour for the period July 1, 2006 through June 30, 2007. The amount paid to date since July 1, 2005 for their services is \$4,312.50. Staff has been satisfied with the services provided; they have been responsive and timely.

**MS. SAND MOVED TO RENEW THE CONTRACT WITH MID DAKOTA CLINIC FOR DISABILITY CONSULTING SERVICES FOR THE TWO YEAR PERIOD. THE MOTION WAS SECONDED BY MS. SMITH.**

**Ayes:** Leingang, Sage, Sand, Smith, Ehrhardt, and Strinden.

**Nays:** None

**Absent:** Tabor

**PASSED**

### **GROUP INSURANCE**

#### **Dental-Long Term Care RFP**

Mr. Collins indicated that the final draft of the Dental and Long Term Care RFP will be released on Monday, May 22, pending Board approval. A public notice will be included in the newspapers. If the board approves the RFP, it will be posted to the website and letters will go out on Monday. Mr. Bill Robinson from Gallagher Benefit Services stated they have been working diligently with PERS staff to put this RFP together. There are 7 sections to the RFP; Section I is the procurement document which is the contractual language approved by the state of North Dakota; Section II is the description of the plans and questionnaires and cost exhibits; Section III is the administrative requirements that PERS has for voluntary plans. There is also a section of dental data request and dental claims data as well as a section on long term care questions. Mr. Collins indicated there are two ways in which this dental plan could be bid: fully insured or self-funded and one way for the long term care which is fully insured.

**MR. LEINGANG MOVED TO APPROVE THE RFP FOR DENTAL AND LONG TERM CARE INSURANCE. THE MOTION WAS SECONDED BY MS. SAND.**

**Ayes:** Leingang, Sage, Sand, Smith, Ehrhardt, and Strinden.

**Nays:** None

**Absent:** Ms. Tabor

**PASSED**

#### **Coordination of Benefits**

Mr. Brooks from BCBS stated that at the April Board meeting there were questions raised regarding how many employees used the COB banking benefit as represented in the 2005 figures. The total dollars banked of \$5,416,286 represents 3,315 members and the total dollars used of \$160,654 represents 2,158 members. The percentage of members banking dollars represents 3.92%, whereas those members with banked dollars using the banked dollars is 65.1%. There were only 4 members who used greater than \$1,000 banked dollars. About 70% of the members used less than \$100. As noted, total banked dollars used would be the savings to the group if the banking process is discontinued. Mr. Collins indicated BCBS is discontinuing banking on all lines of their business and they

desire the Board's concurrence for the PERS plan. Mr. Brooks indicated that a decision should be made at least by August. A benefit to the PERS plan would be a savings of \$160,000 a year, which results in 55 cents per contract per month. If PERS would decide to keep this benefit, there may be additional administrative fees to maintain the banking provision.

Board action was delayed until either the June or July Board meeting. More information was requested regarding what service(s) could be provided to members for 55 cents per contract per month, recognizing the fact that next biennium costs will be significantly higher and any service we give members today might not be cost effective for the next biennium. The Board requested that if COB banking was eliminated the members should be informed of the fact in a newsletter. This will also assist employees in planning for their flexcomp dollars for the next calendar year. Mr. Brooks indicated that BCBS would issue a Summary of Material Modifications regarding this benefit change. Prior to the next Board meeting, staff will get a list of areas where we differ with the other BCBS plans and what the cost of the change of bringing us up to standard plan design would be for those, will determine if there are additional administrative costs that might come up relating to maintaining this in the next biennium, and include a summary in the newsletter advising members that BCBS is discontinuing this benefit for the members and it has been brought before the Board.

#### **Prenatal Plus Program Prenatal Vitamins**

Mr. Brooks reported, based on a request at the previous Board meeting, a total of 1,194 scripts at a cost of \$11,205 were erroneously paid during the biennium.

#### **BCBSND Updates**

Mr. Brooks indicated that Mr. Collins had requested BCBS come before the Board and share with the Board information prior to the renewal process. Mr. Kevin Schoenborn covered the current claims situation incurred through December 31, 2005 relating to active members. The data shows a 14% increase. High dollar claims over \$50,000 went from just under \$18 million in 2004 to \$23.4 million in 2005; average costs went from \$92,000 in 2004 to \$103,000 in 2005. Mr. Wigginton, BCBS Medical Management, presented information relating to calendar year 2003, 2004 and 2005 medical management services for both non retirees and retirees. There were 419 referrals of non-retirees to case management and that involved 367 members. Estimated savings was \$254,000. There were 53 referrals of retirees to case management that involved 38 members; no cost savings for this group for 2005. Mr. Collins indicated there are new services being provided to members where there have been no changes in the plan design. Mr. Carlisle presented information relating to the sleep study analysis and gastric bypass surgery analysis. For the period 1999 to 2005 NDPERS represented approximately 16% of the total gastric bypass surgeries performed. The total charges consumed by NDPERS over the past seven years was \$5,887,466 for the 260 members. Total expenditures for NDPERS members with a diagnosis of sleep apnea and associated costs excluding surgeries in 2005 was \$1,527,187 (average of \$1,993 per member). Dr. Rice indicated for all North Dakota members, there is an increase in sleep

studies by about 21%. Mr. Christensen gave an overview of drug program trends. The most significant trend at present is the migration of members greater than 65 years of age into Medicare Part D. The prescription drug program in general saw a 3% decrease in claims per member per month. Looking forward the greatest impact will be created with generic utilization which is increasing. Mr. Potts addressed issues relating to the providers across North Dakota. As BCBS focus's on its relationship with providers, and partners with providers, they focus on access, cost, and quality of care. It is important to maintain a balance between all of those in order to best serve members. There is excellent access for PERS members. There are over 3,800 professionals under contract with BCBS and 1,450 physicians. The EPO enrollment has increased to 21,000 members. Mr. Potts indicated they do not know what the provider rate increase will be in 2007; a final recommendation will be presented to their Board of Directors in September. Mr. Brad Bartle, actuary, presented a review of the 2005-2007 biennium rating. Currently there is a paid claims trend of about 10%, while allowed charges are at about 9%. In 2005, claims trends peaked in July at about 16% for paid claims and about 14% for allowed charges. Mr. Collins indicated that in June or July there will be presentations relating to the Health Dialog and Clinical Pharmacy Update. There is a schedule included in the Board materials regarding how we will be proceeding with the renewal.

### **Gallagher Benefit Services Renewal**

Mr. Robinson stated GBS is proposing to provide continuation of the technical and legislative consulting services to PERS for a two year period. This would also include the medical plan renewal project not to exceed fee of \$7,965. The time charges will increase by 5% for the period July 1, 2006 through June 30, 2007 as summarized in their May 9, 2006 correspondence.

**MS. SAND MOVED TO APPROVE GALLAGHER BENEFIT SERVICES RENEWAL FOR TWO YEARS. THE MOTION WAS SECONDED BY MR. SAGE.**

**Ayes:** Leingang, Sage, Sand, Smith, Ehrhardt, and Strinden.

**Nays:** None

**Absent:** Tabor

**PASSED**

### **Prudential Life Insurance Policy Rider**

Ms. Masset-Martz reported that PERS received notice from Prudential there is a rider that will need the Board Chairman's signature. This rider provides for continued coverage for an incapacitated child. This coverage was included with the previous provider and is being included in the Prudential policy as of July 1, 2005.

**MR. SAGE MOVED TO APPROVE THE PRUDENTIAL LIFE INSURANCE RIDER. THE MOTION WAS SECONDED BY MS. SAND.**

**Ayes:** Leingang, Sage, Sand, Smith, Ehrhardt, and Strinden.

**Nays:** None

**Absent:** Tabor

**PASSED**

**Employer Based Wellness Program**

Mr. Collins stated that staff was seeking Board direction relating to the new employer-based wellness program. PERS is in the process of moving into the second year and those agencies and employers that have decided to participate in the second year have submitted their programming plans. There are 49 employers that did not renew. The question staff is seeking advice on is when the new year begins in July, if one of those employers decides they want to participate, do we let them come in during the year or do we only allow employers to start in the program on an annual basis? Staff recommendation is to have an annual enrollment.

**MS. SAND MOVED TO APPROVE ANNUAL ELECTIONS TO PARTICIPATE IN THE EMPLOYER BASED WELLNESS PROGRAM. THE MOTION WAS SECONDED BY MR. LEINGANG.**

**Ayes:** Leingang, Sand, Smith, Ehrhardt, and Strinden.

**Nays:** Sage

**Absent:** Tabor

**PASSED**

**DEFERRED COMP**

**Fidelity Review**

Mr. Collins reported that in 2004 Fidelity was awarded the contract for the 457 plan and defined contribution plan for 6 years subject to two year reviews. In anticipation of this review, we began discussions with Fidelity regarding reducing the administration fee for the 457 plan which is at \$39 per year. In the 401(a) plan the administrative fee is \$8. The reason for this differential is because of the size of the account balances. Fidelity has agreed to drop this administrative fee from \$39 to \$30 a month for the 457 plan, if PERS implements a de minimus cash out of terminated plan participants who have a balance below \$1,000 and pursues an automatic enrollment process, pending legislative approval.

Mr. Collins further stated that we have indicated to Fidelity, that while the reduction in the administrative fee is positive, it is still a goal to see that 457 plan administrative fee continue to decrease.

**MS. SMITH MOVED TO EXTEND THE FIDELITY CONTRACT FOR THE 457 AND DEFINED CONTRIBUTION PLAN FOR TWO YEARS. THE MOTION WAS SECONDED BY MR. SAGE.**

**Ayes:** Leingang, Sage, Sand, Smith, Ehrhardt, and Strinden.

**Nays:** None

**Absent:** Tabor

**PASSED**

### **MONTHLY TOPICS**

#### **Critical Success Factors**

Mr. Collins indicated that included in the board book is the draft critical success factors (CSF) for the IT project. The CSF's are what makes the project a success and are tied to the organizations' vision (PERS' drivers). They are also the measures that PERS would use at the end of a project to measure its success. Mr. Collins asked that the board review the factors and share with him any additions or deletions.

#### **IT Project Update**

Mr. Collins provided an update to the Board relating to the Business System Replacement Project, specifically how we can accommodate the additional workload associated with this project. The assessment included information regarding PERS available resources, ability to reduce workload and overview of which work efforts can be reduced or deferred.

#### **Proposed Legislation**

Mr. Collins reported that included in the board book is the other legislation submitted relating to PERS. The Legislative Employee Benefits Committee met on May 17 and assumed jurisdiction over all of the bills. The bills will be referred back to the respective actuaries (Segal or Gallagher Benefit Services).

#### **PERS Budget**

Mr. Collins asked the Board, for budgeting purposes, how many Board education sessions should be budgeted for the next biennium (2007-2009). In the past three or four per year was budgeted for (seven for the biennium, approximately \$11,200). The Board suggested budgeting at one per board member per year.

## **SIB Agenda**

Agenda was distributed to the Board for information.

### **Deferred Compensation Hardships**

#### **Financial Hardship #2006-001DC**

Mr. Allen brought a financial hardship #2006-001DC before the Board for an amount of \$2,000 to cover expenses incurred as a result of personal loans used to cover expenses due to the spouse's disability. Expenses cited include travel to and from medical appointments and for medical treatment.

**MR. SAGE MOVED TO APPROVE HARDSHIP REQUEST #2006-001DC. MS. SAND SECONDED THE MOTION.**

Further Board discussion related to the lack of documentation to support the travel expenses and the need for this documentation prior to any Board action.

**Ayes:** Sage, and Strinden

**Nays:** Leingang, Sand, Smith, Ehrhardt

**Absent:** Tabor

**FAILED**

**MS. SAND MOVED TO REQUEST ADDITIONAL DOCUMENTATION RELATING TO INCURRED TRAVEL EXPENSES FOR HARDSHIP REQUEST #2006-001DC AND TO BRING THIS INFORMATION BEFORE THE BOARD. THE MOTION WAS SECONDED BY MS. SMITH.**

**Ayes:** Leingang, Sage, Sand, Smith, Ehrhardt, and Strinden

**Nays:** None

**Absent:** Tabor

**PASSED**

#### **Financial Hardship #2006-002DC**

Ms. Allen brought a financial hardship #2006-002DC before the Board for an amount of \$12,206.26 to cover expenses incurred as a result of the spouse's disability. The hardship is the result of expenses related to treatment that was not covered by insurance and expenses that arose as a result of a lawsuit regarding the spouse's medical condition that contributed to the current disability. Expenses cited include those incurred for the lawsuit and an outstanding balance owed to a credit union.

**MR. SAGE MOVED TO DENY THE HARDSHIP REQUEST #2006-002DC. THE MOTION WAS SECONDED BY MS. SAND.**

**Ayes:** Leingang, Sage, Sand, Smith, Ehrhardt, and Strinden.

**Nays:** None

**Absent:** Tabor

**PASSED**

**Executive Director's Annual Performance Review**

Chairman Strinden stated that the annual review of the executive director will need to be conducted. Mr. Leingang and Ms. Ehrhardt volunteered to assist Chairman Strinden with this review. There was a discussion regarding hiring the Hay Group to assist with the review of the salary for the Executive Director. The State Investment Board will be conducting a review of the RIO Director's salary. Mr. Collins indicated that NASRA has done a similar study of all PERS directors for all states.

**MR. SAGE MOVED TO LOOK INTO POSSIBLY HIRING THE HAY GROUP TO PERFORM A SALARY STUDY FOR THE EXECUTIVE DIRECTOR POSITION IF THE STUDY COSTS LESS THAN \$5,000. THE MOTION WAS SECONDED BY MR. LEINGANG.**

**Ayes:** Leingang, Sage, and Strinden.

**Nays:** Smith and Ehrhardt

**Absent:** Sand and Tabor

**PASSED**

The meeting adjourned at 11:05 a.m.

Prepared by,

Cheryl Stockert  
Secretary to the NDPERS Board

# MINUTES

## North Dakota Public Employees Retirement System

Thursday, June 29, 2006  
ND Association of Counties, Bismarck  
BCBS, 4510 13<sup>th</sup> Ave SW, Fargo  
1:30 P.M.

Members Present: Ms. Joan Ehrhardt  
Mr. Ron Leingang  
Mr. Howard Sage  
Ms. Arvy Smith  
Ms. Sandi Tabor

Via Video Conference: Ms. Rosey Sand  
Chairman Jon Strinden

Others Present: Mr. Sparb Collins, Executive Director, NDPERS  
Ms. Cheryl Stockert, NDPERS  
Ms. Deb Knudsen, NDPERS  
Ms. Kathy Allen, NDPERS  
Ms. Sharon Schiermeister, NDPERS  
Mr. Ron Gilliam, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Ms. Cheryle Masset-Martz, NDPERS  
Ms. Sharmain Dschaak, NDPERS  
Ms. Lori Laschkewitsch, OMB  
Mr. Leon Wechsler, LRWL  
Mr. Andy Flewelling, LRWL  
Mr. Ron McCartney, LRWL  
Ms. Patricia Hill, ND Pharmacists Association  
Mr. David Peske, ND Medical Association  
Ms. Nancy Kopp, ND Optometric Association  
Mr. Kevin Schoenborn, BCBS  
Mr. Al Pertuz, Health Dialog  
Mr. Brad LaPorte, Health Dialog  
Ms. Chesley Chen, Health Dialog  
Mr. Weldee Baetsch

Via Video Conference: Mr. Larry Brooks, BCBSND  
Ms. Susan Trosen, BCBSND  
Mr. Gary Dauenhauer, BCBSND  
Ms. Shari Koenig, BCBSND

Chairman Jon Strinden called the meeting to order at 1:30 p.m.

## **MINUTES**

Chairman Strinden called for any comments or corrections to the May 18, 2006 Board meeting minutes.

**THERE BEING NONE, MR. LEINGANG MOVED APPROVAL OF THE MAY 18, 2006 BOARD MEETING MINUTES. MS. SMITH SECONDED THE MOTION. THE MINUTES WERE APPROVED.**

## **MONTHLY TOPICS**

### **Business System Replacement Project**

Mr. Collins introduced Mr. Leon Wechsler of L. R. Wechsler, Ltd, the PERS business system replacement project consultant. LRWL was contracted to examine the current strengths and weaknesses of the legacy system and determine whether the current system will sustain NDPERS into the future or an alternative solution should be pursued. LRWL has provided similar analysis for approximately 24 other public employee retirements systems across the country. Mr. Wechsler presented the business issues and challenges regarding the current system which is approximately 30 years old. As a result of discussions with PERS management and staff, the required operating environment was identified. LRWL presented three possible options: continued enhancement of the system, build a system, or buy a system. LRWL recommendation is to elect the buy approach to obtain an integrated proven state of the industry system and to phase it over a 30-36 month time frame. The remainder of this biennium should be used to develop the RFP with the system phase in starting July of 2007. Mr. Collins indicated staff is in agreement with the Wechsler recommendation to buy and that if the Board elects to move forward, staff will present a funding plan and budget to the Board at the July meeting.

The Legacy Application System Review (LASR) Project Feasibility Study report is available at the PERS office.

**MR. LEINGANG MOVED TO APPROVE STAFF RECOMMENDATION TO BUY A BUSINESS REPLACEMENT SYSTEM. THE MOTION WAS SECONDED BY MS. SMITH.**

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

**Nays:** None

**PASSED**

### **Project Charter**

Mr. Collins indicated that since the Board has approved moving ahead with the business system replacement project, the next phase of the project would fall under the "large project" guidelines of ITD. The project charter included in the board book is for the next phase of the project which is development of a Request for Proposal (RFP) for the Legacy Application System Replacement (LASR) project. It is for the period July 1, 2006 through June 30, 2007.

**MS. TABOR MOVED TO APPROVE THE PROJECT CHARTER FOR THE LEGACY APPLICATION SYSTEM REPLACEMENT PROJECT. THE MOTION WAS SECONDED BY MS. EHRHARDT.**

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

**Nays:** None

**PASSED**

### **GROUP INSURANCE**

#### **BCBSND Health Dialog Update**

Mr. Collins introduced representatives from Health Dialog to present an update. The Health Dialog program began last October through BCBSND and is a disease management program at a cost of \$2.98 per contract. Representatives from Health Dialog indicated that the total estimated savings for year one was \$1,077,240. The Health Dialog program summary report is available at NDPERS office.

#### **Coordination of Benefits**

Mr. Collins reviewed the Board's previous discussions on the banking issue from the last two meetings. He also reviewed new information from BCBS which showed that if the Board maintained the existing COB process it would cost \$17,000. Mr. Collins also reviewed the information from BCBSND relating to benefit provisions that are a part of other BCBS plans but not PERS and that could be provided to members at a cost comparable to the cost of the banking provision. Finally, Mr. Collins reviewed with the Board information from BCBS stating that the savings from not continuing the COB would be not subject to the financial closeout procedures at the end of the contract period.

**MS. SAND MOVED TO DISCONTINUE COORDINATION OF BENEFITS BANKING AND NOT ADD ADDITIONAL BENEFITS. THE MOTION WAS SECONDED BY MS. TABOR.**

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

**Nays:** None

**PASSED**

### **Health Plan Renewal**

Mr. Collins stated the Benefits Committee met in May to discuss the health plan. The general consensus of the Benefits Committee was that the existing plan design should be maintained for the 2007-09 biennium. As done in the past, the committee is offering several lower cost alternative designs so there is a clear concept of the effect on benefits/premiums that occurs as a result of a lower level of funding. The Benefits Committee is not recommending these alternative plan designs; these are just to show the range of additional options and give a perspective of what the costs of these options would be.

**MS. SAND MOVED TO PROCEED WITH THE HEALTH PLAN RENEWAL PER STAFF RECOMMENDATION. THE MOTION WAS SECONDED BY MS. TABOR.**

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

**Nays:** None

**PASSED**

### **Wellness Benefit Program**

Mr. Collins indicated that the Wellness Benefits Program has experienced an increase in applicants requesting funding to conduct on-site wellness programs. Two issues have resulted: one relates to requests for reimbursement for incentive prizes/food and the other relates to inquiries from larger employer groups regarding the reimbursement schedule limits. The Wellness Committee met on June 14, 2006 to develop guidelines regarding these requests and to review the current reimbursement schedule. The Board discussed the committee's recommendation and requested clarification and additional information and will make a decision at the next meeting regarding the reimbursement schedule.

**MS. SAND MOVED TO APPROVE THE WELLNESS COMMITTEE'S RECOMMENDATION TO EXCLUDE FUNDING FOR WELLNESS PROGRAM INCENTIVE PRIZES AND FOOD AND NOT ALLOW WELLNESS FUNDS TO EMPLOYER GROUPS NOT PARTICIPATING IN THE EMPLOYER BASED WELLNESS PROGRAM. ACTION WAS DEFERRED ON THE PROPOSED**

**REIMBURSEMENT SCHEDULE UNTIL THE NEXT MEETING. THE MOTION WAS SECONDED BY MS. TABOR.**

**Ayes:** Leingang, Sage, Sand, Smith, Tabor, Ehrhardt, and Chairman Strinden.  
**Nays:** None

**PASSED**

**Vision Plan Renewal**

Mr. Collins reported that Ameritas has submitted a renewal rate notification and no increase in rates is being proposed for the January 1, 2007 through December 31, 2008 contract period. Ameritas is also offering an increased the benefit for an annual eye exam from \$35 to \$40 effective January 1, 2007.

**MS. TABOR MOVED TO ACCEPT STAFF RECOMMENDATION TO ACCEPT THE AMERITAS PROPOSAL FOR THE BENEFIT PERIOD JANUARY 1, 2007 THROUGH DECEMBER 31, 2008. THE MOTION WAS SECONDED BY MR. LEINGANG.**

**Ayes:** Leingang, Sage, Sand, Smith, Tabor, Ehrhardt, and Chairman Strinden.  
**Nays:**

**PASSED**

**Group Medical Plan Surplus/Affordability Update**

Mr. Reinhardt presented the May surplus projection and affordability analysis for the NDPERS group medical plan. The projection for the 2003-05 biennium shows an ending balance of \$15.6 million; the targeted amount for the 2005-07 buydown is \$14.3 million. The early projection for the 2005-07 biennium shows an ending balance of \$1.75 million.

**HIPAA Security Update**

Mr. Reinhardt reported that NDPERS continues to maintain compliance with HIPAA security through staff training. HIPAA policies and procedures are evaluated and updated as necessary.

**Dental/LTC Insurance Update**

Mr. Collins indicated the bid is out to market. Proposals are due July 6, then Gallagher Benefit Services will begin their analysis, and the Board will meet in August to interview companies.

## **DEFERRED COMPENSATION**

### **Ameriprise**

Mr. Collins indicated Scott Miller has been in contact with Ameriprise relating to a misplaced laptop computer from their company. He has negotiated credit monitoring services at no charge for affected PERS members and that members will receive a letter from Ameriprise. Ms. Tabor indicated that Consumer Protection in the Attorney General's Office can offer assistance if needed.

### **First Quarter 2006 Investment Report**

Mr. Reinhardt presented information relating to the 401(a) and 457 Companion Plan. Assets in the 401(a) plan increased to over \$15.0 million as of March 31, 2006 with 294 participants. Assets in the 457 Companion Plan increased to about \$17.7 million as of March 31, 2006 (up from \$12.1 million on 12-31-03 which is a 46% increase) and has 1,212 participants.

## **MISCELLANEOUS**

### **Board Meeting Schedule**

Mr. Collins stated we will need to discuss the schedule for August to convene two special meetings, one relating to the health plan renewal and the other for interviews of dental/long term care voluntary insurance providers. The Board decided to meet on August 24 beginning at 1:30 p.m. and August 29 beginning at 8:30 a.m.

### **IT Strategic Plan**

Mr. Collins indicated that the IT Strategic Plan for the 2007-09 biennium must be submitted by July 15, 2006. A draft plan was submitted to the Board for review.

### **Board Website Information**

Mr. Collins reported the Board reference website has been developed and activated. To go to this site, click on the PERS logo to access state statutes, administrative rules, plan documents, PERS Board materials, as well as legislative employee benefits committee information. Much of the information on this reference website is also available on the main PERS website.

### **Audit Committee Charter**

Mr. Collins stated the revised Audit Committee Charter includes addition of a third member, the member being from outside the organization. An internal auditor from MDU would be interested in serving on our Audit Committee.

**MS. TABOR MOVED TO ADOPT THE REVISED AUDIT COMMITTEE CHARTER. THE MOTION WAS SECONDED BY MS. SMITH.**

**Ayes:** Leingang, Sage, Sand, Smith, Tabor, Ehrhardt, and Chairman Strinden.  
**Nays:** None

**PASSED**

### **Audit Committee and Internal Audit Activity for the Year 2005**

Information included in Board book. No further questions or comments.

### **Audit Committee Minutes of February 15, 2006**

Minutes included in Board book. No further questions or comments.

### **Retiree Conference**

Mr. Collins indicated that the Retiree Conference is scheduled for Medora. Brochure and registration information included in Board book.

### **SIB Minutes**

SIB Minutes of April 21, 2006 and May 19, 2006 included in Board book.

### **NAGDCA Conference**

Conference brochure included in Board book.

The meeting adjourned at 3:55 p.m.

Prepared by,

Cheryl Stockert  
Secretary to the NDPERS Board

# MINUTES

## North Dakota Public Employees Retirement System

Thursday, July 20, 2006  
ND Association of Counties, Bismarck  
BCBS, 4510 13<sup>th</sup> Ave SW, Fargo  
8:30 A.M.

Members Present: Ms. Joan Ehrhardt  
Mr. Ron Leingang  
Mr. Howard Sage  
Ms. Arvy Smith  
Ms. Sandi Tabor

Via Video Conference: Ms. Rosey Sand  
Chairman Jon Strinden  
Mr. Sparb Collins, Executive Director, NDPERS

Others Present: Ms. Cheryl Stockert, NDPERS  
Ms. Kathy Allen, NDPERS  
Ms. Sharon Schiermeister, NDPERS  
Ms. Tammy Becker, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Ms. Jamie Kinsella, NDPERS  
Mr. Leon Heick, NDPERS  
Ms. Cheryle Masset-Martz, NDPERS  
Mr. Scott Miller, Attorney General's Office  
Ms. Patricia Hill, ND Pharmacists Association  
Mr. David Peske, ND Medical Association  
Ms. Jodee Buhr, NDPEA  
Mr. Bill Kalanek, AFPE  
Ms. Bethany Pfister, PrimeTherapeutics, BCBS  
Mr. Weldee Baetsch

Via Video Conference: Ms. Kamie Kuenemann, BCBSND  
Mr. Mark Tschider, BCBSND

Chairman Jon Strinden called the meeting to order at 8:40 a.m.

### MINUTES

Chairman Strinden called for any comments or corrections to the June 29, 2006 Board meeting minutes.

**THERE BEING NONE, MS. EHRHARDT MOVED APPROVAL OF THE JUNE 29, 2006 BOARD MEETING MINUTES. MS. SAND SECONDED THE MOTION. THE MINUTES WERE APPROVED.**

## **GROUP INSURANCE**

### **Clinical Pharmacy Update**

Mr. Collins stated this will be the last of our educational programs relating to the health insurance program. Ms. Kamie Kueneman introduced Ms. Bethany Pfister, PharmD with PrimeTherapeutics, BCBSND, who presented the NDPERS clinical pharmacy update. Information presented related to significant drug classes, generic opportunities, academic detailing, and other clinical initiatives (provider focused, member focused, prior approval). A copy of this presentation is on file at PERS.

### **Dental/Long Term Care Insurance Update**

Mr. Collins reported eight dental plan proposals were received; no long term care proposals were received. Gallagher Benefit Services is reviewing the proposals and will report to the Board at the August 17 meeting with interviews scheduled at a special Board meeting set for August 29.

### **Dental Self Funding**

Mr. Collins introduced Mr. Bill Robinson from Gallagher Benefit Services who provided the Board an overview of self-funding dental plans. This background was provided since one of the options in the dental RFP is to self-fund the program. Mr. Robinson reported that currently NDPERS does not self-fund dental and vision voluntary insurance plans. Dental and vision are two voluntary plans that can be considered for self-funding under certain circumstances. There must be a significant number of people and number of years of experience for actuaries to track trends. In both cases, PERS has 4000 covered employees and detailed claim experience for the past three years. There is no reason for NDPERS not to consider self-funding its voluntary dental plan; it has sufficient size and years of experience to permit underwriting of the plan. Mr. Robinson stated that Gallagher Benefit Services will analyze and evaluate the insured and self-funded proposals, showing total biennium costs using the carriers' own expected claims projections when they evaluate the proposals in response to the recent RFP.

## **MISCELLANEOUS**

### **PERS 2007-09 Budget**

Ms. Schiermeister presented the proposed 2007-2009 budget to the Board. This budget was developed consistent with the Governor's directive to submit budgets at the same

funding level as the current biennium, with the addition of the cost to continue the fiscal year 2007 4% salary increase. Two optional funding packages were proposed which include a salary equity package for staff and the Legacy Application System Replacement (LASR) project. What is contained in the LASR budget is an increase of 4 FTE's which includes two accounting staff as well as two administrative staff in the benefits division to backfill current positions that will be dedicated to the LASR project. It was noted that two of the staff may need to be retained after the project. Additional space in the Wells Fargo building was also included to accommodate this project.

**MS. SMITH MOVED TO APPROVE THE BASE BUDGET. THE MOTION WAS SECONDED BY SANDI TABOR.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Smith, Ms. Tabor, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**PASSED**

**MS. TABOR MOVED TO APPROVE THE OPTIONAL FUNDING REQUESTS. THE MOTION WAS SECONDED BY MS. SMITH.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Smith, Ms. Tabor, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**PASSED**

**Business System Replacement Update (LASR)**

Mr. Collins reported that as noted in the LASR feasibility report and documented in the proposed budget, the cost of the project is approximately \$9.6 million. OMB and ITD have recommended that we include the full amount in our 2007-2009 biennium budget and carryover the remaining authorization to 2009-2011 to complete the project in the third year. As noted, PERS will need four FTE's during the project, retaining two FTE's in the finance area after the project is completed. To fund this project, staff is recommending that retirement, retiree health credit and Job Service be paid from assets of each trust. Additionally, group insurance will be paid from health and life insurance surplus; flexcomp will be paid from FICA tax savings; and defined contribution will be paid from the forfeiture account. Staff recommends that deferred compensation be paid from the retirement plan and insurance plan on a 50/50 split as allowed by statute.

**MS. SAND MOVED TO ADOPT STAFF RECOMMENDATION ALTERNATIVE #3 TO ALLOCATE THE DEFERRED COMPENSATION RESOURCE AS WELL AS THE STAFF RECOMMENDATION FOR FUNDING THE LASR PROJECT. THE MOTION WAS SECONDED BY MS. TABOR.**

**Ayes:** Mr. Leingang, Ms. Sand, Ms. Smith, Ms. Tabor, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** Mr. Sage

**PASSED**

**Miscellaneous**

Mr. Collins reported that we have received only 12 conference registrations for the Retiree Conference, and in order to hold the conference we will need 100 registrants by July 23. If PERS does not receive 100, the conference will be cancelled. Mr. Scott Miller, Assistant Attorney General, stated this will be his last PERS Board meeting. He has taken a position with the Montana Public Retirement Administration. Chairman Strinden commended Mr. Miller on a job well done and thanked him for his service to NDPERS staff and the Board.

**Hardship Appeal**

Ms. Allen stated the individual that filed the appeal was in attendance. The Board went into executive session. No questions were asked of the individual. The Board went into open session. Ms. Allen stated that the hardship request was initially denied because of inadequate documentation. The individual has presented additional documentation to support the hardship appeal.

**MS. TABOR MOVED TO APPROVE THE REQUEST FOR THE HARDSHIP APPEAL.  
MR. LEINGANG SECONDED THE MOTION.**

**Ayes:** Mr. Leingang, Ms. Sand, Ms. Smith, Ms. Tabor, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**PASSED**

The meeting adjourned at 10:30 a.m.

Prepared by,

Cheryl Stockert  
Secretary to the NDPERS Board

# MINUTES

## North Dakota Public Employees Retirement System

Thursday, August 17, 2006  
Workforce Safety & Insurance, Bismarck  
BCBS, 4510 13<sup>th</sup> Ave SW, Fargo  
8:30 A.M.

Members Present: Ms. Joan Ehrhardt  
Mr. Ron Leingang  
Mr. Howard Sage  
Ms. Arvy Smith  
Ms. Sandi Tabor

Via Video Conference: Ms. Rosey Sand  
Chairman Jon Strinden

Others Present: Mr. Sparb Collins, Executive Director, NDPERS  
Ms. Cheryl Stockert, NDPERS  
Ms. Kathy Allen, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Ms. Cheryle Masset-Martz, NDPERS  
Mr. Bill Robinson, Gallagher Benefit Services  
Mr. Larry Brooks, BCBSND  
Ms. Onalee Sellheim, BCBSND  
Ms. Julie Krenz, Attorney General's Office  
Mr. David Peske, ND Medical Association  
Mr. Bill Kalanek, AFPE  
Mr. Weldee Baetsch

Via Video Conference: Mr. Kevin Schoenborn, BCBSND

Chairman Jon Strinden called the meeting to order at 8:40 a.m.

### **MINUTES**

Chairman Strinden called for any comments or corrections to the July 20, 2006 Board meeting minutes.

**THERE BEING NONE, MS. TABOR MOVED APPROVAL OF THE JULY 20, 2006 BOARD MEETING MINUTES. MR. LEINGANG SECONDED THE MOTION. THE MINUTES WERE APPROVED.**

### **GROUP INSURANCE**

### **Review of Dental Insurance Proposals**

Mr. Collins stated Mr. Bill Robinson of Gallagher Benefit Services was present at the Board meeting to review the results of the request for proposal for voluntary dental insurance. Gallagher Benefit Services (GBS) prepared the analysis for both self insured and fully insured. GBS recommended, based on their review, there is no advantage to self-fund the dental plan. GBS presented information relating to the fully insured proposals including distinguishing features, potential concerns, provider networks, the review criteria, economy to be effected, ease of administration, adequacy of coverage, estimated annual out of pocket costs, the financial position of carriers, and the reputation of the carriers. GBS recommendation to NDPERS was to consider and interview Delta Dental of Minnesota and Cigna as candidates for PERS voluntary dental insurance. Mr. Collins indicated to the Board that two actions were necessary; one is whether or not to consider the self-insured plan or fully insured plan and the second is to select the vendors to interview for the meeting on August 29. Prior to the vendor interviews, staff will contact reference checks and present that information at the next meeting. After the vendor interviews and Board recommendation, staff will review with the vendor the details of the administrative requirements and details to determine if the vendor will fully meet all of our requirements. Mr. Collins stated that generally contracts are awarded for a six year period, subject to either an annual or biannual renewal.

**MS. TABOR MOVED TO PURSUE NDPERS VOLUNTARY GROUP DENTAL INSURANCE AS A FULLY INSURED PLAN NOT A SELF INSURED PLAN. MS. SMITH SECONDED THE MOTION.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Smith, Ms. Tabor, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**MOTION PASSED**

**AFTER FURTHER DISCUSSION, MS. EHRHARDT MOVED TO CONSIDER AND INTERVIEW DELTA DENTAL OF MN AND CIGNA. THE MOTION WAS SECONDED BY MS. TABOR.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Smith, Ms. Tabor, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**MOTION PASSED**

After the motion passed, the Board decided to establish guidelines for the interviews, allowing 15 minutes for the vendor's formal presentation; 30 minutes for general questions; then 15 minutes wrap up (with no more than one hour total).

### **BCBS Member Satisfaction Survey**

Ms. Onalee Sellheim, BCBSND, presented information regarding the NDPERS Member Satisfaction Survey (February 2006). There was a 40% response rate. Overall satisfaction was 90.2%. Some of the areas showed a decrease which was attributed to the new programs such as Medicare Part D, Smoking Cessation program, and Health Dialog. After Board discussion and questions relating to these survey results, Ms. Sellheim indicated there will be follow-up on the survey areas to determine what the problems were (member comments) and to re-evaluate these processes.

### **Wellness Benefit Program**

Ms. Allen reported that the Board had reviewed the proposed reimbursement policy at the June meeting at which time additional clarification was requested. The policy has been restated to clarify as follows: "100% of the first \$500 or \$1 times the number of health contracts, plus 75% of the next \$500 or \$1 times the number of health contracts. If program expenses are under \$500 or \$1 times the number of contracted based on these calculations, only actual program expenses will be reimbursed." Actual costs will always be the first amount to be reimbursed. Employers are eligible for reimbursement one time per year (invoices will be necessary). After discussion and the need for clarification, the Board requested to hold this agenda item over until the next Board meeting in September at which time staff would provide specific reimbursement examples for a large and a small employer group.

### **Segal Update**

Mr. Collins reported that changes are being undertaken at Segal. They are discontinuing operations in their Denver office. Leslie Thompson will remain at that office as our lead actuary but the supporting actuarial work will be done in the San Francisco office. Segal's plan is to conduct this year's actuarial work in the Denver office and starting in January it will be conducted in SF. PERS' primary concern is the continuation of service provided by Segal not because their location changed from Denver to San Francisco. Staff will set expanded performance criteria and after the next legislative session will review Segal's performance in more detail, and if warranted, consider going out for bid.

### **Group Medical Plan Surplus/Affordability Update**

Mr. Reinhardt reported that in order to buy down premiums, \$14.3 million has been transferred; the balance was actually \$15.6 million of which \$1.3 million is in account at BCBS.

## **RETIREMENT**

### **Final Average Salary Indexing for Highway Patrol**

Ms. Allen reported that the North Dakota Highway Patrol is recommending that their members in the deferred vested retirement benefit have their final average salary indexed by four percent (which was the annual salary increased authorized by the legislature).

**MS. SAND MOVED THAT THE FINAL AVERAGE SALARY BE INDEXED BY FOUR PERCENT FOR MEMBERS OF THE NORTH DAKOTA HIGHWAY PATROL RETIREMENT SYSTEM WHO PARTICIPATED IN THE DEFERRED VESTED BENEFIT PROVISION. THE MOTION WAS SECONDED BY MS. TABOR.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Smith, Ms. Tabor, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

### **MOTION PASSED**

### **Law Enforcement Retirement Plan**

Ms. Dschaak reported to the Board that the policy for the time in which correctional officers, once certified, can join or waive participation in the Law Enforcement Plan is 30 days. If no election is made, the correctional officer will remain a member of the Defined Benefit or employer sponsored retirement plan. Recently PERS was contacted by an agency attempting to adhere to this policy but their correctional officers had missed the enrollment period because of the certification processing time. Staff recommends a change to the policy increasing the enrollment period from 30 days to 180 days to allow for ample time to obtain the necessary certification documentation. Staff also recommends that an agency be allowed to back pay retirement contributions to the law enforcement plan from the date a correctional officer became certified.

**MS. TABOR MOVED TO ALLOW THE 180 DAYS AND TO BACK PAY RETIREMENT CONTRIBUTIONS FROM THE DATE A CORRECTIONAL OFFICER BECAME CERTIFIED. THE MOTION WAS SECONDED BY MS. SAND.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Smith, Ms. Tabor, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

### **MOTION PASSED**

## **BUSINESS SYSTEM REPLACEMENT PROJECT (LASR) UPDATE**

Mr. Collins indicated that a report updating the Board on this project is included listing activities to date. This project will be reviewed by SITAC in October. A LASR update report will be presented at subsequent Board meetings.

## **MISCELLANEOUS**

### **Updated Personnel Policies**

Ms. Allen reported to the Board that a revision has been made to the NDPERS Personnel Policy Manual under the travel policies (Section 20.1) relating to personal telephone expenses for both in state and out of state travel. Staff recommendation is to reimburse employees up to \$10 per day if an overnight stay was incurred and the expense appears on a receipt.

**MS. TABOR MOVED TO APPROVE THE UPDATE TO THE NDPERS PERSONNEL POLICY MANUAL. THE MOTION WAS SECONDED BY MR. LEINGANG.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Smith, Ms. Tabor, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

## **MOTION PASSED**

### **State Employee Compensation Commission**

Mr. Collins provided information to the Board relating to the June 5, 2006 meeting of this committee and indicated he will be attending their next meeting to provide an update on the health plan renewal.

### **IFEBP and Other Outside Activities**

Mr. Collins gave the Board an update on his involvement with the International Foundation of Employee Benefit Professionals along with other outside activities that he is involved with for the upcoming year.

### **Disability Appeal 2006 002D**

Ms. Dschaak indicated that the appeal is on behalf of a member relating to their eligibility for disability. Based on a review of our records, it was determined that the member had terminated employment on August 17, 2004 with a last pay date of September 21, 2004. The first request for consideration of a disability retirement was made on July 11, 2006. The North Dakota Century Code states that in order to be eligible for disability the member must apply within twelve (12) months of termination. Staff determined the

member was not eligible because more than twelve months had elapsed from termination of employment. Staff is seeking the Board's direction to approve or deny this appeal. The Board discussed issues with staff relating to this case and has requested staff to make certain to clarify the physician statement issue with individuals applying for disability, and the individual should contact PERS if they have problems receiving a physician statement.

**MR. LEINGANG MOVED TO DENY APPEAL 2006 002D BECAUSE THE APPLICATION WAS NOT FILED IN ACCORDANCE WITH STATE LAW. MR. SAGE SECONDED THE MOTION.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Smith, Ms. Tabor, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**MOTION PASSED**

**Executive Director Review**

Chairman Jon Strinden presented a report from the compensation committee which was comprised of three trustees (himself, Mr. Leingang, and Ms. Ehrhardt). Mr. Strinden indicated that the review of the Executive Director (Mr. Collins) were all very good to excellent with a few constructive comments from the Board members which has been shared with Mr. Collins. The committee recommended an additional 6% salary increase over the approved 4% effective August 1, 2006. Mr. Leingang indicated this is an external market/equity/performance salary increase.

**MS. TABOR MOVED TO INCREASE THE SALARY OF THE EXECUTIVE DIRECTOR TO \$120,011 PER YEAR EFFECTIVE AUGUST 1, 2006. THE MOTION WAS SECONDED BY MS. SAND.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Smith, Ms. Tabor, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**MOTION PASSED**

The Board reviewed information relating to the compensation for 70 statewide retirement plans. It was noted that the average compensation updated to this year was \$146,839. It was further noted that only a few of those systems have responsibility for non retirement programs. In addition, the Board acknowledged a study RIO had completed that showed the average salary for Investment Officers was more on par with market salaries.

**IN RECOGNITION OF THE ABOVE DISCUSSION, MS. SAND MOVED TO INCREASE THE SALARY OF THE EXECUTIVE DIRECTOR TO \$146,839 EFFECTIVE JULY 1, 2007 SUBJECT TO LEGISLATIVE AUTHORIZATION AND FINAL REVIEW BY THE BOARD. THE ADDITIONAL FUNDING WOULD BE INCLUDED IN THE OPTIONAL SALARY PACKAGE FOR ALL NDPERS STAFF AND SUBMITTED TO THE 2007 LEGISLATURE. THE MOTION WAS SECONDED BY MR. SAGE.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Smith, Ms. Tabor, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**MOTION PASSED**

The meeting adjourned at 11:10 a.m.

Prepared by,

Cheryl Stockert  
Secretary to the NDPERS Board

# MINUTES

## North Dakota Public Employees Retirement System

Thursday, August 24, 2006  
ND Association of Counties, Bismarck  
BCBS, 4510 13<sup>th</sup> Ave SW, Fargo  
1:30 P.M.

Members Present: Ms. Joan Ehrhardt  
Mr. Ron Leingang  
Mr. Howard Sage  
Ms. Arvy Smith  
Ms. Sandi Tabor

Via Video Conference: Ms. Rosey Sand  
Chairman Jon Strinden

Others Present: Mr. Sparb Collins, Executive Director, NDPERS  
Ms. Cheryl Stockert, NDPERS  
Ms. Kathy Allen, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Ms. Cheryle Masset-Martz, NDPERS  
Mr. Dave Zentner  
Mr. Weldee Baetsch

Via Video Conference Or Conference Call: Mr. Bill Robinson, Gallagher Benefit Services  
Mr. Shawn Atkins, Gallagher Benefit Services  
Mr. Larry Brooks, BCBSND  
Mr. Kevin Schoenborn, BCBSND  
Mr. Chad Niles, BCBSND  
Ms. Janine Weideman, BCBSND  
Mr. Brad Bartle, BCBSND  
Ms. Onalee Sellhaim, BCBSND

Chairman Jon Strinden called the meeting to order at 1:40 p.m.

### HEALTH PLAN RENEWAL

Mr. Collins indicated that at today's meeting we will be reviewing the Blue Cross Blue Shield North Dakota health plan renewal for the existing plan design as well as estimated premiums for alternate plan designs. Final consideration of the health plan renewal will be conducted at the September 14 Board meeting. The PERS Board began its preparation for the renewal several months ago with presentations from BCBS and others. At the June meeting the Board heard the report from the PERS Benefits Committee that suggested the PERS Board seek renewal on the existing plan design along with alternate designs. The renewal for next biennium relating to the existing plan design assumed the same services and programs as this biennium. The proposed BCBS rate increase for

active employees is \$127.06 per month and for retirees is \$69.44 per month (medical only). The Rx portion for retirees will be renewed separately. The amount of \$24.52 of the \$127.06 or 19% is due to one time funds used last biennium to offset the premium increase then that will not be available this time. In order to pay for and maintain the existing current plan design it will cost approximately \$25 million in additional funds of which \$13 million will be general funds (does not include Higher Education). Information on the cost of the optional plan designs is available at the PERS office.

Mr. Collins stated that prior to the September 14 Board meeting, we will need to do the following: review this information with the Insurance Department; for the retiree group we should investigate the possibility of having them be part of a larger pool such as Medicare Supplement; obtain additional information and justification from BCBS for the retention increase; obtain information from BCBS to clarify the interest rate on our cash balance; clarify the reprojected rates for February 2007; and share the renewal information with OMB and other appropriate agencies/groups. Two additional items are: (1) modify the optional plan design for the high deductible health plan alternative so it would be compliant with HSA rules, and (2) continue to work with BCBS regarding auditing of the pharmacy benefits manager (PBM).

Mr. Robinson from Gallagher Benefit Services presented information to the Board regarding their review of the BCBS medical and prescription drug plan. Mr. Robinson stated there are some variances between their renewal projections and BCBS which can be explained through differences in trend factors, methodology and retention assumptions. Their review produced a similar rate as BCBS and therefore they are comfortable with the state of North Dakota renewing with BCBS. One concern of GBS related to BCBS's proposed increase in the retention charges of 10.8% and they suggest the Board request that BCBS thoroughly justify the reasons for this proposed increase.

Representatives from BCBS explained the breakdown of what was included in the rate increases for the actives and retirees and also the rationale for the increases. For the active group they noted that 19% of the increase was the result of one time funds from last biennium that are not available this biennium and therefore must be made up in premiums, 16% was associated with Rx, 39% was the result of medical inflation, 7% was utilization, 10% was technology, 7% was leverage, and 2% was retention. Mr. Brooks from BCBS reported that they are projecting a break even for the end of the biennium. Mr. Collins stated that staff will follow-up with Gallagher Benefit Services and BCBS on the questions that have been identified and staff will present this information on September 14 for final consideration.

A copy of the complete report to the Board is available at the NDPERS office.

The meeting adjourned at 3:00 p.m.

Prepared by,

Cheryl Stockert  
Secretary to the NDPERS Board

# MINUTES

## North Dakota Public Employees Retirement System

Tuesday, August 29, 2006  
ND Association of Counties, Bismarck  
BCBS, 4510 13<sup>th</sup> Ave SW, Fargo  
1:30 P.M.

Members Present: Ms. Joan Ehrhardt  
Mr. Ron Leingang  
Mr. Howard Sage  
Ms. Sandi Tabor

Via Video Conference: Ms. Rosey Sand  
Chairman Jon Strinden

Member Absent: Ms. Arvy Smith

Others Present: Mr. Sparb Collins, Executive Director, NDPERS  
Ms. Cheryl Stockert, NDPERS  
Ms. Kathy Allen, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Ms. Cheryle Masset-Martz, NDPERS  
Mr. Bill Robinson, Gallagher Benefit Services  
Cigna Representatives  
Delta Dental Representatives

Via Video Conference Mr. Larry Brooks, BCBSND

Chairman Jon Strinden called the meeting to order at 8:35 a.m.

### **Segal Update**

Mr. Collins reported that since the last Board meeting Ms. Leslie Thompson, our assigned actuary from Segal, has resigned and has taken a position with Gabriel Roeder Smith in Denver. Segal has assigned Mr. Michael Moehle, the lead principal consulting actuary, to PERS. Mr. Moehle will assume all the duties Leslie did and therefore he will be presenting the valuation information to the legislative Employee Benefits Committee this fall.

### **Interview of Two Group Dental Insurance Providers**

Mr. Collins reported that Cigna and Delta Dental were the two dental insurance providers selected to present to the Board. Representatives from Cigna and Delta Dental presented information relating to their respective dental plan coverage's, benefits, service model, and communication strategy. Copies of the presentations are available at the PERS office. In addition to presenting their proposal, Cigna provided the following clarifications:

- Their proposed rates would be 1% lower than quoted in the bid.
- The rates are guaranteed for two years (1/1/2007 – 12/31/2008).
- Rate cap on year 3 of 9%.
- R&C can be moved to 90<sup>th</sup> percentile with no rate impact.
- The quoted plan design does not include \$10 copay.
- The quoted plan design does not include initial waiting periods that are in the current plan mainly Type II of 6 months, Type III Major Treatment of 1 year, and Type IV Orthodontics Treatment of 2 years.
- Missing tooth limitation waived for all initial enrollees.
- Orthodontic treatment extended for adult and children.
- Waived enrollment caveat of +/- 10%.
- \$5,000 communication fund (these are dollars that can be used at the client's discretion to off-set any additional costs). This does not include CIGNA Dental's communication that we proposed directly to the dentists of North Dakota. These and other expenses would be CIGNA's responsibility.
- Performance guarantees of \$32,000 at risk. These dollars may be allocated at NDPERS discretion for implementation and ongoing service.

The Board asked questions of both providers, with a wrap up session immediately following.

Mr. Bill Robinson, Gallagher Benefit Services, provided an analysis and comparison regarding the strengths and weaknesses of Cigna and Delta Dental.

Board discussion followed the presentations from Cigna and Delta Dental and the analysis by Gallagher Benefit Services. The discussion focused on the issue of network providers versus not having a network, the plan design, premiums, administrative issues, rate guarantees and enrollment. The Board felt the lower rates and broader benefits offered by Cigna represented a better value to employees.

**MR. SAGE MOVED TO AWARD THE VOLUNTARY DENTAL INSURANCE PLAN TO CIGNA. THE MOTION WAS SECONDED BY MS. TABOR.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Tabor, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**ABSENT:** Ms. Smith

**MOTION PASSED**

**MS. SAND MOVED THAT DELTA DENTAL BE CONSIDERED AS THE SECOND CHOICE IF CIGNA DOES NOT COMPLY WITH NDPERS ADMINISTRATIVE REQUIREMENTS. THE MOTION WAS SECONDED BY MS. TABOR.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Tabor, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**ABSENT:** Ms. Smith

**MOTION PASSED**

Mr. Collins indicated that staff will meet with Cigna to go over the details of the administrative requirements and that the goal is to offer a new dental insurance package during open enrollment.

The meeting adjourned at 11:20 a.m.

Prepared by,

Cheryl Stockert  
Secretary to the NDPERS Board

# MINUTES

## North Dakota Public Employees Retirement System

Thursday, September 14, 2006  
ND Association of Counties, Bismarck  
BCBS, 4510 13<sup>th</sup> Ave SW, Fargo  
8:30 A.M.

Members Present: Ms. Joan Ehrhardt  
Mr. Ron Leingang  
Ms. Sandi Tabor

Via Video Conference: Ms. Rosey Sand  
Chairman Jon Strinden

Via Conference Call: Mr. Howard Sage

Member Absent: Ms. Arvy Smith

Others Present: Mr. Sparb Collins, Executive Director, NDPERS  
Ms. Cheryl Stockert, NDPERS  
Ms. Kathy Allen, NDPERS  
Ms. Deb Knudsen, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Ms. Cheryle Masset-Martz, NDPERS  
Ms. Rebecca Fricke, NDPERS  
Ms. Diane Heck, NDPERS  
Ms. Julie Krenz, Attorney General's Office  
Mr. Aaron Webb, Attorney General's Office  
Mr. Kevin Schoenborn, BCBSND  
Ms. Onalee Sellheim, BCBSND  
Mr. Mike Moehle, Segal Company  
Mr. Brad Ramirez, Segal Company  
Mr. Dave Bergerson, Segal Company  
Ms. Jodee Buhr, NDPEA  
Mr. Bill Kalanek, AFPE-INDSEA

Via Video Conference Mr. Larry Brooks, BCBSND  
Mr. Chad Niles, BCBSND

Via Conference Call: Mr. Bill Robinson, Gallagher Benefit Services

Chairman Jon Strinden called the meeting to order at 8:35 a.m.

## **MINUTES**

Chairman Strinden called for any comments or corrections to the August 17, 2006 Board meeting minutes.

**THERE BEING NONE, MR. LEINGANG MOVED APPROVAL OF THE AUGUST 17, 2006 BOARD MEETING MINUTES. MS. EHRHARDT SECONDED THE MOTION. THE MINUTES WERE APPROVED.**

Chairman Strinden called for any comments or corrections to the August 24, 2006 Board meeting minutes.

**THERE BEING NONE, MR. LEINGANG MOVED APPROVAL OF THE AUGUST 24, 2006 BOARD MEETING MINUTES. MS. EHRHARDT SECONDED THE MOTION. THE MINUTES WERE APPROVED.**

Chairman Strinden called for any comments or corrections to the August 29, 2006 Board meeting minutes.

**THERE BEING NONE, MR. LEINGANG MOVED APPROVAL OF THE AUGUST 29, 2006 BOARD MEETING MINUTES. MS. EHRHARDT SECONDED THE MOTION. THE MINUTES WERE APPROVED.**

## **GROUP INSURANCE**

Ms. Julie Krenz with the Attorney General's Office introduced Mr. Aaron Webb to the Board who is the recently hired attorney that is assigned to NDPERS.

## **ING**

Mr. Collins reported that PERS had a participating contract with ING, the previous insurance carrier, which we are now in the process of closing out permanently. Mr. Collins noted the Life Summary of Experience shows a positive amount of \$1,442,853.28, which is the amount we will get back plus interest. Secondly, ING has a claims reserve of approximately \$260,000 which is 10% of paid premium. ING has indicated that they would forward all of this amount if PERS would sign a Hold Harmless Agreement assuming responsibility for any claims to be paid in the future. Ms. Krenz stated the Attorney General's office does not support signing a blanket Hold Harmless Agreement. Mr. Collins stated that alternatively ING indicated that if we wanted ING to maintain responsibility for any future claims then ING would need to maintain half of the claims reserve or 5% of paid premium which would be approximately \$130,000 and then they would maintain responsibility for paying future claims.

**MR. LEINGANG MOVED TO AUTHORIZE MR. COLLINS TO NEGOTIATE WITH ING TO REDUCE THE RETAINAGE FEE TO 3 TO 4%, BUT ACCEPT THE 5% AS SETTLEMENT IN THE CLOSING. IN ADDITION, STAFF SHOULD INSURE THAT**

**THERE IS DOCUMENTATION THAT ING WILL BE RESPONSIBLE FOR FUTURE CLAIMS. THE MOTION WAS SECONDED BY MR. SAGE.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Tabor, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**Absent:** Arvy Smith

**MOTION PASSED**

**GROUP INSURANCE RENEWAL**

Mr. Collins reported staff has been working with BCBS to finalize the group insurance renewal, but there are issues that need further clarification from BCBS before a final decision can be made. Therefore, staff suggested deferring the decision on the renewal until October. Mr. Collins shared with the Board the information received to date from BCBS. Next week Mr. Collins will be meeting with OMB to present the proposed group insurance renewal, pending Board action.

Mr. Collins stated there was a news announcement reporting that BCBS is returning premiums to members in the amount of \$26 million. NDPERS is not included in this premium return because receive funds each biennium if the plan has a gain. However, Mr. Collins indicated we should ask BCBS to review this with the Board at the next meeting.

In addition, Mr. Collins noted we need clarification from BCBS relating to our ability to audit the pharmacy benefits and the PBM.

The Board directed Mr. Collins to proceed in obtaining the information from BCBS prior to the next meeting to assist in making their final decision relating to the group insurance renewal.

**MEDICARE PART D RENEWAL**

Mr. Collins indicated that Medicare Part D is due for renewal January 1, 2007. Mr. Brooks, BCBS, presented information relative to the changes for Medicare Part D. CMS has indicated they will separate out the specialty drugs that are currently on the third tier which are nonpreferred drugs and include a \$25 copayment and 50% coinsurance; these drugs will become the 4<sup>th</sup> tier. The renewal rate for 2007 for PERS will increase by 9.5% to \$58.94 per month. If supplemental drugs are added to this coverage, the rate will increase to \$60.14. Mr. Collins requested BCBS provide additional information at the October 19 Board meeting before a final decision is made and he also suggested that PERS meet with the retiree group to review this information as well.

### **SURPLUS/AFFORDABILITY UPDATE**

Mr. Reinhardt presented the surplus projections through July 2006. He reported the claims projections are coming in as expected. The projection for the 2003-2005 biennium shows an ending balance of \$15.6 million.

### **RETIREMENT**

#### **DEFINED CONTRIBUTION VESTING SCHEDULE**

Ms. Fricke reported that PERS was contacted by Fidelity Investments to review an audit of members that participate in the defined contribution plan to ensure that participants are vesting correctly in the employer contribution and to ask for clarification from PERS. Upon review of the NDCC 54-52.6-10 and the Plan Document, it appears that vesting in this plan is only based on years of service credit and not on the age of the participant. Staff is asking for Board action to prepare legislation to change the law to include 100% vesting in the employer contribution based on obtaining age 65 (which is consistent with how this is applied in the Defined Benefit plan).

**MS. TABOR MOVED TO ACCEPT THE STAFF RECOMMENDATION TO PREPARE LEGISLATION TO ALLOW PARTICIPANTS TO VEST IN THE DEFINED CONTRIBUTION PLAN AT 100% BASED ON OBTAINING AGE 65 TO BE CONSISTENT WITH THE DEFINED BENEFIT PLAN. THE MOTION WAS SECONDED BY MS. SAND.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Tabor, Ms. Ehrhardt, and Chairman Strinden

**Nays:** None

**Absent:** Arvy Smith

### **MOTION PASSED**

#### **FEDERAL PENSION LEGISLATION UPDATE**

Mr. Collins stated that in August the president signed the Pension Protection Act of 2006, with some significant provisions relating to public sector plans. Segal will be available at either the October or November meeting to provide an update. One change in the law relates to the provision of purchases by an eligible participating member. Federal law has always stated that only active members can purchase time, however, the new federal law has expanded the definition of who can purchase, including nonactive members. North Dakota state law states that only participating members can purchase service. Staff is recommending legislative amendments to maintain the existing purchase opportunities, to change the wording in the law from "participating member" to "participating active member".

**MS. SAND MOVED TO PURSUE LEGISLATION TO MAINTAIN THE STATUS QUO RELATING TO PURCHASE OF SERVICE OPTIONS FOR ONLY PARTICIPATING ACTIVE MEMBERS. THE MOTION WAS SECONDED BY MS. TABOR.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Tabor, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**Absent:** Ms. Smith

**MOTION PASSED**

**2<sup>ND</sup> QUARTER 2006 INVESTMENT REPORT**

Mr. Reinhardt reported that the 401(a) Plan has assets of \$14.6 million as of June 30, 2006. The 457 Companion Plan increased to over \$18.1 million. Representatives from Fidelity attended the Investment Subcommittee meeting and stated the performance was positive and they had no recommended changes.

**NEW FIDELITY FUNDS FOR THE 401(a) and 457 PLANS**

Mr. Reinhardt reported that at the last Investment Subcommittee meeting, Fidelity proposed the addition of the Freedom 2045 and 2050 lifestyle funds be added to the 401(a) and 457 core fund offerings. These funds will be more aggressive and would be in addition to the current lifestyle fund options.

**MS. TABOR MOVED TO ADD THE FIDELITY FREEDOM 2045 AND 2050 LIFESTYLE FUNDS TO THE CORE FUND OFFERINGS. THE MOTION WAS SECONDED BY MS. SAND.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Tabor, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**Absent:** Ms. Smith

**MOTION PASSED**

Mr. Collins introduced the new representatives from Segal who attended the Board meeting and will be meeting with staff. Mr. Michael Moehle, Vice President and Consulting Actuary, took over responsibilities of Ms. Leslie Thompson who has left Segal.

### **LASR UPDATE**

Ms. Knudsen presented the monthly status report for the LASR project, stating we are on schedule. Mr. Collins indicated that on October 11 we will be appearing before the Legislative Information Technology Committee to introduce the project since LASR is classified as a large project. In October staff will be going to SITAC to present an overview of the project as well.

### **MISCELLANEOUS**

The Audit Committee update was presented and it was reported to the Board that an audit committee meeting was held relating to staffing issues. Internal Audit staff will be assisting in the accounting area.

State Investment Board agenda was not available at the time of the Board meeting.

The meeting adjourned at 9:50 a.m.

Prepared by,

Cheryl Stockert  
Secretary to the NDPERS Board

# MINUTES

## North Dakota Public Employees Retirement System

Thursday, October 19, 2006  
ND Association of Counties, Bismarck  
BCBS, 4510 13<sup>th</sup> Ave SW, Fargo  
8:30 A.M.

Members Present: Ms. Joan Ehrhardt  
Mr. Ron Leingang  
Mr. Howard Sage  
Ms. Arvy Smith

Via Video Conference: Ms. Rosey Sand  
Chairman Jon Strinden

Others Present: Mr. Sparb Collins, Executive Director, NDPERS  
Ms. Cheryl Stockert, NDPERS  
Ms. Kathy Allen, NDPERS  
Ms. Deb Knudsen, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Ms. Cheryle Masset-Martz, NDPERS  
Mr. Aaron Webb, Attorney General's Office  
Mr. Kevin Schoenborn, BCBSND  
Ms. Onalee Sellheim, BCBSND  
Mr. Bill Kalanek, AFPE-INDSEA

Via Video Conference Mr. Larry Brooks, BCBSND  
Mr. Chad Niles, BCBSND  
Mr. Michael Moehle, Segal Company  
Mr. Brad Ramirez, Segal Company

Via Conference Call: Mr. Andy Flewelling, L.R. Wechsler

Chairman Jon Strinden called the meeting to order at 8:35 a.m.

### **MINUTES**

Chairman Strinden called for any comments or corrections to the September 14, 2006 Board meeting minutes.

**THERE BEING NONE, MR. SAGE MOVED APPROVAL OF THE SEPTEMBER 14, 2006 BOARD MEETING MINUTES. MR. LEINGANG SECONDED THE MOTION. THE MINUTES WERE APPROVED.**

## **GROUP INSURANCE**

### **GROUP INSURANCE RENEWAL**

Mr. Collins reported staff met with the retiree working group to discuss the Medicare Rx plan. The retiree working group recommended adding additional drug coverage at a cost of \$1.20 per contract per month. The retiree group is also recommending that they meet next spring to review the medical plan and investigate the possibility of separating the retiree plan from the active plan, developing it into more of a Medicare supplement plan design. Mr. Collins stated this working group also agreed that PERS should progress towards moving the medical plan renewal date to coincide with the Medicare Part D renewal date which is January 1. Otherwise the group recommended approval of the renewal. Mr. Brooks, BCBSND, indicated the materials for the Medicare Blue Rx plan must be received by participants by November 1, 2006 pursuant to federal requirements.

**MR. LEINGANG MOVED TO APPROVE THE MEDICARE RX PLAN WITH THE ADDITIONAL PRESCRIPTION DRUG COVERAGE AT \$1.20 PER CONTRACT. THE MOTION WAS SECONDED BY MR. SAGE.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Smith, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**MOTION PASSED**

### **MEDICAL PLAN RENEWAL**

Mr. Collins reviewed the BCBS response to the premium refund issue which had been discussed at the previous Board meeting that stated PERS is not eligible because our plan has the gain sharing provision in place providing for premium refunds. On the interest rate issue, staff indicated they are continuing to work with BCBS and will have additional information at the next Board meeting. Staff also noted the Insurance Commissioner has approved a 7% increase for BCBS fully insured plans and not the 10% originally requested. Mr. Collins suggested we ask BCBS how this affects their proposed renewal for PERS. Staff also noted they continue to work with BCBS on the PBM issue to determine if PERS can audit the PBM. Staff suggested that issue should be referred to the audit committee once BCBS responds.

### **LONG TERM CARE INSURANCE**

Ms. Allen reported to the Board that we went out to bid for long term care insurance and did not receive responses to the RFP. Staff did follow-up with the current carrier UnumProvident to discuss what options may be available regarding the future of the

plan. Unum will continue to offer this plan based on the current plan design and will work with PERS to review the various options that may be available to enhance our current offering. Ms. Allen indicated that staff is recommending we accept the offer to continue the current plan in force and begin to work with Unum after the first of the year to review the options to enhance the plan.

**MS. SAND MOVED TO CONTINUE WITH THE UNUM PROVIDENT GROUP LONG TERM CARE INSURANCE PLAN AND TO WORK WITH THEM TO DETERMINE WHAT OPTIONS MAY BE AVAILABLE TO ENHANCE OUR CURRENT PLAN. THE MOTION WAS SECONDED BY MS. SMITH.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Smith, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**MOTION PASSED**

### **WELLNESS BENEFIT PROGRAM**

Ms. Allen indicated that at the Board's request, staff has provided additional information relating to the reimbursement methodology and the recommended changes to the wellness benefit program reimbursement policy. Currently the Employer Based Wellness Discount Program is agency based. Mr. Collins indicated that in addition to the change, staff is suggesting that PERS work next year to change the focus of this program to more directly tie to the agency employer based wellness program. He further indicated that the goal of staff would be to make these changes prior to next year's Wellness Forum. If the changes proposed for this year are approved, it was noted they will be rolled out at the next Wellness Forum scheduled for November 7 at the Heritage Center.

**MS. SMITH MOVED TO APPROVE THE STAFF RECOMMENDED CHANGES TO THE REIMBURSEMENT POLICY AND TO MOVE THE WELLNESS PROGRAM TOWARDS AN AGENCY BASED FOCUS. THE MOTION WAS SECONDED BY MR. SAGE.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Smith, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**MOTION PASSED**

### **CIGNA DENTAL**

Ms. Allen reported that the Personal Service Contract between CIGNA Dental and PERS has been reviewed by Mr. Webb, our legal counsel, and the CIGNA team with

modifications as approved by both parties. Staff recommends the Board approve the contract as modified and authorize signature by the Board chairman.

**MS. SMITH MOVED TO APPROVE THE CIGNA CONTRACT. THE MOTION WAS SECONDED BY MS. EHRHARDT.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Smith, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**MOTION PASSED**

### **2006 EMPLOYEE FLU SHOT PROGRAM**

Ms. Masset presented an update on the flu shot program and stated that as in past years, UND Center for Family Medicine has approached PERS to offer flu shots for state employees and retirees in the Bismarck/Mandan area, with assistance by PERS staff, at a cost of \$10. Pursuant to the agency work plan, staff is working to provide this service in the area and set up a schedule which can be viewed on the website

### **SMOKING CESSATION PROGRAM**

Mr. Masset stated there is a new prescription medication available for tobacco cessation called Chantix. The public health units have requested our direction regarding coverage for this new smoking deterrent. PERS contacted BCBSND and requested input from Dr. Rice, Chief Medical Officer, regarding the effectiveness of this new medication, Dr. Rice has recommended adding Chantix to coverage for smoking cessation programs. The cost for this product falls within the reimbursement guidelines.

**MS. SAND MOVED THAT WE ACCEPT STAFF RECOMMENDATION TO ALLOW COVERAGE FOR CHANTIX UNDER THE NDPERS SMOKING CESSATION PROGRAM. THE MOTION WAS SECONDED BY MR. LEINGANG.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Smith, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**MOTION PASSED**

### **SURPLUS/AFFORDABILITY UPDATE**

Mr. Reinhardt presented the surplus/affordability update for August and reviewed the estimated surplus projection figures with the Board.

## **RETIREMENT**

### **2006 VALUATIONS**

Mr. Collins reported that representatives from Segal Company, Mr. Michael Moehle and Mr. Brad Ramirez, were at the meeting the Board meeting via videoconference. They presented an overview of the actuarial reports for the Main, Judges, National Guard, Law Enforcement, Highway Patrol and Job Service Retirement plans. The following are highlights of the overview:

- The Judges and National Guard have positive contribution margins. Main, Law Enforcement with prior Main service, Law Enforcement without prior Main service, Job Service and Highway Patrol has negative contribution margins. The Retiree Health Insurance Credit Fund has no contribution margin.
- The funded ratio is above 100% for Judges and National Guard but below 100% for Main, Retiree Health Insurance Credit Fund, Law Enforcement with prior Main service, Law Enforcement without prior Main service, Job Service and the Highway Patrol Fund.
- The ratio of the actuarial value of assets to the market value of assets for PERS and HPRS combined has decreased from 86.3% to 82.8%. The market value exceeds the actuarial value by \$282 million.
- The Board adopted a change in the actuarial assumptions, effective with this valuation, which increased the employer cost rate.
- Other than the investment experience loss, there were no other significant gains or losses.
- For Main, Judges, National Guard, Law Enforcement with prior Main service, Law Enforcement without prior Main service and Highway Patrol, the normal cost is in excess of the statutory rate. This means these systems will be relying on an actuarial surplus for the statutory rates to cover the actuarial cost of the plan.

The following are highlights from the overview for the Job Service Retirement plan:

- Frozen plan; declining membership
- Assets do not cover entire obligation at 7%
- Gains this year from salary increases (4.6% vs. 5.0% assumed)
- Gains this year from COLA (4.1% vs. 5.0% assumed)
- Losses from investment return (7.9% vs. 8.0% assumed)

Mr. Collins stated that earlier this year the Board changed the assumed rate of return for the Job Service Retirement Plan from 8% to 7%. At that time, the Board decided to begin reducing the investment return assumption and fund that with the gains the system was developing, with the goal of the investment being more fixed income. Mr. Collins further stated the Board could consider maintaining the 7% assumption but not ask for additional contributions, or change the assumption to 7.5% which would not show a required employer contribution.

### **JOB SERVICE COLA**

According to Article VII (3) of the plan document for the Retirement Plan for Employees of Job Service North Dakota, "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."

Ms. Allen indicated this year the Federal Civil Service Plan would be providing an annual adjustment of 3.3%. Therefore, a 3.3% COLA increase is recommended for the Job Service retirees paid by NDPERS as well as for the Job Service retirees paid by The Travelers.

**MS. EHRHARDT MOVED TO GRANT THE 3.3% COLA TO JOB SERVICE RETIREES. THE MOTION WAS SECONDED BY MS. SAND.**

Further Board discussion resulted in amendment of the original motion.

**MR. SAGE AMENDED THE MOTION TO INCLUDE CHANGING THE ACTUARIAL RETURN ASSUMPTION ON THE JOB SERVICE PLAN TO 7.5%. THE MOTION WAS SECONDED BY MR. LEINGANG.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Smith, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**MOTION PASSED**

## **LEGISLATIVE REVIEWS**

Mr. Collins reported that the actuarial review of proposed legislation had been completed by Segal Company and Gallagher Benefit Services. Mr. Collins stated that the purpose of bill number 70080 is to increase the contribution on the main retirement plan to give retirees a percentage cost of living adjustment which would occur in August 2009. Also, it would increase the employer contributions by an amount sufficient to fully pay for that COLA in two years. The actuarial study indicates that the percentage increase is not as high as originally proposed. Mr. Collins continued to explain that bill number 70079 proposes to increase the benefit to the retiree health benefit fund from \$4.50 per year of credited services to \$5.00 per year of credited service and would require a .15% increase in employer contribution.

**MR. SAGE MOVED TO SUBMIT AMENDED LEGISLATION ON BILL NUMBER 70080 TO REFLECT THE ADJUSTED ACTUARIAL COSTS AS RECOMMENDED BY SEGAL. THE MOTION WAS SECONDED BY MS. SAND.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Smith, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

### **MOTION PASSED**

**MR. SAGE MOVED TO REAFFIRM THE BOARD'S SUPPORT FOR BILL NUMBER 70079. THE MOTION WAS SECONDED BY MS. EHRHARDT.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Smith, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

### **MOTION PASSED**

Mr. Collins stated that PERS recommendation is to remain neutral on the following bills which are sponsored by legislators: 70030, 70031, 70032, 70062, 70071, 70073, and 70100. It is staff recommendation to support the following bills as written: 70076 (bill was amended at the Sept meeting), and 70077. Mr. Collins stated that, based on the recommendations of the actuaries, bill number 70075 which would allow retirees to receive a 13<sup>th</sup> check equal to 75% of their check should be amended to include the targeted rate of return at 9.06%. Originally, 9.16% was the targeted rate of return. Mr. Collins indicated that, based on the technical review of 70078, it is recommended to delete sections 1 and 7, and to support the bill as amended.

**MR. SAGE MOVED TO REAFFIRM OUR SUPPORT FOR ALL THE BILLS AS WRITTEN EXCEPT FOR 70062, 70075 AND 70078 WHICH WILL BE AMENDED AND TO REMAIN NEUTRAL ON BILLS 70030, 70031, 70032, 70062, 70071, 70073, AND 70100. THE MOTION WAS SECONDED BY MS. EHRHARDT.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**Absent:** Ms. Smith

**MOTION PASSED**

The Board discussed bill number 70062, and concluded that PERS would express concern to the bill sponsor and the legislative employee benefits committee that if the bill goes forth as written with the words "may participate" in uniform group insurance, not "shall participate", that it could result in adverse selection. Mr. Collins pointed out the fact that this would also include the voluntary insurance such as vision, dental, and long term care.

**MS. SAND MOVED THAT, BASED ON THE BOARD'S CONCERN RELATING TO THE WORDING IN BILL NUMBER 70062 WHICH COULD RESULT IN PARTICIPANTS MOVING IN AND OUT OF THE UNIFORM GROUP INSURANCE SYSTEM WITH POSSIBLE ADVERSE SELECTION, PERS STAFF ARE TO SHARE THIS CONCERN WITH THE BILL SPONSOR AND THE LEGISLATIVE EMPLOYEE BENEFITS COMMITTEE. THE MOTION WAS SECONDED BY MR. SAGE.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**Absent:** Ms. Smith

**MOTION PASSED**

The Board discussed bill number 70075 and agreed with the Segal recommendation to decrease the annual return on investment from 9.16% to 9.06%.

**MR. SAGE MOVED TO SUPPORT BILL NUMBER 70075 AS AMENDED. THE MOTION WAS SECONDED BY MR. LEINGANG.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**Absent:** Ms. Smith

**MOTION PASSED**

The Board discussed bill number 70078 and agreed with Gallagher Benefit Services review and recommendation to amend the bill to withdraw sections 1 and 7.

**MS. SAND MOVED TO ACCEPT STAFF RECOMMENDATION TO WITHDRAW SECTIONS 1 AND 7 AND SUPPORT THE BILL AS AMENDED. THE MOTION WAS SECONDED BY MS. EHRHARDT.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**Absent:** Ms. Smith

**MOTION PASSED**

### **DEFERRED COMPENSATION**

#### **SUNSET LIFE**

Ms. Allen reported staff recently requested information from Sunset Life and they responded they will no longer be issuing any new policies. Since Sunset Life has acknowledged that it is closed to new business and will no longer enroll NDPERS members in its deferred compensation product, staff recommends that the Board approve the Loss of Active Provider Status for Sunset Life.

**MS. SAND MOVED TO APPROVE THE LOSS OF ACTIVE PROVIDER STATUS FOR SUNSET LIFE. THE MOTION WAS SECONDED BY MR. SAGE.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**Absent:** Ms. Smith

**MOTION PASSED**

#### **LASR**

Ms. Knudsen presented the LASR Project monthly status report ending September 30, 2006 to the Board for their information. Ms. Knudsen presented the proposed evaluation methodology for evaluating the responses we receive on the proposals for the PERS system replacement project. This process has been drafted to comply with the OMB bid requirements. The Request for Proposal will be sent out in mid to late November. Mr. Collins indicated that, even though we are exempt from the OMB procedures in the request for proposal process, we will follow the more formal bidding requirements and have set up consensus scoring as part of this process.

**MR. LEINGANG MOVED TO APPROVE THE EVALUATION METHODOLOGY. THE MOTION WAS SECONDED BY MS. SAND.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**Absent:** Ms. Smith

State Investment Board agenda and minutes were distributed for the Board's information.

The meeting adjourned at 11:10 a.m.

Prepared by,

Cheryl Stockert  
Secretary to the NDPERS Board

# MINUTES

## North Dakota Public Employees Retirement System

Thursday, November 16, 2006  
ND Association of Counties, Bismarck  
BCBS, 4510 13<sup>th</sup> Ave SW, Fargo  
8:30 A.M.

Members Present: Ms. Joan Ehrhardt  
Mr. Howard Sage  
Ms. Rosey Sand  
Ms. Arvy Smith

Via Video Conference: Chairman Jon Strinden

Member Absent: Mr. Ron Leingang

Others Present: Mr. Sparb Collins, Executive Director, NDPERS  
Ms. Cheryl Stockert, NDPERS  
Ms. Kathy Allen, NDPERS  
Ms. Deb Knudsen, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Ms. Cheryl Masset-Martz, NDPERS  
Ms. Sharmain Dschaak, NDPERS  
Ms. Diane Heck, NDPERS  
Ms. Rebecca Fricke, NDPERS  
Mr. Aaron Webb, Attorney General's Office  
Mr. Chad Niles, BCBSND  
Mr. Larry Brooks, BCBSND  
Ms. Onalee Sellheim, BCBSND  
Mr. Bill Kalanek, AFPE-INDSEA  
Mr. David Peske, ND Medical Association  
Mr. Weldee Baetsch

Via Video Conference Mr. Kevin Schoenborn, BCBSND  
Mr. Steve Lindemann, BCBSND  
Dr. Gary Liguori, NDSU

Chairman Jon Strinden called the meeting to order at 8:35 a.m.

### MINUTES

Chairman Strinden called for any comments or corrections to the October 19, 2006 Board meeting minutes.

**THERE BEING NONE, MR. SAGE MOVED APPROVAL OF THE OCTOBER 19, 2006 BOARD MEETING MINUTES. MS. EHRHARDT SECONDED THE MOTION. THE MINUTES WERE APPROVED.**

### **GROUP INSURANCE**

#### **GROUP INSURANCE RENEWAL**

Mr. Collins gave an update on the issues relating to the group insurance renewal. He reviewed a matrix from the board book that indicated each renewal issue and the status

Mr. Chad Niles presented the BCBS response relating to the rate increase trend of 10.5% and the Insurance Department ruling that the rate increase trend be no more than 7%. The Insurance Department ruling related to fully insured business which does not relate to the PERS group because of the fact we have a 2 year term contract; the PERS group is 100% experience based; the PERS contract contains a gain sharing provision; and PERS is afforded a one way re-rate review in February 2007.

The Board determined that the group insurance renewal would be acted on at the December meeting.

### **MINUTE CLINICS**

Mr. Lindemann presented information to the Board relating to minute clinics and a specific proposal relating to the MeritCare FastTrack Minute Clinic located in the Osgood Hornbachers in Fargo. Mr. Lindemann asked the Board to approve the proposal to waive the 5% professional discount for all PERS PPO and EPO members at this one location only for a trial period of one year. Mr. Collins suggested that if this proposal is approved by the Board, that it be approved on a trial project basis for this location only for a year. Then at the end of the year, an analysis or assessment could be provided to the Board to determine if this program resulted in a cost savings that should be encouraged or did it result in incremental costs to the system that should then be discouraged.

**MS. SMITH MOVED TO APPROVE THE MERITCARE FASTTRACK (MINUTE CLINIC) LOCATED IN THE OSGOOD HORNBACHERS IN FARGO FOR ONE YEAR. THE MOTION WAS SECONDED BY MS. SAND.**

**Ayes:** Ms. Sand, Ms. Smith, Ms. Ehrhardt, and Chairman Strinden

**Nays:** Mr. Sage

**Absent:** Mr. Leingang

**MOTION PASSED**

### **EMPLOYER BASED WELLNESS PROGRAM**

Mr. Collins presented information relating to the Wellness Forum that was held at the Heritage Center on November 7. He thanked the Health Department for their assistance in providing the resources so the session could be web cast and recorded to enable wellness coordinators to view the forum at a later date. Dr. Liguori presented information relating to worksite health promotion. The most popular and successful worksite wellness programs include Walking Works, 5 A Day, and Healthy Choices.

### **ACTIVE HEALTH UTILIZATION REPORT**

Mr. Reinhardt presented the 2005 NDPERS Health Care Analysis for the active group, broken down by hospital, physician, and pharmacy claims. The volume of claims has been fairly stable for 2005; the average charges per member increased by 14.2% from 2004 and the average amount the NDPERS health plan paid toward these charges increased by 13.5% from 2004.

### **2004 INPATIENT COMPARISON**

Mr. Reinhardt presented the 2004 comparison report of NDPERS inpatient claims as compared with the National Hospital Discharge Survey. Overall, NDPERS has about 66% of the 2004 national average inpatient hospital episodes.

### **SURPLUS/AFFORDABILITY UPDATE**

Mr. Reinhardt presented the surplus/affordability update for September and reviewed the estimated surplus projection figures with the Board.

### **FEDERAL PENSION LEGISLATION UPDATE**

Ms. Walker from the Segal Company presented an overview of the changes relating to the federal Pension Act of 2006, specifically the changes affecting public sector plans. She explained how the federal legislation affects the PERS plans, specifically whether legislation would be required, if no change in current practice would be needed, if no action would be required by PERS, or no other recommended action would be necessary for PERS to comply with the federal legislation.

### **EXPEDITED ENROLLMENT**

Ms. Heck presented information relating to the expedited enrollment process. Staff developed the Expedited 457 Deferred Compensation Plan and PEP Enrollment form which is included in the New Hire Kit to ensure that all new employees are given the earliest opportunity to vest in the employer's contribution. The expedited enrollment was also promoted through the summer edition of Perspectives newsletter. The total number of enrollments through this promotion was 30 employees. Employees were

sent an e-mail notice during the week of October 22-28 which was declared national "Save for Retirement Week".

## **FLEX COMP**

### **FLEX COMP PLAN AMENDMENT**

Ms. Allen stated that currently when a participant is on an approved, unpaid leave of absence, one of the options is to pay for pretax premiums or to fund contributions to a medical spending or dependent care account on a "pay as you go option". The participant may make after tax contributions to fund these accounts during an unpaid leave. The current administration system is integrated with the state payroll system and requires the spending account deduction to be taken from the employee's paycheck in order for the contribution to be recorded. Due to this limitation, an after tax contribution cannot be posted. We are proposing that the "pay as you go option" be replaced with a "catch-up" option allowing the participant on an approved leave to continue coverage during the leave and upon return, they can make catch-up contributions on a prorated basis by pretax salary reduction. This is allowed according to Section 125 regulations and has been verified with Segal.

**MS. SAND MOVED TO APPROVE THE AMENDMENT TO ELIMINATE THE PAY AS YOU GO OPTION AND ADD THE CATCH-UP OPTION AND INCORPORATE THIS OPTION INTO THE NEW BUSINESS SYSTEM REPLACEMENT. THE MOTION WAS SECONDED BY MS. SMITH.**

**Ayes:** Ms. Sand, Ms. Smith, Ms. Ehrhardt, and Chairman Strinden

**Nays:** Mr. Sage

**Absent:** Mr. Leingang

**MOTION PASSED**

## **LASR PROJECT REPORTING**

Mr. Knudsen presented the quarterly report for the quarter ending September 30, 2006. The project is progressing as expected and proceeding on schedule. Ms. Knudsen stated that the RFP will be posted on the procurement website and referenced on the PERS website today. Information was provided to the Board relating to the RFP timeline.

## **MISCELLANEOUS**

### **LEGISLATIVE EMPLOYEE BENEFITS COMMITTEE**

Mr. Collins stated that the bills as reviewed at the last Board meeting have been reviewed by the Legislative Employee Benefits Committee. Three received a favorable

recommendation and 3 received no recommendation. No bills received an unfavorable recommendation. Mr. Collins indicated that staff is asking for Board approval to formally submit these bills, as amended, to the Legislative Council. .

**MS. SAND MOVED TO SUBMIT THE BILLS TO THE LEGISLATURE. THE MOTION WAS SECONDED BY MR. SAGE.**

**Ayes:** Mr. Sage, Ms. Sand, Ms. Smith, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**Absent:** Mr. Leingang

**MOTION PASSED**

### **PROPOSED BOARD MEETING DATES FOR 2007**

Mr. Collins indicated the Board meeting dates are proposed for 2007. There was no objection to the dates. Staff will file these dates with the Secretary of State.

### **BOARD WEBSITE**

Mr. Collins indicated we will include conference information on the Board website under Educational Opportunities.

State Investment Board agenda and minutes were distributed for the Board's information.

### **Financial Hardship #2006-003DC**

Ms. Allen brought a financial hardship #2006-003DC before the Board in the amount of \$15,000 to cover expenses in arrears as a result of a substantial decrease in the individual's spouse's income. The decrease occurred as a result of a reduction in the spouse's geographic sales area which subsequently reduced sales revenue associated with the commission-based salary. The Board discussed and reviewed this information along with the definition of financial hardship as defined in IRC section 457 regulations, "an unforeseeable emergency resulting from a sudden and unexpected illness or accident occurring to you or one of your dependents, loss of your property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond your control." The Board discussed this case as well as the definition of financial hardship. The Board requested staff present specific information and education at a subsequent Board meeting relating to the interpretation of the law relating to "financial hardship". Mr. Collins agreed that Segal could present this information and assist with the decision on this case relating to financial hardship.

**MR. SAGE MOVED TO DENY THE FINANCIAL HARDSHIP. THE MOTION WAS SECONDED BY MS. EHRHARDT.**

**Ayes:** Ms. Ehrhardt

**Nays:** Mr. Sage, Ms. Sand, Ms. Smith, and Chairman Strinden

**Absent:** Mr. Leingang

**MOTION FAILED**

The Board further discussed this financial hardship case and whether their decision met the intent of the financial hardship regulations.

**MS. SAND MOVED TO TABLE THE APPEAL UNTIL THE NEXT BOARD MEETING AND REQUESTED ADDITIONAL EDUCATION FROM OUR CONSULTANT RELATING TO THE DEFINITION OF FINANCIAL HARDSHIP AND ALSO TO REQUEST ADDITIONAL INFORMATION FROM THE APPELLANT RELATING TO THE REASON FOR THE REDUCTION IN INCOME. THE MOTION WAS SECONDED BY MS. SMITH.**

**Ayes:** Mr. Sage, Ms. Sand, Ms. Smith, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**Absent:** Mr. Leingang

**MOTION PASSED**

The meeting adjourned at 11:05 a.m.

Prepared by,

Cheryl Stockert  
Secretary to the NDPERS Board

# MINUTES

## North Dakota Public Employees Retirement System

Thursday, December 21, 2006  
ND Association of Counties, Bismarck  
BCBS, 4510 13<sup>th</sup> Ave SW, Fargo  
8:30 A.M.

Members Present: Mr. Ron Leingang  
Mr. Howard Sage  
Ms. Rosey Sand  
Ms. Arvy Smith  
Mr. Thomas Trenbeath

Via Video Conference: Chairman Jon Strinden

Member Absent: Ms. Joan Ehrhardt

Others Present: Mr. Sparb Collins, Executive Director, NDPERS  
Ms. Cheryl Stockert, NDPERS  
Ms. Kathy Allen, NDPERS  
Ms. Deb Knudsen, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Ms. Jamie Kinsella, NDPERS  
Ms. Sharon Schiermeister, NDPERS  
Mr. Aaron Webb, Attorney General's Office  
Mr. Larry Brooks, BCBSND  
Mr. Bill Kalanek, AFPE-INDSEA  
Mr. David Peske, ND Medical Association  
Mr. Steve Cochrane, ND RIO  
Mr. Pat Brown, Brady Martz  
Ms. John Mongeon, Brady Martz  
Ms. Jodee Buhr, NDPEA

Via Video Conference Mr. Larry Brooks, BCBSND  
Dr. John Rice, BCBSND  
Ms. Onalee Sellheim, BCBSND

Chairman Jon Strinden called the meeting to order at 8:35 a.m.

Chairman Strinden introduced and welcomed Mr. Thomas Trenbeath, from the Attorney General's Office, as our new Board member.

## **MINUTES**

Chairman Strinden called for any comments or corrections to the November 16, 2006 Board meeting minutes.

**THERE BEING NONE, MR. SAGE MOVED APPROVAL OF THE NOVEMBER 16, 2006 BOARD MEETING MINUTES. MS. SMITH SECONDED THE MOTION. THE MINUTES WERE APPROVED.**

## **GROUP INSURANCE**

### **WELLNESS BENEFIT PROGRAM**

Ms. Vogeltanz-Holm presented information relating to the Worksite Wellness Health Promotion Program including the progress to date and Year 2 planned activities. She asked for Board permission to use \$200 per worksite per year for a proposed fruit/veggie basket program. Mr. Collins indicated that the Board had reviewed the issue of providing food in the workplace as part of the wellness benefit program, and had made the decision that it would no longer pay for providing food in the workplace. Mr. Collins stated that because this is a pilot program, an initiative could be provided in this area. Part of the goal of the wellness program effort is to get an infrastructure up and in place in the first couple of years, use this program to obtain information on what a more intensive wellness program would be, then the next legislative session, put together a package of what would be considered appropriate incentives.

### **GROUP HEALTH PLAN RENEWAL**

Mr. Collins stated that during the last several Board meetings there was discussion relating to the group health renewal. Several questions have been reviewed and responded to by staff. One of the issues that still remaining relates to the interest rate paid on the PERS account. Staff concurs with the change to the 24 month rate which is greater than if the funds were held. Mr. Collins stated that relating to the PBM audit, PERS has indicated to BCBS that this issue must be resolved before our next renewal. The final unresolved issue relates to the pharmacy outreach program. It is staff recommendation to support this program at a level not exceeding \$15,000 per quarter because of the drop in the rebates. PERS did question the Insurance Department ruling that limits BCBS rate increase trend from 10.5% to 7% which applies to their manually rated groups. PERS is a fully insured group and this ruling would not apply. Mr. Collins suggested we move forward with the BCBS renewal subject to the recommendations in the staff report.

**MS. SAND MOVED TO RENEW THE BCBSND GROUP HEALTH INSURANCE FOR THE NEXT BIENNIUM SUBJECT TO PERS STAFF RECOMMENDATIONS. THE MOTION WAS SECONDED BY MR. SAGE.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Smith, Mr. Trenbeath, and Chairman Strinden.

**Nays:** None

**Absent:** Ms. Ehrhardt

## **MOTION PASSED**

### **PLAN DESIGN**

Mr. Collins stated there are two issues that need to be brought before the Board for information only. One issue relates to prescription contraception for women. This issue has been working its way through the courts and is currently being reviewed by the Federal 8<sup>th</sup> Circuit Court of Appeals. The cost to provide contraception for women under our health plan would cost \$3.15 per contract per month for 24,000 contracts which would be approximately \$1.8 million for the biennium. Mr. Webb provided information relating to this court case which the plaintiff is making a claim based on sex discrimination, claiming that women are treated differently than men under their employee health plan. The plaintiffs claim that the federal Civil Rights Act (Title VII) and federal Pregnancy Discrimination Act (PDA) is being violated by providing benefits for prescription contraceptives to its female employees only when medically necessary, and not for the prevention of pregnancy. Mr. Webb explained that in a ruling dated February 10, 2006 the Nebraska District Court agreed with the plaintiffs, that the limitations on coverage of women's prescription contraceptive drugs and devices violated Title VII and the PDA. This ruling has been suspended pending the 8<sup>th</sup> Circuit appeal which heard oral arguments by both parties on November 16, 2006. Mr. Webb stated he will continue to monitor this case and keep the Board informed. Mr. Collins stated this could affect our health plan coverage. PERS will have a couple of options should this case be resolved after the Legislature has completed the session. We may have to reduce other benefits to come up with \$3 worth of savings to pay for this benefit, or if we had sufficient funds at the end of our closeout with BCBS to pay for it, we could utilize the available funds. Mr. Collins indicated he will report this issue to the meeting of the Joint Appropriations Committee.

Mr. Collins reported that the other issue relates to coverage for the HPV or Gardisal vaccination. Ms. Allen stated this is a vaccine given to prevent cervical cancer and abnormal pap smears that require frequent follow-up. Currently, the NDPERS plan covers this immunization for females, ages 6 through 18. The Advisory Committee on Immunization Practices (ACIP) recommends vaccinations for females ages 19 through 26. The rate to cover this vaccination would be 26 cents per contract per month or approximately \$150,000 per biennium. Dr. Rice stated the series of 3 immunizations would cost \$360 of which the plan covers 75% to 80%. Also, BCBS follows ACIP recommendations and has added 3 or 4 new vaccines in the last 2 years. Dr. Rice indicated that in the non-PERS population, BCBS has covered 400 children ages 0-18, and in about 200 in the 19-26 year age group. In response to Board questions, staff

will obtain information relating to the number of cervical cancer cases as well as the number of covered services for the year. Mr. Collins indicated that when he reviews the health plan with the Joint Appropriations Committee, he will inform them of the differences in our immunization coverage from the PERS plan and the BCBS plan that seem to be generating more calls. Mr. Brooks will report back to the Board with additional information relating to the actuarial basis for the 26 cents per contract and how the cost was spread across all contracts.

### **MINUTE CLINICS**

Mr. Collins stated this was a follow-up from the last meeting. BCBS stated in their December 4, 2006 memo that they will evaluate the pilot Meritcare Minute Clinic and focus on two areas: the first to review the overall utilization and the second review the number of follow-up clinic visits. There will be ample time to make any changes before the one-year pilot ends in December.

### **2006 FLU SHOT CLINIC**

Mr. Collins reported on the flu shot clinics for 2006 with 1,588 flu shots given at a cost of \$10 per member.

### **SURPLUS/AFFORDABILITY UPDATE**

Mr. Reinhardt presented the surplus/affordability update for October and reviewed the estimated surplus projection figures with the Board.

### **RETIREMENT**

### **ANNUAL INVESTMENT UPDATE**

Mr. Cochrane presented the 2006 annual report of the ND State Investment Board to the Board. A copy of the complete annual report is available at the PERS office. Mr. Cochrane indicated to the Board that the asset allocation is fairly well grounded and the portfolio is well diversified. Upon a request from the Board, it was agreed that the Investment Goals, Objectives and Policies for the various plans will be reviewed and updated as necessary.

### **DEFERRED COMPENSATION**

### **THIRD QUARTER 2006 INVESTMENT REPORT**

Mr. Reinhardt presented information relating to the 401(a) and 457 Companion Plan. Assets in the 401(a) plan increased slightly to about \$15.1 million as of September 30, 2006 with 296 participants. Assets in the 457 Companion Plan increased to about

\$19.3 million as of September 30, 2006 (up from \$12.1 million on 12-31-03 which is a 60% increase) and has 1,416 participants.

### **LASR UPDATE**

Ms. Knudsen presented the monthly status report as of November 30, 2006. The RFP was posted on November 16, 2006. A Bidders Conference was held on December 13, 2006 and nine vendors were in attendance, either in person or by teleconference. The final responses to the vendor questions will be posted today.

### **MISCELLANEOUS**

#### **EXECUTIVE BUDGET**

Mr. Collins presented to the Board the major items PERS has requested for the Governor's consideration and action relating to the budget. The Governor's budget included approval of the \$658.08 level to fund an alternate plan design for health insurance. The request to increase the basic life coverage from \$1,300 to \$5,000 was not included in the Executive Budget, but a favorable recommendation was given by the Legislative Employee Benefits Committee. An increase in the employer contribution from 1% to 1.15% to fund an increase in retiree health insurance benefits from \$4.50 to \$5.00 was funded. The PERS business system replacement project was fully funded and the request to fund 4 FTE's to support the replacement project and to provide support in Accounting was funded. Also, the PERS salary equity package was funded in the Executive Budget.

#### **AUDIT REPORT**

Mr. Brown from Brady Martz reviewed the audit report of the ND Public Employees Retirement System with the Board. The financial statement of the business-type activities and fiduciary funds of NDPERS was audited. Mr. Brown reported they met with the NDPERS Audit Committee and went through the audit for the years ending June 30, 2006 and 2005. The Independent Auditor's Report reflects a clean opinion on the financial statements of the business-type activities and fiduciary funds of NDPERS.

**MS. SMITH MOVED TO APPROVE THE AUDIT REPORT. THE MOTION WAS SECONDED BY MR. LEINGANG.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Smith, Mr. Trenbeath, and Chairman Strinden.

**Nays:** None

**Absent:** Ms. Ehrhardt

**MOTION PASSED**

### **AUDIT COMMITTEE MINUTES**

The minutes from the August 16 and September 11, 2006 PERS Audit Committee were presented to the Board for information.

### **DEFERRED COMPENSATION**

#### **PROVIDER TRAINING COMPLIANCE**

Ms. Allen reported that deferred compensation provider training sessions were held in April and May in Jamestown, Bismarck, and Fargo. There were several provider representatives who did not satisfy the training requirements but have been notified and are now in compliance, however, Chase Life has not responded. Ms. Allen stated it is staff recommendation to notify Chase that this situation has been reviewed with the Board which finds them out of compliance with our contract, and that at its January meeting the Board will consider taking action to implement a loss of provider status pursuant to our administrative rules.

#### **MR. LEINGANG MOVED TO APPROVE STAFF RECOMMENDATION. THE MOTION WAS SECONDED BY MS. SMITH.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Smith, Mr. Trenbeath, and Chairman Strinden.

**Nays:** None

**Absent:** Ms. Ehrhardt

#### **MOTION PASSED**

### **FINANCIAL HARDSHIP INFORMATION**

The financial hardship information that was to be presented by Ms. Walker from Segal will be presented at the January meeting.

### **FINANCIAL HARDSHIP APPEAL**

Ms. Allen reported that this appeal was reviewed at the November Board meeting and the Board could not determine, based on the documentation submitted, if the decreased income was in fact unforeseeable. Ms. Allen sent a letter to the participant on November 17 notifying them of the Board's decision and requested that additional documentation be provided to substantiate the events leading to the spouse's decreased income. The individual has not called or responded to PERS request for the additional information. It was Board consensus that if no additional information is received from the individual there is no need to take any further action on this appeal.

## **OTHER**

Mr. Collins stated that Bill No. 70077 was submitted relating to the automatic enrollment on the deferred compensation program, was reviewed by the interim committee, and received a favorable recommendation. Since the last meeting, PERS has become aware of a change in the federal law which now allows employees, who are enrolled in the program within 90 days of employment, to opt out of the deferred compensation plan and obtain a refund. Mr. Collins indicated, after reviewing the wording in the bill, it would be reasonable to have employees enrolled within their first full month of employment, which will be more efficient for payroll, and the employee can still opt out which is allowed under the new legislation. Mr. Collins stated that Higher Education system is undecided if they want to offer this deferred compensation option to employees because they have TIAA CREF. He recommended that Higher Education could offer an amendment to the Legislature to be excluded from this bill.

**MS. SMITH MOVED TO AUTHORIZE PERS TO PROCEED WITH THE AMENDMENT FOR THE ADMINISTRATIVE CHANGE TO BILL 70077 AND TO ALLOW HIGHER EDUCATION TO BE EXCLUDED FROM THIS BILL. THE MOTION WAS SECONDED BY MR. SAGE.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Smith, Mr. Trenbeath, and Chairman Strinden.

**Nays:** None

**Absent:** Ms. Ehrhardt

**MOTION PASSED**

The meeting adjourned at 11:15 a.m.

Prepared by,

Cheryl Stockert  
Secretary to the NDPERS Board