

# MINUTES

## North Dakota Public Employees Retirement System

Harold Schafer Leadership Center

University of Mary, Bismarck

Wednesday, January 11, 2012

9:30 A.M.

Members Present: Ms. Joan Ehrhardt  
Mr. Levi Erdmann  
Mr. Howard Sage  
Mr. Mike Sandal  
Ms. Arvy Smith  
Mr. Thomas Trenbeath  
Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS  
Ms. Cheryl Stockert, NDPERS  
Ms. Kathy Allen, NDPERS  
Ms. Deb Knudsen, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Ms. Jan Murtha, Attorney General's Office

Chairman Strinden called the meeting to order at 9:40 a.m.

Mr. Collins reviewed with the Board a presentation discussing NDPERS programs, administration, and accomplishments over the past two years (presentation is available at the PERS office).

### **RETIREMENT**

#### **Defined Benefit Plans**

Mr. Collins presented background information on the Main, Judges, National Guard, Law Enforcement, Highway Patrol and Job Service plans, including fund balances, membership statistics (both active and retiree), annual benefits, retirement system assets, and number of pensions in force. Currently, the Job Service plan is the only one at 100% or more funded status.

Mr. Collins reviewed with the Board information relating to the challenges facing the retirement plans as a result of the downturn in the financial markets. Specifically, the challenges were to: 1) reverse the downward funding trend, 2) stabilize the funds, and 3) establish a positive trend going forward. Senate Bill 2108, as passed by the last legislative session, set in place a plan to reverse the funding trend and stabilize the funds which accomplished two of the goals. It was noted that while the legislature approved the first two years of the recovery plan (2012 and 2013), they did not approve the later two

years of increases for 2014 and 2015. Mr. Collins stated he was told that the later two years were not approved since they could be considered by the 2013 session which would have the benefit of additional return information. Consequently, it was noted that in order for the full recovery plan to be implemented, a bill would need to be submitted during the next session.

The Board discussed the retirement plans and some possible areas for consideration going forward. Based upon this discussion, the Board decided to consider the following items at future meetings:

- Submit a bill to implement the remaining years of the original recovery plan to include contribution increases for 2014 and 2015 (4% contribution increase) to the Legislative Employee Benefits Committee in March of 2012.
- Adjust the proposed bill in the Fall based upon the 2012 actuarial valuation.
- Review the funding options for the recovery plan and determine whether to submit more than one bill (100% employee contribution, 100% employer contribution, 50%/50% employee/employer contribution).
- Seek additional information from the actuary and the PERS Benefits Subcommittee on the following:
  - Change purchase method
  - Enhance PEP based upon new contribution
  - Limit cost of sick leave conversion
  - Change interest methodology
- Conduct a liability driven investment strategy for the Job Service plan.

### **Defined Contribution**

Mr. Collins reviewed with the Board information relating to the challenges facing the funded status of the defined contribution retirement plans. It was noted that this plans participants face a significant shortfall in their retirement due to the recent downturn in the financial markets. Further, it was noted that the defined contribution plan was a part of the four year recovery plan submitted in SB 2013, and as with the other retirement plans, the 2014 and 2015 increases were not approved and deferred for consideration. The Board discussed the defined contribution retirement plan and some possible areas for consideration going forward. Based upon this discussion, the Board decided to consider the following items at future meetings:

- To continue to treat the defined contribution plan contributions similar to the main retirement plan.
- To include the defined contribution plan members in the recovery plan.

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

Mr. Collins reviewed information on the RHIC program with the Board. It was note that this program is on a positive course, and if the contribution remains at 1.14%, the unfunded liability will be paid off in approximately eleven years. The Board discussed the RHIC program and some possible areas for consideration going forward. Based upon this discussion, the Board decided to consider the following items at future meetings:

1. To seek information from the actuary on the effect of allowing the RHIC to be used for other PERS group insurance benefits such as the dental or vision plans.
2. To ask the PERS Benefits Committee to consider this and provide their thoughts to the PERS Board.

### **INVESTMENTS**

Mr. Collins discussed the investment program and PERS efforts in this area over the last couple of years. Specifically, he noted the Board had completed an asset liability study for the plan, updated its investment policies to include provisions relating to fees and risk, and updated our asset allocation. The Board discussed the investments and some possible areas for consideration going forward. Based upon this discussion, the Board decided to consider the following items at future meetings:

- The PERS Investment Subcommittee should continue to monitor risk in the plan.
- The PERS Investment Subcommittee should continue to monitor fees in the plan.

### **GROUP INSURANCE PROGRAMS**

#### **Health Plan**

Mr. Collins presented demographic information on the health insurance plan. He noted that enrollment in the health insurance plan continues to grow and now is over 60,000 members among the 288 employers and retirees. Also reviewed was information concerning the health plan trends, future health rate projections, the pre-Medicare program, health plan utilization and the history of the health plan. The Board discussed the health plan and some possible areas for consideration going forward. Based upon this discussion, the Board decided to consider the following items at future meetings:

- Request that Deloitte study both the options of buying down premiums and offering a premium holiday.
- Have the upcoming health bid be for a two-year fully insured bid because of the uncertainty of the federal health care law.
- Submit both a grandfathered plan and a non-grandfathered plan option to OMB for its consideration. If the non-grandfathered plan is selected, PERS would be able to offer additional screening services.
- Study the issue birth control coverage in the plan as a result of recent court decisions and the federal health care law.
- Enhance the wellness plan to include executive and legislative participation.
- Have Deloitte come to the Board meeting to discuss health insurance options in order to prepare a bid document by March to issue in June.

#### **Pre-Medicare Plan**

Mr. Collins reviewed the Pre-Medicare plan with the Board including information on its demographics, history and funding. The Board discussed the pre-Medicare program and some possible areas for consideration going forward. Based upon this discussion, the Board decided to consider the following items at future meetings:

- Offer a high deductible health plan for the pre-Medicare group.
- Monitor the development of the health care exchanges and their implications for this program and its members.

### **Life Insurance Plan**

Mr. Collins reviewed the changes that occurred with the new carrier ING last year. There were no considerations for this plan.

### **Dental Insurance Plan**

Mr. Collins reviewed the dental insurance plan information with the Board including enrollment, plan history and current rates. It was also noted that the plan is scheduled to go out to bid this year. The Board discussed the dental program and some possible areas for consideration going forward. Based upon this discussion, the Board decided to consider the following items at future meetings:

- Seek a consultant to assist with the dental plan bid and review proposal at the March/April meeting.
- Issue an RFP for dental services by May/June and review proposals by August.
- Award the bid for the dental plan for 2013 with a carrier selected by September.

### **Vision Insurance Plan**

Mr. Collins reviewed vision insurance plan information with the Board. It was noted that as a result of the new carrier, the addition of a provider network and the plan design changes this program has seen substantial growth in participation over the last couple of years. There were no considerations for this plan.

### **Long Term Care Insurance**

Mr. Collins provided an update to the Board relating to the long term care insurance plan. This will go to bid in 2012. The Board discussed the long term care program and some possible areas for consideration going forward. Based upon this discussion, the Board decided to consider the following items at future meetings:

- Conduct a series of educational meetings on long term care in March/April.
- Issue the long term care bid by early June or July with a final decision made in August or September.

### **FLEXCOMP PROGRAM**

Mr. Collins provided information on the flexcomp program participation and administration. Currently, PERS is using PeopleSoft for claims processing and payment. This system has limited capabilities and has not been very reliable. The Board discussed the flexcomp program and some possible areas for consideration going forward. Based upon this discussion, the Board decided to consider the following items at future meetings:

- Issue and review responses from a request for information on outsourcing the flexcomp claims processing and payment effort.
- Have Sagitec prepare an estimate of adding this to the PERSLink business system.
- Discuss the implications of maintaining the status quo for claims processing.

### **DEFERRED COMPENSATION PROGRAM**

Mr. Collins reviewed the state's deferred compensation program and participation with the Board. The goal has been to grow the plan and get more employees actively saving for their retirement. It was noted that the recent proposal from TIAA-CREF offered several options relating to this goal and included a registered investment advisor option and a gross up provision option. These options were put on hold during initial implementation. The Board discussed the deferred compensation program and some possible areas for consideration going forward. Based upon this discussion, the Board decided to consider the following items at future meetings:

- Have TIAA-CREF come to the Board to explain these concepts and how they would work.
- Conduct meetings with other deferred compensation providers to review this and obtain feedback on these ideas.

### **PERS ADMINISTRATION**

Mr. Collins reviewed with the Board information relating to the increases in health plan membership, voluntary insurance plans membership, retirement plan membership and number of participating employers for all programs and how that related to the PERS administrative capabilities. He also gave an update on the PERSLink business system including the Member Self-Service portal which will be implemented in 2012 for retirees and actives.

Mr. Collins reviewed with the Board the implications of the change in the pay grades directed by the last legislative session and its affect on the PERS budget. Specifically, he noted that approximately seven staff members will be below the minimums of their new pay grades and will need to be brought up to the new minimum. Since the decision was made late in the session, it did not provide an opportunity for the legislature to fund this requirement. Consequently, PERS will need to consider transferring funds from its contingency line in order to comply. The Board has the authority to use contingency dollars to offset these deficits at this time.

Mr. Collins reported, after reviewing the existing PERS organizational structure, he has determined that the position of Chief Operating Officer should be added directly below the Executive Director. Mr. Collins indicated Ms. Sharon Schiermeister will serve in this role and will continue her role as Finance Manager.

Mr. Collins reported that consultant services with Segal is scheduled to go out to bid this year. The contract will expire June 30, 2012. However, he noted that since the legislature elected to consider the four year recovery plan in two stages with the later consideration

in the 2013 session, it may be beneficial to continue with Segal since they did the work on the recovery plan. If we were to retain another firm, they would have to redo some or all of it.

The Board discussed the administrative issues and some possible areas for consideration going forward. Based upon this discussion, the Board decided to consider the following items at future meetings

- Once it is determined how the new salary grades affect the PERS budget, staff should bring it back to the Board to determine the correct level of transfer that may be required from the contingency line item.
- Obtain a renewal estimate from Segal to determine if we retain them for two more years through June 30, 2014. Information on this should be reported to the Board at the February meeting.

Mr. Collins shared information on future efforts with the Board. These included review of the PERS website in 2013 and his participation with the International Foundation of Employee Benefit Plans by serving on their board of directors and executive board.

Chairman Strinden thanked Mr. Collins for his efforts in preparing the information for this Board planning meeting. Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 1:50 p.m.

Prepared by,

Cheryl Stockert  
Secretary to the Board

# MINUTES

## North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13<sup>th</sup> Ave SW, Fargo

Thursday, February 16, 2012

8:30 A.M.

Members Present: Mr. Levi Erdmann  
Ms. Joan Ehrhardt  
Mr. Howard Sage  
Mr. Mike Sandal  
Ms. Arvy Smith  
Mr. Thomas Trenbeath

Via Teleconference: Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS  
Ms. Cheryl Stockert, NDPERS  
Ms. Sharon Schiermeister, NDPERS  
Ms. Kathy Allen, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Ms. Rebecca Fricke, NDPERS  
Ms. Jamie Kinsella, NDPERS  
Ms. Stacey Jones, NDPERS  
Ms. Jan Murtha, Attorney General's Office  
Mr. John Mongeon, Brady Martz  
Mr. Bill Kalanek, AFPE  
Mr. Pat Pechacek, Deloitte

Via Teleconference: Mr. Kevin Schoenborn, BCBSND  
Ms. Tara Roberts, BCBSND  
Ms. Onalee Sellheim, BCBSND  
Ms. Cindy Gillund, BCBSND  
Mr. Jim Wynstra, BCBSND  
Ms. Deb Dietz, BCBSND  
Ms. Shirley Schumacher, BCBSND  
Ms. Cheryl Keller-Johnson, BCBSND  
Ms. Melanie Walker, Segal

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

## **MINUTES**

Chairman Strinden called for any questions or comments regarding the minutes of the December 28, 2011 Board meeting. Chairman Strinden noted a correction on the last page.

**MR. SANDAL MOVED APPROVAL OF THE DECEMBER 28, 2011 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MS. SMITH. THE MINUTES WERE APPROVED.**

Chairman Strinden called for any questions or comments regarding the minutes of the January 11, 2012 Board planning meeting.

**MS. SMITH MOVED APPROVAL OF THE JANUARY 11, 2012 BOARD MINUTES. THE MOTION WAS SECONDED BY MR. SANDAL. THE MINUTES WERE APPROVED.**

## **NDPERS AUDIT**

Mr. Collins reported to the Board that Mr. John Mongeon was at the Board meeting to review highlights of the report and be available to answer any questions. Mr. Mongeon reviewed with the Board the audit report examination for the years ended June 30, 2011 and 2010. He reported it was a clean audit and referred the Board to the Management Letter which included four recommendations. The Board had questions of Mr. Mongeon and staff.

## **GROUP INSURANCE**

### **BCBS Update**

Mr. Collins shared a letter received from Mr. Paul von Ebers, President and CEO of BCBSND. Mr. von Ebers thanked NDPERS for their continued membership and reviewed new BCBS initiatives.

### **Wellness Program Update**

Mr. Collins reported that the new online wellness tool, HealthyBlue, recently went live on February 15. There were already over 2,500 or approximately 6.2% of the membership registered. The process went very smooth. Ms. Roberts provided the Board with information on how to access the online site and the tools available through HealthyBlue which included: health logs, incentive campaigns, health assessment, food log, meal planner, progress report, cardio log, strength log, wellness workshops and challenges. The Board had questions of Ms. Roberts.

### **Tobacco Cessation Program Update**

Ms. Gillund gave the Board an update for the 6-month period ending December 31, 2011. Since the program began in July 2005, there have been 1,441 members who started the program. She reviewed all program benefit expenditures since July 1, 2005. The Board had questions of BCBS and it was reported that the Health Department would have comparative data that could be shared with the Board.

### **Trend Analysis**

Mr. Wynstra presented the NDPERS quarterly trend analysis paid through December 31, 2011. The 9.4% twelve month rolling trend for actives is greater than the BCBS overall trend of 4.0%. It was noted that when the NDPERS trend was about 3%, the BCBS trend was higher, consequently, this difference is not unusual and would imply that the NDPERS trend will likely moderate in the near future. The retiree trend is doing well. The Board had questions relating to the trend analysis report.

### **Dependent Coverage Update**

Mr. Collins reviewed with the Board the information received from the State Insurance Department relating to the definition of dependent which was updated in the Plan document. During this past annual enrollment there may have been some dependents that would have come off the plan because they did not meet the definition in place at that time, but they would meet the definition in place today. This is a very small group of individuals that could be eligible under the new definition. BCBS has offered to assist NDPERS with a special enrollment this May to allow those individuals to enroll in the health plan as of July 1, 2012. The Board had questions and discussed this information with staff.

**MS. EHRHARDT MOVED THAT STAFF CONDUCT A SPECIAL ENROLLMENT OPPORTUNITY TO ALLOW DEPENDENTS TO ENROLL IN THE HEALTH PLAN. THE MOTION WAS SECONDED BY MS. SMITH.**

The Board further discussed the motion.

**Ayes:** Ms. Ehrhardt, Mr. Erdmann, Mr. Sage, Mr. Sandal, Ms. Smith, Mr. Trenbeath and Chairman Strinden

**Nays:** None

**MOTION PASSED**

### **Heart of America HMO**

Mr. Allen reviewed with the Board the annual request from Heart of America Health Plan in Rugby to continue to offer its health plan to state employees in the Rugby area for the period July 1, 2012 through June 30, 2013. The Board had questions of staff and discussed this plan.

**MR. SANDAL MOVED APPROVAL OF THE HEART OF AMERICA HEALTH PLAN. THE MOTION WAS SECONDED BY MS. EHRHARDT.**

**Ayes:** Mr. Erdmann, Mr. Sage, Mr. Sandal, Ms. Smith, Mr. Trenbeath, Ms. Ehrhardt, and Chairman Strinden

**Nays:** None

**MOTION PASSED**

### **Medicare Secondary Payer Recovery Contractor (MSPRC)**

Mr. Collins explained that this program continues to get more complicated. Procedurally, Medicare will report they paid for something they shouldn't have and they will send a letter requesting the plan reimburse them for the expense. The initial letter is followed by another letter indicating they may withhold grant money. Ms. Keller-Johnson, BCBS, explained the MSPRC program in further detail and gave an overview of the recovery process. The Board had questions and discussion occurred.

### **Affordable Care Act (ACA) Compliance**

Mr. Pechacek, Deloitte, reviewed information relating to the ACA compliance with the Board. He reviewed their memo relating to ACA provisions and potential penalties that could affect NDPERS. Deloitte reviewed the NDPERS definition of full-time eligible employees and part-time temporary employees and determined it is not consistent with the ACA. ACA definition of a full-time employee is someone who works on average at least 30 hours per week during the month. If an employer does not offer its health plan to all full-time employees, then they are exposed to a possible penalty of \$2,000 for every full-time employee. In addition, Deloitte noted that an employer may not charge those full-time employees that meet certain federal provisions over 9.5% of their household income. If the employer charges these employees more and the employee goes to the exchange to get coverage and subsidy for that coverage, the employer could be exposed to another fine of \$3,000.

Mr. Collins indicated that staff is suggesting submitting a separate bill to match up the definitions in state statute to the federal requirements. Mr. Collins indicated that this bill will likely need extension modification as more becomes known. In addition, Mr. Collins responded that NDPERS will work with the agency personnel officers and others to fully assess what the fiscal implications of this bill could be.

Also discussed was information relating to the contraceptive benefit requirements. Mr. Pechacek indicated this benefit needs to be added to all non-grandfathered plans for plan years beginning after August of 2012. Mr. Collins indicated that the current high deductible health plan is a non-grandfathered plan and this benefit will be added. The existing PPO/Basic plan is grandfathered for the state and non-grandfathered for some of the political subdivisions. The Board had questions and discussion occurred.

### **MR. TRENBEATH MOVED THAT A BILL BE DRAFTED. THE MOTION WAS SECONDED BY MR. SANDAL.**

**Ayes:** Mr. Sandal, Mr. Erdmann, Mr. Trenbeath, Ms. Ehrhardt, and Chairman Strinden

**Nays:** None

**Absent:** Mr. Sage and Ms. Smith

### **MOTION PASSED**

### **Health Insurance Bid**

Mr. Pechacek reviewed with the Board information relating to the next health insurance bid. Congressional and Supreme Court issues at the federal level create much

uncertainty in the health care market at this time. The elections will also impact the federal Affordable Care Act (ACA). He explained that the burden of ensuring compliance with the ACA will fall to the insurer in the case of a fully insured plan and on the plan sponsor in the case of a self-insured plan. Mr. Pechacek explained there are three aspects of the ACA to be effective in 2014 that will affect participating active employees, spouses and dependents: 1) the Individual mandate which will impose financial penalties on individuals who do not carry minimum essential coverage; 2) the shared responsibility rules which will impose financial penalties on employers that fail to offer minimum essential coverage to all "full-time employees" (work at least 30 hours per week) and to their spouses and dependents; and 3) the availability of health insurance exchanges which will provide a group market alternative to the individual market for those who do not receive coverage through an employer or qualify for government-provided coverage.

Based on information provided by Deloitte, Mr. Collins reviewed the various options for going forward with the health bid and sought guidance from the Board. The Board discussed the health insurance bid.

**MR. TRENBEATH MOVED APPROVAL OF A FULLY INSURED BID FOR TWO YEARS TO INCLUDE THE OPTION TO NEGOTIATE AN EXTENSION. THE MOTION WAS SECONDED BY MS. EHRHARDT.**

Board discussion continued.

**Ayes:** Mr. Ehrhardt, Mr. Erdmann, Mr. Sandal, Mr. Trenbeath, and Chairman Strinden

**Nays:** None

**Absent:** Mr. Sage and Ms. Smith

**MOTION PASSED**

### **RETIREMENT**

#### **Segal Renewal**

Mr. Collins followed up with the Board on the discussion at the January planning meeting relating to renewal of retirement consultant. He reviewed the renewal proposal from Segal to extend the consulting services contract which expires on June 30, 2012. Their proposal is less than what was proposed two years ago. The Board discussed the renewal.

**MR. SANDAL MOVED APPROVAL TO EXTEND THE CONTRACT WITH SEGAL FOR TWO YEARS BEGINNING JULY 1, 2012 AT THE HOURLY RATE, AND RE-EVALUATE THE HOURLY RATE AFTER THE FIRST YEAR. THE MOTION WAS SECONDED BY MR. ERDMANN.**

**Ayes:** Mr. Erdmann, Ms. Ehrhardt, Mr. Trenbeath, Mr. Sandal, and Chairman Strinden

**Nays:** None

**Absent:** Mr. Sage and Ms. Smith

## **MOTION PASSED**

### **Federal Regulatory Update**

Ms. Walker, Segal, reviewed with the Board the memo which provided an update on proposed regulations presently being considered at the national level. One issue relates to the normal retirement age definition. The IRS has proposed rules for plan years starting after January 1, 2013 that would not allow a normal age based solely on years of service (NDPERS rule of 85). The IRS has extended this compliance deadline twice and may extend it again.

Mr. Collins indicated that since this has not been finalized at the federal level, we need to determine if legislation is submitted now or to wait until a final determination is made by the federal government. NDPERS would have to change the definition of normal retirement and the rule of 85 cannot be defined as a normal retirement, but it can be defined as an unreduced retirement. This bill could end up being lengthy because this terminology exists in many sections of the law. Legal counsel did a review and there is a provision in the bill in our legislation called a savings clause that allows the NDPERS Board, subject to the approval of the Employee Benefits Committee, to update the law. The Board discussed this and concurred not to submit legislation at this time, but to wait on the final determination by the federal government.

## **MISCELLANEOUS**

### **Legislation/NDPERS Benefits Committee Update**

Mr. Collins followed up with the Board on legislative considerations. He reported that staff has met with the NDPERS Benefits Committee. They have reviewed all options, and their basic recommendation is to focus exclusively on the recovery plan as submitted two years ago which would mean submitting a bill for a 2% increase in 2014 and a 2% increase in 2015. The increase would be split between the employer and employee. It was noted that many ideas had merit, however, at this time to introduce other retirement bills during the session might detract from the recovery plan.

Mr. Collins also reviewed with the Board other administrative changes for the retirement and group health plans. The NDPERS Retiree Committee will be meeting and their recommendations will be brought to the March meeting.

**MR. SAGE MOVED THAT STAFF PREPARE LEGISLATION ON THE RECOVERY PLAN FOR EMPLOYER AND EMPLOYEE CONTRIBUTIONS FOR 2014 AND 2015, AND PREPARE LEGISLATION FOR THE ADMINISTRATIVE ISSUES. THE MOTION WAS SECONDED BY MR. ERDMANN.**

**Ayes:** Mr. Sandal, Ms. Ehrhardt, Mr. Erdmann, Mr. Trenbeath, Mr. Sage, and Chairman Strinden

**Nays:** None

**Absent:** Ms. Smith

## **MOTION PASSED**

### **Personnel Policies**

Ms. Allen reported to the Board that as a result of changes approved by the Legislature and incorporated into administrative rules by Human Resources Management Division, NDPERS has updated its Policy Manual. She reviewed the specific updates with the Board.

**MR. TRENBEATH MOVED APPROVAL OF THE PROPOSED CHANGES TO THE NDPERS PERSONNEL POLICIES. THE MOTION WAS SECONDED BY MR. SANDAL.**

**Ayes:** Mr. Trenbeath, Mr. Erdmann, Ms. Ehrhardt, Mr. Sandal, and Chairman Strinden

**Nays:** None

**Absent:** Mr. Sage and Ms. Smith

## **MOTION PASSED**

### **Quarterly Consultant Fees**

This information was provided to the Board for their information.

### **Election Committee**

Ms. Allen reported that the term of Board member Mike Sandal expires on June 30, 2012. The Board must appoint a committee of three (one is to be the chairman). Ms. Allen reviewed the election schedule with the Board. Board discussion occurred.

**MR. TRENBEATH MOVED THAT MR. SAGE, MS. SMITH AND MR. ERDMANN SERVE ON THE ELECTION COMMITTEE, WITH MR. ERDMANN DESIGNATED AS CHAIR. THE MOTION WAS SECONDED BY MS. EHRHARDT.**

**Ayes:** Mr. Trenbeath, Mr. Erdmann, Ms. Ehrhardt, Mr. Sandal, and Chairman Strinden

**Nays:** None

**Absent:** Mr. Sage and Ms. Smith

## **MOTION PASSED**

### **Administrative Rules Update**

Mr. Collins reported that the rules were approved as to their legality by the Attorney General and have been submitted to the Legislative Council for finalization.

**2011 Comprehensive Annual Financial Report**

Mr. Collins indicated that this report is available on the NDPERS website and includes good information.

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 11:45 a.m.

Prepared by,

Cheryl Stockert  
Secretary to the Board

# MINUTES

## North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13<sup>th</sup> Ave SW, Fargo

Thursday, March 22, 2012

8:30 A.M.

Members Present: Mr. Levi Erdmann  
Ms. Joan Ehrhardt  
Mr. Howard Sage  
Mr. Mike Sandal  
Ms. Arvy Smith  
Mr. Thomas Trenbeath

Via Videoconference: Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS  
Ms. Cheryl Stockert, NDPERS  
Ms. Sharon Schiermeister, NDPERS  
Ms. Deb Knudsen, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Ms. Rebecca Fricke, NDPERS  
Mr. Srinivas Goluguri, NDPERS  
Ms. Jan Murtha, Attorney General's Office  
Mr. Kevin Schoenborn, BCBSND  
Mr. Michael Potts, BCBSND  
Mr. Michael Carlson, BCBSND  
Mr. Brent Solseng, BCBSND  
Ms. Jodi Crouse, BCBSND  
Ms. Tara Roberts, BCBSND

Via Videoconference: Ms. Onalee Sellheim, BCBSND  
Mr. Jim Wynstra, BCBSND

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

### MINUTES

Chairman Strinden called for any questions or comments regarding the minutes of the February 16, 2012 Board meeting.

**MS. EHRHARDT MOVED APPROVAL OF THE FEBRUARY 16, 2012 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MR. TRENBEATH. THE MINUTES WERE APPROVED.**

## **DEFERRED COMPENSATION AND DEFINED CONTRIBUTION**

### **457 Companion Plan**

Mr. Collins reported to the Board that TIAA-CREF receives 30 basis points (bps) in revenue sharing for recordkeeping functions for the 457 Companion Plan. They will need 23 bps for expenses. They have agreed that the difference of 7 bps can be returned to PERS. Upon review by legal counsel, it was determined that PERS does not have the authority to accept and expend these 7 bps in the 457 plan for administrative expenses. Consequently, the only course of action for these funds is to credit them back to the member accounts. This raises a question in the longer term as to whether or not PERS wants to seek statutory authority to accept the revenue sharing monies for administrative costs. The Board discussed how to disperse and use the 7 bps in the 457 Companion Plan.

**MR. SANDAL MOVED TO AUTHORIZE STAFF TO CREDIT MEMBER ACCOUNTS WITH THE FUNDS FROM TIAA-CREF AND ALSO MOVE FORWARD WITH LEGISLATION THAT WOULD ALLOW PERS TO USE THOSE DOLLARS FOR ADMINISTRATIVE PURPOSES. THE MOTION WAS SECONDED BY MS. SMITH.**

The Board discussed this motion. Staff and Board agreed that, if legislation is passed, the Board would determine how those funds will be used.

**Ayes:** Ms. Ehrhardt, Mr. Erdmann, Mr. Sage, Mr. Sandal, Ms. Smith, Mr. Trenbeath, and Chairman Strinden

**Nays:** None

## **MOTION PASSED**

### **401(a) Defined Contribution Plan**

Mr. Collins reported to the Board that participants in the 401(a) defined contribution plan have historically been charged 6 basis points (bps) for PERS administration which has been taken out quarterly. As with the 457 plan, TIAA-CREF will be receiving 30 bps in revenue sharing and they will need 23 bps, which leaves 7 bps available for administrative fees and/or revenue sharing to the participants. Upon legal review of the statute, the PERS Board has authority to accept this money directly and use it for administrative expenses. Staff suggested to continue charging the 6 bps and to re-evaluate this to determine future charges.

**MR. TRENBEATH MOVED TO DEPOSIT THE 7 BASIS POINTS INTO THE MEMBER ACCOUNTS AND CONTINUE TO CHARGE THE ADMINISTRATIVE FEES IN THE SAME MANNER AS HAS BEEN DONE IN THE PAST. THE MOTION WAS SECONDED BY MR. ERDMANN.**

The Board discussed the motion and concurred there should be communication to the members relating to revenue sharing.

**Ayes:** Mr. Trenbeath, Mr. Sage, Mr. Erdmann, Mr. Sandal, Ms. Smith, Ms. Ehrhardt, and Chairman Strinden

**Nays:** None

## **MOTION PASSED**

### **RETIREMENT AND RETIREE HEALTH INSURANCE CREDIT**

#### **Retiree Health Legislation**

Mr. Collins reported that the PERS Retiree Committee met on February 24 to review information on the PERS programs and discuss possible legislative options. Suggestions from the Committee for the Board's consideration were to move forward with the recovery plan for 2014 and 2015 with a 2% contribution increase each year.

Since retirees have not had increases for many years, the Retiree Committee is also suggesting to allow the retiree health insurance credit (RHIC) to be portable, to be used for any health insurance policy and for PERS group insurance products such as vision, dental and long term care plan premiums. Approximately 55% of the PERS retirees use the credit. Segal provided an assessment of the RHIC fund and the cost of adding this portability to be .18% of payroll which would be the cost of going from 55% utilization of this benefit to possibly 100% utilization. On the last actuarial valuation, it was determined that the required contribution for the benefits is .88%. The contribution to that program today is 1.14%. There is a positive contribution of .26%. Given this, it was determined by the Retiree Committee that an increase in employer contributions would not be necessary.

Mr. Collins reviewed with the Board the pre-Medicare retiree health insurance coverage. This was originally offered because it provided guaranteed health insurance to pre-Medicare retirees at retirement. He explained this program has an implicit subsidy for those pre-Medicare retirees because the statute determines how the rate is set. Employers are required to show this implicit subsidy on their financial statements which is \$52 million on the state's financial statements. The Retiree Committee suggested discontinuing offering pre-Medicare health insurance to retirees when the health exchanges are established. They felt that if the credit was portable they could use it on the exchange to purchase coverage. In addition, retirees may be able to access and receive subsidies on the exchange.

Mr. Collins summarized by stating that the Retiree Committee suggested making the RHIC a portable credit towards any health insurance product and PERS dental, vision, or long term care insurance products, and to discontinue offering pre-Medicare health insurance to retirees contingent on the establishment of the health exchanges. Mr. Collins reviewed with the Board a draft bill which includes these provisions and indicated the draft bill would have to be reviewed and approved by the Legislative Employee Benefits Committee. The Board discussed the draft legislation relating to retirees.

**MR. SAGE MOVED TO DRAFT LEGISLATION WHICH WOULD ALLOW RETIREES TO USE THE RETIREE HEALTH INSURANCE CREDIT FOR ANY HEALTH INSURANCE PRODUCT, FOR PERS DENTAL, VISION AND LONG TERM CARE INSURANCES AND TO DISCONTINUE OFFERING PRE-MEDICARE HEALTH INSURANCE TO RETIREES CONTINGENT ON THE ESTABLISHMENT OF THE HEALTH EXCHANGES. THE MOTION WAS SECONDED BY MS. EHRHARDT.**

The Board discussed this motion.

**Ayes:** Ms. Smith, Mr. Sage, Mr. Erdmann, Mr. Trenbeath, Ms. Ehrhardt, Mr. Sandal, and Chairman Strinden

**Nays:** None

**MOTION PASSED**

**Retirement Legislation**

Mr. Collins reviewed with the Board the draft of the legislation for the retirement plans. The first bill draft is for the last two years of the recovery plan for 2014 and 2015 with the 50% employee and 50% employer contribution. The second bill draft is the PERS administrative bill.

**MR. TRENBEATH MOVED APPROVAL OF THE TWO BILL DRAFTS RELATING TO THE TWO YEAR RECOVERY PLAN FOR THE RETIREMENT PLANS AND THE PERS ADMINISTRATIVE BILL. THE MOTION WAS SECONDED BY MR. ERDMANN.**

**Ayes:** Mr. Sandal, Ms. Ehrhardt, Ms. Smith, Mr. Erdmann, Mr. Trenbeath, and Chairman Strinden

**Nays:** None

**Absent:** Mr. Sage

**MOTION PASSED**

**GROUP INSURANCE**

### **BCBS Annual Report**

Mr. Schoenborn introduced BCBS consulting and wellness staff that were available to review the annual report with the Board. Mr. Potts began by reviewing the annual report of the PERS health plan. He indicated they have been developing analytical capabilities to answer challenging questions posed by PERS. He explained that the consultative process is a 4-step approach – assessing population health needs and health culture, developing annual program and incentive plan, implementing the plan and educating employees, and monitoring performance periodically.

Mr. Wynstra reviewed the annual trend data which compared the most recent biennium with the prior two bienniums. There is currently a 9.8% trend for the actives which is fairly high. It is not expected to continue as there is currently a higher volume of inpatient claims and we are into month five of a twenty four month biennium. The trend for the Medicare retirees is 1.1%. He reviewed the year to date incurred claims per contract and claims trending.

Ms. Crouse reviewed information on utilization in the PERS plan among the actives broken down by state and political subdivision, early retirees and Medicare retirees. Also reviewed was average age of the active and retiree members; paid per member per month (comparison of PERS to BCBS Plan); membership information; high dollar case information; newborn information; prescription information. Ms. Crouse noted the performance guarantee indicates BCBS will maintain a PPO network consisting of 90% or more and this is above goal at 99.6%. There was further discussion on the Prenatal Plus program and promoting it to expectant mothers.

Mr. Solseng reviewed information relating to pharmacy utilization which included the Prime Select Network; competitive pricing, Triessent Specialty Drug Program; and future strategy opportunities. Future strategies align with pharmacy and claims data. In 2012 there will be work on quality improvement programs for hypertension, coronary arterial disease, colorectal screens, optimal diabetes care, optimal vascular care, cholesterol and tobacco cessation. BCBS goal is to have 75% of all members to have controlled blood pressures. Mr. Solseng reviewed information on the MediQHome program, specifically efforts relating to hypertension. He also reviewed the medication therapy management program and PrimeMail mail-service pharmacy service. The Board had questions of Mr. Solseng.

Mr. Carlson reviewed PERS health management information which included cancer screening measures (compliance rate); MediQHome (members with chronic conditions); and Accordant Care.

Ms. Roberts presented information relating to the wellness programs. MyHealthCenter program participation had a record high participation at 16.9% with the health risk appraisals completed. The NDPERS health score card showed that many health management metrics were met for the performance guarantees.

Mr. Schoenborn summarized information relating to the performance standards and guarantees for cost management, health outcomes, operational performance and provider network management. Goals have been set for 2011 so there will be a percent increase moving forward.

Mr. Carlson continued with reviewing the 2011 key findings and solutions to the PERS plan. Recommendations for optimal health management included: execute strategic campaign to engage PERS membership in tools that encourage healthy behavior for prevention (wellness, HealthyBlue); proactive outreach for the enhanced prenatal plus program and member advocacy program; develop a campaign to increase awareness and engagement in MediQHome; utilize integrated medical and pharmacy data to identify gaps in medical care and improve medication adherence through outreach programs; and promote continued Accordant engagement for rare and complex conditions. The Board discussed these key findings and specific recommendations to be used for future planning.

### **Health Graphs**

Mr. Reinhardt shared information with the Board relating to PERS health plan per member per month (per capita) information for the last two years of data (ending September 2011). The overall group's costs went from \$250 to about \$285 which is about 14% increase for the two year period.

### **Dental Plan Consulting Services Request for Proposal**

Mr. Collins reported that PERS received two proposals to the recent request for proposal to provide consulting services for group dental plan. Based on staff review, Segal scored the highest with 92.67 points.

**MR. SANDAL MOVED TO AWARD THE GROUP DENTAL PLAN CONSULTING SERVICES CONTRACT TO SEGAL. THE MOTION WAS SECONDED BY MS. EHRHARDT.**

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

**Nays:** None

**Absent:** Mr. Trenbeath

**MOTION PASSED**

Mr. Collins reported that legal counsel is working with Segal on their noted exceptions to the agreement. If there are significant changes, this will be brought back to the Board for review and approval.

**Legislation**

Mr. Collins shared the first draft of the health legislation with the Board. The changes relate to the high deductible health insurance plan being offered to political subdivisions which will allow them to contract directly for their health savings account and the shared responsibility rules of the Affordable Care Act.

**MS. SMITH MOVED APPROVAL OF THE DRAFT GROUP INSURANCE LEGISLATION. THE MOTION WAS SECONDED BY MS. EHRHARDT.**

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

**Nays:** None

**Absent:** Mr. Trenbeath

**MOTION PASSED**

**MISCELLANEOUS**

**PERSLink**

Ms. Schiermeister reported to the Board that Member Self Service (MSS) is a component of the PERSLink project. She indicated that PERS had a usability consulting firm review MSS and it was recommended to change the self service screens. The redesign for the retiree MSS was completed and rolled out in January 2012 with the redesign for the active MSS is in progress and is planned to be implemented in June 2012. She explained the features of MSS and what employees will be able to view, enroll in, and update. Information was presented at the NDPERS Benefits Committee meeting where potential challenges were identified. PERS will continue to rely on the assistance of agency payroll staff to work with members.

In recognition of the above, staff recommended the following MSS implementation process: (1) require all newly hired employees to enroll in their benefits using MSS (unless granted a waiver); (2) encourage existing employees to use MSS for benefit enrollments and changes, but give them the option to continue to use paper. Goal will be to require all employees to use MSS within two years of implementation; and (3) encourage employees to use MSS for 2013 annual enrollment, but give them the option to continue to use paper. Goal will be to require employees to use MSS for 2014 annual enrollment. The Board discussed these options.

**MS. SMITH MOVED TO ADOPT THE IMPLEMENTATION POLICY FOR ACTIVE MEMBERS BASED ON STAFF RECOMMENDATION. THE MOTION WAS SECONDED BY MS. EHRHARDT.**

The Board discussed the implementation policy.

**Ayes:** Ms. Ehrhardt, Mr. Sage, Mr. Erdmann, Mr. Sandal, and Ms. Smith

**Nays:** None

**Absent:** Mr. Trenbeath and Chairman Strinden

**MOTION PASSED**

**PERS Audit Committee Minutes**

Mr. Collins shared the approved November 30, 2011 Audit Committee minutes with the Board.

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 12:05 p.m.

Prepared by,

Cheryl Stockert  
Secretary to the Board

# MINUTES

## North Dakota Public Employees Retirement System

Bank of North Dakota, Bismarck

BCBS, 4510 13<sup>th</sup> Ave SW, Fargo

Thursday, April 19, 2012

8:30 A.M.

Members Present: Mr. Levi Erdmann  
Ms. Joan Ehrhardt  
Mr. Howard Sage  
Mr. Mike Sandal  
Ms. Arvy Smith  
Mr. Thomas Trenbeath

Via Videoconference: Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS  
Ms. Cheryl Stockert, NDPERS  
Ms. Deb Knudsen, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Ms. Jan Murtha, Attorney General's Office  
Mr. Kevin Schoenborn, BCBSND  
Mr. Gene Schmidt, SIA  
Ms. Pamela Schmidt, SIA  
Ms. Michelle Walker, ND Department of Health  
Mr. Casey Martin, Prime Therapeutics/BCBS  
Mr. Bill Karolski, Prime Therapeutics/BCBS  
Mr. Bill Kalanek, AFPE

Via Videoconference: Ms. Onalee Sellheim, BCBSND  
Mr. Jim Wynstra, BCBSND  
Ms. Jodi Crouse, BCBSND  
Mr. Michael Potts, BCBSND  
Mr. Brent Solseng, BCBSND  
Ms. Peg Dickelman, NISI

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

### MINUTES

Chairman Strinden called for any questions or comments regarding the minutes of the March 22, 2012 Board meeting.

**MR. TRENBEATH MOVED APPROVAL OF THE MARCH 22, 2012 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MS. EHRHARDT. THE MINUTES WERE APPROVED.**

**LONG TERM CARE INSURANCE PRESENTATION**

Mr. Collins reported that the long term care insurance bid will be done this year. PERS received notification from UNUM they will be ending new group long term care insurance contracts. He introduced Mr. Gene Schmidt and Ms. Pamela Schmidt of Schmidt Insurance Agency Companies. Since 1979, they have built companies devoted solely to long term care insurance.

The Schmidt's presented an overview and history of long term care insurance since 1977. Because nursing home care was ever evolving, the insurance industry had to keep up so benefits were expanded, prices went up, and most people wanted to buy lifetime coverage. Policies continue to be adapted by the industry since the need has never been greater. Ms. Schmidt provided further information relating to the cost of care, the personal impact of long term care expenses, Medicaid budgets, health qualification issues, the partnership program and the impact on business. In addition, she reviewed information with the Board relating to considerations in developing a request for proposal for a group long term care insurance product.

**DEFERRED COMPENSATION**

**457 Companion Plan and 401(a) Plan Share Class Change**

Mr. Reinhardt reviewed a proposal from TIAA-CREF relating to the Vanguard Total International Stock Index Fund. Vanguard is allowing NDPERS to move the share class for this fund which will result in a lower fund fee of 20 basis points versus 26 basis points. This fund is in both the 401(a) defined contribution plan and the deferred compensation 457 Companion Plan. The Board discussed this change.

**MR. ERDMANN MOVED TO APPROVE THE CHANGE TO THE VANGUARD INDEX FUND. THE MOTION WAS SECONDED BY MR. SAGE.**

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

**Nays:** None

**Absent:** Mr. Trenbeath

**MOTION PASSED**

**Hartford**

Mr. Collins reviewed with the Board information from industry publications regarding Hartford's intent to sell their retirement business within the next twelve months, although PERS has not received any official notice on this action. Hartford is the second largest

provider in the PERS 457 Companion Plan. Mr. Collins recommended that we send a letter to Hartford requesting a response before the next meeting regarding Hartford's plan to sell its retirement plan business. In addition, Mr. Collins suggested having legal counsel review the current contract with Hartford. Finally, he suggested that PERS have Segal Advisors assist with professional advice since they are familiar with the NDPERS deferred compensation program as a result of their recent work on developing the request for proposal for the Companion Plan. The Board discussed this issue.

**MR. SANDAL MOVED APPROVAL FOR PERS TO SEND A LETTER TO HARTFORD, HAVE LEGAL COUNSEL REVIEW THE HARTFORD CONTRACT, AND HAVE SEGAL ASSIST WITH PROFESSIONAL ADVICE . THE MOTION WAS SECONDED BY MS. EHRHARDT.**

**Ayes:** Ms. Smith, Mr. Erdmann, Mr. Sandal, Mr. Trenbeath, Ms. Ehrhardt, Mr. Sage, and Chairman Strinden

**Nays:** None

**MOTION PASSED**

### **RETIREMENT**

#### **Segal Contract**

Mr. Collins indicated to the Board that at the February meeting it was decided to renew the PERS contract for actuarial/technical assistance for the retirement plan with Segal for two years. After legal counsel review, it was determined that a new contract should be executed not just a contract extension.

**MS. EHRHARDT MOVED APPROVAL OF THE SEGAL CONTRACT FOR TWO YEARS BEGINNING JULY 1, 2012, WITH PRIOR APPROVAL BY THE BOARD FOR THE SECOND YEAR STARTING JULY 1, 2013. THE MOTION WAS SECONDED BY MS. SMITH.**

**Ayes:** Ms. Sage, Ms. Smith, Ms. Ehrhardt, Mr. Sandal, Mr. Erdmann, Mr. Trenbeath, and Chairman Strinden

**Nays:** None

**MOTION PASSED**

### **GROUP INSURANCE**

#### **Rx Program Update**

Mr. Collins introduced BCBS and Prime Therapeutics. He mentioned that they will be reviewing the RX program with the Board and offering certain recommendations .

Mr. Martin and Mr. Karolski, Prime Therapeutics, reviewed the pharmacy performance, recommended approaches and opportunities with the Board. Pharmacy program savings were in excess of \$2.7 million. Information reviewed included: results from the 2011 pharmacy network enhancement; generic usage, pricing and savings in 2011; specialty drug management, the Prime Specialty Pharmacy program, benefit design recommendations; utilization management savings opportunities and PrimeMail recommendations for PERS. Mr. Martin and Mr. Karolski presented options for plan design changes. They recommended simplifying the current plan design by proposing a flat generic copay of \$10 instead of the \$5 plus 15%. Other recommendations included increasing the copay for the brand formulary and brand non-formulary by \$5. These recommended changes could result in potential savings and would not affect the grandfathered status of the plan. The Board had questions relating to the information and had concerns regarding the recommendations and what the effect would be on the use of generics. Prime Therapeutics will conduct a claims analysis and share this information with the Board. Mr. Collins added that this will be referred to the PERS Benefits Subcommittee to review.

### **Trend Report**

Mr. Wynstra reviewed with the Board trend data for claims paid through March 31, 2012. He reviewed trend analysis on the twelve-month moving average which compared PERS actives to the BCBS plan as well as an analysis of the trend with and without claims above \$50,000. The Board discussed these reports with BCBS staff.

### **BCBS Annual Claims Review**

Mr. Reinhardt reviewed the results of the 2011 BCBS claims review with the Board. This review is done yearly where 100 claims are reviewed. There were three findings which will be addressed by BCBS. The Board had questions relating to this review.

### **Special Dependent Enrollment**

Mr. Collins provided the Board an update. The special dependent enrollment in the health plan will be conducted from May 21 through June 22 with an effective date of July 1, 2012 for eligible dependents.

### **Tobacco Cessation Program Data**

Ms. Walker, Tobacco Program Director with the ND Department of Health, presented information regarding the statewide program including: how smoking affects medical costs, success rates, health improvement when smoking ceases, and cost/benefit analysis. Staff asked about new approaches to tobacco cessation and Ms. Walker indicated QuitNet, an online program, was added. The Board had questions relating to this program.

## **MISCELLANEOUS**

### **Legislation**

Mr. Collins included information regarding the four bills that were submitted to the Legislative Council as approved at the March meeting. The Legislative Employee Benefits Committee will be meeting in the near future (possibly in May) and Mr. Collins indicated he was not aware of any other bills relating to benefits that had been submitted.

### **Quarterly Consultant Fees**

The report showing consulting, investment and administrative fees paid through March 31, 2012 was shared with the Board.

### **Other**

Mr. Collins shared a memo from Deloitte which included time frames for the health insurance plan request for proposal.

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

Prepared by,

Cheryl Stockert  
Secretary to the Board

# MINUTES

## North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13<sup>th</sup> Ave SW, Fargo

Thursday, May 17, 2012

8:30 A.M.

Members Present:

Mr. Levi Erdmann  
Ms. Joan Ehrhardt  
Mr. Howard Sage  
Mr. Mike Sandal  
Ms. Arvy Smith  
Mr. Thomas Trenbeath

Via Videoconference:

Chairman Jon Strinden

Others Present:

Mr. Sparb Collins, NDPERS  
Ms. Cheryl Stockert, NDPERS  
Ms. Sharon Schiermeister, NDPERS  
Ms. Kathy Allen, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Mr. Srinivas Goluguri, NDPERS  
Ms. Jan Murtha, Attorney General's Office  
Mr. Roderick Crane, TIAA-CREF  
Mr. Pat Pechacek, Deloitte  
Mr. Steve J. Kraus, Deloitte  
Mr. Kevin Schoenborn, BCBSND

Via Videoconference:

Ms. Tara Roberts, BCBSND  
Ms. Onalee Sellheim, BCBSND  
Mr. Jim Wynstra, BCBSND  
Ms. Jodi Crouse, BCBSND  
Mr. Brent Solseng, BCBSND  
Ms. Peg Dickelman, Noridian Insurance Services

Via Teleconference:

Mr. Casey Martin, Prime Therapeutics

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

### MINUTES

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

**MR. TRENBEATH MOVED APPROVAL OF THE APRIL 19, 2012 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MS. SMITH. THE MINUTES WERE APPROVED.**

**DEFERRED COMPENSATION/DEFINED CONTRIBUTION**

**TIAA-CREF Update**

Mr. Collins reviewed the Registered Investment Advisors (RIA) program with the Board. This option can provide employees with the choice to work with their local advisors and is similar to the broker network program with Hartford. Mr. Collins indicated we are looking for Board authorization for PERS to proceed to develop an implementation plan for this program should it be considered.

Mr. Crane, TIAA-CREF, presented the benefits of the RIA program and explained the various ways the RIA service can be structured. An RIA acts as a fiduciary for the exclusive interests and benefit of the participants. He explained the qualifications of the RIA, that they must be registered with the SEC or state securities regulatory agency if the advisor is exempt from the SEC registration requirements. Mr. Crane provided information on the North Dakota requirements as provided by the North America Securities Administration Association. He explained that participants can continue to work with the TIAA-CREF representatives for no additional fees as they are currently doing.

The Board had questions on this option relating to cost, quality of service and value of this service. Mr. Crane further explained the pro's and con's of this option. The Board discussed the due diligence that would be placed on the Board and staff to monitor the RIA's. Mr. Crane explained that a position could be taken to require the TIAA-CREF RIA's to indemnify themselves to the participants. Mr. Collins indicated that currently PERS has numerous independent agents/investment advisors for other deferred compensation product lines and that many participants are comfortable with having an agent to advise them on investments. Mr. Crane informed the Board that TIAA-CREF would handle the relationships with the RIA's to set them up on the network and billing system as well as reporting back to PERS.

**MR. SANDAL MOVED TO AUTHORIZE STAFF TO CONTINUE WITH THE IMPLEMENTATION PLAN TO OFFER THE REGISTERED INVESTMENT ADVISORS OPTION WITH TIAA-CREF, WITH FINAL APPROVAL BY THE BOARD PRIOR TO IMPLEMENTATION. THE MOTION WAS SECONDED BY MR. ERDMANN.**

**Ayes:** Mr. Trenbeath, Ms. Smith, Mr. Sandal, Mr. Sage, Mr. Erdmann, Ms. Ehrhardt, and Chairman Strinden

**Nays:** None

**MOTION PASSED**

### **Hartford Update**

Mr. Collins reported that at the last meeting it was shared that staff had become aware through publications that Hartford was selling its retirement line of business. Based on Board action, a letter was sent to Hartford requesting clarification. Information in the Board book included the letter that was sent with their response confirming they are selling their retirement business. Legal Counsel reviewed our existing contract with Hartford and provided information to the Board. Mr. Collins indicated Segal Advisors was contacted and is available to provide assistance to NDPERS.

Mr. Collins offered three recommended actions to be considered. First, staff should write to Hartford thanking them for the letter, but advise them that when they sell this business, that the Hartford product with PERS doesn't necessarily automatically transfer to the next company. The new company is going to have to sign agreements with PERS. In addition, the letter should advise Hartford that it would be PERS position that since they are selling this line of business, from our perspective it means they are leaving our plan, therefore, our members should have the opportunity to transfer with no exit penalties. He reported we would have them respond by the next Board meeting. Second, now that it has been confirmed through the letter that they are going to sell this line of business, we would send a letter to our members with this information. Third, since most members work with a provider representative, we would also send them a letter notifying them of Hartford's plan.

Ms. Murtha reviewed with the Board statutory sections, administrative rules, and Agreement provisions relating to options available to the Board under the Agreement in the event Hartford fails to meet various responsibilities. The Board had questions of Ms. Murtha.

**MR. SANDAL MOVED THAT STAFF PROCEED WITH THE LETTER TO HARTFORD, THE MEMBER NOTIFICATION, AND THE PROVIDER NOTIFICATION. THE MOTION WAS SECONDED BY MR. TRENBEATH.**

The Board has further questions relating to these notifications which were discussed with Legal Counsel.

**Ayes:** Mr. Sage, Mr. Erdmann, Mr. Sandal, Ms. Ehrhardt, Ms. Smith, Mr. Trenbeath and Chairman Strinden

**Nays:** None

**MOTION PASSED**

## **GROUP INSURANCE**

### **Health Insurance RFP**

Mr. Pechacek, Deloitte, presented an overview of the highlights of the group health insurance request for proposal (RFP). He indicated that based on the decision from the Board, it was decided to go to bid for two years for fully insured only with a single vendor. The reason for this approach was because of the uncertainty in the health care market as a result of health care reform. The health bid requests the cost of renewing PERS existing plans which include the grandfathered plan, the non-grandfathered plan, the HDHP/HSA plan and the retiree plans. Proposers are asked to price a range of alternative plan design/scope of benefits so the Governor's Office and the Legislature can see the effects that various levels of funding have on the benefits. Mr. Pechacek indicated the RFP will be released on Friday, May 25. The Board had questions relating to the health insurance RFP.

Mr. Collins indicated that the RFP provides for continuing the PERS wellness programs. He reviewed the changes with the Board relating to increases in the deductibles, coinsurance maximums, office visit copay, and prescription copays and coinsurance. Staff will obtain information on the costs to cover colonoscopy as well as contraceptives pursuant to national standards. The Board further discussed the health insurance plan design options. The Board concurred to include more options for the formulary generic copay.

**MS. SMITH MOVED APPROVAL TO PROCEED WITH THE GROUP HEALTH INSURANCE REQUEST FOR PROPOSAL. THE MOTION WAS SECONDED BY MR. SAGE.**

**Ayes:** Mr. Erdmann, Mr. Sandal, Mr. Sage, Mr. Trenbeath, Ms. Smith, and Chairman Strinden

**Nays:** None

**Absent:** Ms. Ehrhardt

## **MOTION PASSED**

### **Health Care Exchanges**

Mr. Collins introduced Mr. Kraus with Deloitte who presented information relating to the health care reform including the public health care exchanges. Mr. Kraus indicated that all states will have an exchange available by January 1, 2014. He presented the Board with information relating to activity as of March 1, 2012 on development of state exchanges. Mr. Kraus reviewed information relating to health insurance exchanges that included: What's in the law (the state and federal roles, and coordination with Medicaid); Program structure; Tax credits and cost sharing; Coordination with many stakeholders; the four potential exchange models (Retail Clearinghouse Exchange, Market Curator, Information Aggregator, and Guided Exchange for Active Purchaser); and explanation of private exchanges. The Board had questions relating to this information.

### **Quarterly Executive Summary**

Mr. Schoenborn, BCBSND, reported to the Board that staff from BCBS will be reviewing the Quarterly Executive Summary, first quarter of 2012. Mr. Wynstra reviewed the financial/trend analysis with the Board. The twelve month moving average trend is down and he indicated this will probably continue. He reviewed the incurred claims for actives and Medicare retirees paid through April 30, 2012.

Ms. Crouse reviewed the following with the Board: membership and health utilization; claims paid per member per month; claim type paid per member per month; high dollar cases; and prescription drug analysis. Ms. Crouse reviewed the performance standards and guarantees which analyzed the measures to be achieved to date. Measures include cost management, health outcome, operational performance, and provider network management.

Ms. Roberts presented an overview of the wellness programs including: HealthyBlue, Health Club Credit, member engagement and education program participation. Also presented was information relating to completed and ongoing activities, cost savings opportunities as well as future considerations. The Board had questions relating to this report.

### **Rx Update**

Mr. Collins reported that included in the Board book was information provided in follow-up to questions at the last meeting. Prime Therapeutics shared thoughts on possible plan design changes for generic drugs. Mr. Martin, Prime Therapeutics, indicated that at the last Board meeting it was proposed to increase the copay for generics to \$10. After discussion with the Board, it was decided to look at another incremental cost increase (possibly \$7.50) for generics. The Board concurred.

### **Dental RFP**

Ms. Allen reviewed the final draft of the group voluntary dental request for proposal (RFP) with the Board. Segal has been working with staff in developing this RFP. If approved, the RFP will be released on May 22, 2012.

**MR. ERDMANN MOVED APPROVAL TO PROCEED WITH THE GROUP VOLUNTARY DENTAL REQUEST FOR PROPOSAL. THE MOTION WAS SECONDED BY MR. TRENBEATH.**

**Ayes:** Mr. Sandal, Mr. Trenbeath, Mr. Erdmann, Ms. Smith, Mr. Sage, and Chairman Strinden

**Nays:** None

**Absent:** Ms. Ehrhardt

**MOTION PASSED**

## **FLEX COMP**

### **Flex Comp Program**

Mr. Collins reported that currently PERS is using PeopleSoft for claims processing and reimbursement of flex comp claims. Since the January planning meeting, staff has been obtaining information on outsourcing the flex comp claims processing and payment. Staff has also reviewed the PeopleSoft system with ITD and is awaiting further information. Mr. Collins noted that if PERS was to outsource this service, it would need to have the appropriation authority to pay for the service starting in the next biennium. It was suggested that PERS seek to amend our administrative bill to provide a continuing appropriation to pay the cost of outsourcing this service. The Board discussed the option.

**MR. TRENBEATH MOVED APPROVAL TO SEEK A CONTINUING APPROPRIATION FOR OUTSOURCING OF THE FLEX COMP CLAIMS PROCESSING IN THE PERS ADMINISTRATIVE BILL. THE MOTION WAS SECONDED BY MS. SMITH.**

**Ayes:** Mr. Erdmann, Mr. Trenbeath, Ms. Smith, Mr. Sandal, Mr. Sage, and Chairman Strinden

**Nays:** None

**Absent:** Ms. Ehrhardt

**MOTION PASSED**

## **MISCELLANEOUS**

### **PERS Budget**

Ms. Schiermeister provided the Board with an update on the current biennium budget as well as sought direction for preparation of the 2013-15 biennium budget. Based on current projections, Ms. Schiermeister reported that a line item transfer is not anticipated. She reported that as a result of the Hay Group changes to the state salary ranges, fourteen PERS staff were moved up to the minimum of their ranges which has been accommodated within the current budget; however, it has created equity issues. In order to address this, staff recommended developing an optional salary equity package to be included in the 2013-15 budget request. The Board had questions relating to the budgets.

**MR. SANDAL MOVED TO AUTHORIZE STAFF TO PROVIDE THE OPTIONAL SALARY EQUITY PACKAGE TO BE INCLUDED IN THE 2013-2015 BUDGET REQUEST. THE MOTION WAS SECONDED BY MS. SMITH.**

**Ayes:** Mr. Sage, Mr. Trenbeath, Ms. Smith, Mr. Erdmann, Mr. Sandal, and Chairman Strinden

**Nays:** None

**Absent:** Ms. Ehrhardt

**MOTION PASSED**

### **Board Election Update**

Ms. Allen provided an election update to the Board. There is one nominee for the active vacancy on the PERS Board and it is Mr. Mike Sandal with the Department of Transportation. Ballots are scheduled to be sent to membership on May 29 with the final election results coming to the full PERS Board at the June meeting.

### **Executive Director Evaluation**

Chairman Strinden indicated that it is time to complete the yearly evaluation of the Executive Director. Mr. Sage, Ms. Smith, and Chairman Strinden volunteered to serve on the committee to do the yearly Executive Director evaluation.

### **MR. SANDAL MOVED APPROVAL OF THE EXECUTIVE DIRECTOR EVALUATION COMMITTEE. THE MOTION WAS SECONDED BY MR. TRENBEATH.**

**Ayes:** Ms. Smith, Mr. Trenbeath, Mr. Sage, Mr. Sandal, Mr. Erdmann, and Chairman Strinden

**Nays:** None

**Absent:** Ms. Ehrhardt

### **MOTION PASSED**

Chairman Strinden had to leave the meeting and appointed Mr. Sage acting Chairman. Mr. Sage called for any other business or comments.

The Board discussed the information included in the Board books that had confidential, proprietary, or unauthorized use copying annotations noted on vendor documents. Mr. Collins indicated that PERS Board meetings are open, and as such, all documents presented before the Board are open record. Vendors are advised of this when they submit material that is marked as confidential/proprietary. Legal Counsel indicated that all contracts include a clause that NDPERS is a governmental entity and must comply with the open records and meetings law.

There being no further business, the meeting adjourned at 11:45 a.m.

Prepared by,

Cheryl Stockert  
Secretary to the Board

# MINUTES

## North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13<sup>th</sup> Ave SW, Fargo

Thursday, June 28, 2012

8:30 A.M.

Members Present: Mr. Levi Erdmann  
Mr. Howard Sage  
Mr. Mike Sandal  
Ms. Arvy Smith  
Mr. Thomas Trenbeath

Via Videoconference: Chairman Jon Strinden

Member Absent: Ms. Joan Ehrhardt

Others Present: Mr. Sparb Collins, NDPERS  
Ms. Cheryl Stockert, NDPERS  
Ms. Sharon Schiermeister, NDPERS  
Ms. Kathy Allen, NDPERS  
Ms. Deb Knudsen, NDPERS  
Mr. Rebecca Fricke, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Mr. Srinivas Goluguri, NDPERS  
Mr. Darren Schulz, NDRIO  
Mr. Paul Erlendson, Callan Associates  
Mr. Eugene Podkaminer, Callan Associates  
Mr. Mark Meyer, Van Iwaarden Associates  
Dr. Wendy Brown, Clinical Coordinator, About the Patient  
Mr. Michael Schwab, ND Pharmacy Service Corporation

Via Teleconference: Ms. Jan Murtha, Attorney General's Office

Via Videoconference: Mr. Kevin Schoenborn, BCBSND  
Ms. Tara Roberts, BCBSND  
Ms. Jodi Crouse, BCBSND  
Ms. Onalee Sellheim, BCBSND

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

### MINUTES

Chairman Strinden called for any questions or comments regarding the minutes of the May 17, 2012 Board meeting.

**MR. TRENBEATH MOVED APPROVAL OF THE MAY 17, 2012 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MR. SANDAL. THE MINUTES WERE APPROVED.**

## **RETIREMENT**

### **Job Service Liability Driven Investments**

Mr. Collins reported that at the January Board planning meeting a liability driven investment (LDI) strategy was discussed for the Job Service Retirement plan. The Job Service plan is a closed plan that makes consideration of such a strategy appropriate. In follow-up to that discussion, Mr. Collins indicated representatives from Callan were at the meeting to discuss LDI strategies and its applicability to Job Service. Callan is the Retirement and Investment Office investment consultant.

Mr. Erlendson and Mr. Podkaminer reviewed with the Board the concept of de-risking. He explained that de-risking and LDI help highlight pension risks and encourage the alignment of asset and liability characteristics. LDI can limit the volatility of contributions, expense and funded status (de-risk the plan). He presented information that included an introduction to de-risking, sources of risk for a pension plan, LDI decision factors, current characteristics and potential de-risking impacts, and de-risking considerations. The Job Service pension plan is currently in surplus and funded at 109%.

The Board discussed this concept and had questions of Callan representatives.

**MR. SAGE MOVED TO SEEK A PROPOSAL FROM CALLAN FOR A LIABILITY DRIVEN INVESTMENT STRATEGY. THE MOTION WAS SECONDED BY MR. TRENBEATH.**

**Ayes:** Mr. Erdmann, Mr. Sage, Mr. Sandal, Ms. Smith, Mr. Trenbeath, and Chairman Strinden

**Nays:** None

**Absent:** Ms. Ehrhardt

## **MOTION PASSED**

### **Disability Consultant Contract**

Ms. Allen reported that the contract with Mid Dakota Clinic for disability consulting services is scheduled to expire June 30, 2012. Mid Dakota has indicated they wish to continue to perform these services for NDPERS at the rate of \$200 per hour for the July 1, 2012 through June 30, 2013 contract period. This is the same hourly rate for the fifth year and staff is satisfied with their services. The Board had questions relating to this service and the renewal.

**MS. SMITH MOVED APPROVAL TO CONTRACT WITH MID DAKOTA CLINIC FOR DISABILITY CONSULTING SERVICES FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2013 PERIOD. THE MOTION WAS SECONDED BY MR. ERDMANN.**

**Ayes:** Mr. Sage, Mr. Trenbeath, Mr. Erdmann, Mr. Sandal, Ms. Smith, and Chairman Strinden

**Nays:** None

**Absent:** Ms. Ehrhardt

**MOTION PASSED**

**Retirement Brochure**

Mr. Collins reviewed with the Board a new section that will be added to the retirement brochure. Information has been added that will clearly advise each new retiree that the NDPERS plan does not have a cost of living provision and inform them of the graduated benefit option. The Board discussed this information and suggested eliminating the deferred compensation plan information from this section and clarifying other information.

**Federal Regulation Update**

Mr. Collins gave an update to the Board relating to the new federal regulations concerning the definition of normal retirement date. The deadline for these regulations was extended. No changes are necessary for the NDPERS plans at this time.

**GROUP INSURANCE**

**OPEB Valuation**

Mr. Collins reported that Mr. Meyer with Van Iwaarden was at the meeting to review the draft of the Other Post Employment Benefits (OPEB) Valuation they recently completed and to request an additional payment.

Mr. Meyer presented an overview of the July 1, 2011 Actuarial Valuations of the Retiree Health Plans (OPEB). This is the third valuation that has been completed - one was done in 2007 and another in 2011. Specifically, this study determined the implicit subsidy associated with pre-Medicare retirees' participation in the health plan. Mr. Collins reported that there is proposed legislation to make the retiree health insurance credit portable and to eliminate the pre-Medicare health plan because those individuals can go to the health care exchanges. If that bill would pass, the implicit subsidy identified in this report would go away. The Board had questions relating to this valuation study.

Mr. Collins reviewed Mr. Meyer's June 15, 2012 letter with the Board which requested additional out of scope time charges in the amount of \$1,200 to complete the GASB 45 (OPEB) actuarial analysis. The original contract was for a not to exceed fee of \$8,900. NDPERS had changed their data systems and the files were significantly different resulting in additional time spent reviewing data files, compiling and cross-referencing and analyzing for errors. Mr. Meyers added that his staff kept detailed records and accounted

for the additional time accurately and it was truly unexpected work out of the original scope of the contract. The Board had questions of Mr. Meyer and discussed this request.

**MR. ERDMANN MOVED APPROVAL OF THE ADDITIONAL FEES OF \$1,200, WITH LEGAL COUNSEL DETERMINATION OF THE NEED FOR A CONTRACT AMENDMENT. THE MOTION WAS SECONDED BY MR. SAGE.**

The Board further discussed this motion.

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

**Nays:** Mr. Sandal

**Absent:** Ms. Ehrhardt

**MOTION PASSED**

**Diabetes Program Update**

Mr. Collins introduced Dr. Wendy Brown who is the clinical coordinator of the About the Patient Diabetes Management Program. Dr. Brown provided the Board with an update on the status of the program which included information on how the program was performing over this past year. She provided demographic data as well as intervention information and patient satisfaction survey results for the program. She also reported that she will be promoting enrollment by working with individual pharmacies to inform them of the eligible participants that regularly use their pharmacy. Staff indicated there are approximately 30 new members receiving the information packet each month. Dr. Brown shared ideas with the Board regarding how to get more participation in this program. The Board had questions of Dr. Brown and staff.

**Wellness Program Update**

Ms. Fricke provided the Board with an update on the Employer Based Wellness Program renewals for the plan year July 1, 2012 through June 30, 2013. There are a total of 194 out of 285 employers electing to participate in the wellness program which is 68%. However, 97% of employees covered on the insurance plan are working for employers that are offering wellness programs and activities to their employees. The Board had questions relating to how to get those employers not participating to participate in the program. Ms. Fricke indicated some of the very small employers have determined they do not have the staff time to put into the program, even for the 1% health insurance premium discount.

Ms. Fricke reported that in follow-up to the January planning meeting, the Lt. Governor has agreed to be part of promoting the NDPERS Wellness Program. Ms. Roberts provided information on the efforts by Lt. Governor Wrigley which included various communications and webinars.

### **Dental RFP Considerations**

Mr. Collins reported that the request for proposals were issued for the group dental insurance plan and nine proposals were received. Mr. Collins indicated there were questions that had come up regarding compensation sources received by Segal for assistance to NDPERS in placement of voluntary dental program. Segal confirmed in a June 22, 2012 letter to NDPERS that they have a long-standing corporate policy precluding them from accepting contingent commissions, broker bonuses and other incentive payments based on volume of business placed with a specific insurance provider.

Mr. Collins also reported to the Board that staff received an email from a vendor who was asking for an extension to submit a response for the RFP. Staff verified that it was documented in both the RFP and Questions and Answers that the date and time was included. Also, a North Dakota broker had requested an extension, but no further information has been received. The Board discussed and concurred that the RFP schedule as posted would be adhered to.

Mr. Collins reported that the group health insurance RFP was issued. We have received many questions from a couple of vendors and the answers are posted. More information will be available at the August Board meeting.

### **Special Dependent Enrollment Update**

Ms. Allen reported that a special dependent enrollment was conducted to enroll those adult children up to age 26 who are eligible regardless of whether the individual has or is eligible for other employer-sponsored coverage. There was a total of 212 dependents who were enrolled.

## **DEFERRED COMPENSATION**

### **Quarterly Investment Report**

Mr. Reinhardt presented the first quarter 2012 investment report for the 401(a) and 457 Companion Plan. Assets in the 401(a) plan increased to \$23 million and the assets in the 457 Companion Plan increased to \$40.3 million with the number of participants increasing to 3,745.

The NDPERS Investment Subcommittee met and reviewed the first quarter market overview with TIAA-CREF and marked the Nuveen Tradewinds Value fund (NVORX) as underperforming for the first quarter. It is the recommendation of the Subcommittee to put the Nuveen Tradewinds Value fund on formal fund review and close it to new participants. However, it was noted that the fund could not be closed to just new participants and therefore, the motion was to put them on formal fund review.

The Subcommittee also reviewed the money market options for the plans and recommended adding the Vanguard Prime Money Market Fund to the 457 Companion

Plan and 401(a) plan core investment options. The Statement of Investment Policies would be updated with these fund/benchmark changes.

**MR. ERDMANN MOVED APPROVAL TO PUT NUVEEN TRADEWINDS VALUE FUND ON FORMAL FUND REVIEW AND NOTIFY PARTICIPANTS OF THIS ACTION. THE MOTION WAS SECONDED BY MR. SAGE.**

The Board discussed the motion, specifically what information should be included in the notification to participants.

**Ayes:** Ms. Smith, Mr. Sage, Mr. Erdmann, Mr. Trenbeath, Mr. Sandal, and Chairman Strinden

**Nays:** None

**Absent:** Ms. Ehrhardt

**MOTION PASSED**

**MR. SAGE MOVED APPROVAL TO ADD VANGUARD PRIME MONEY MARKET FUND TO THE 457 COMPANION PLAN AND 401(a) PLAN CORE INVESTMENT OPTIONS AND TO APPROVE THE 457 COMPANION PLAN AND 401(a) DEFINED CONTRIBUTION PLAN STATEMENT OF INVESTMENT POLICIES WITH THE FUND/BENCHMARK CHANGES. THE MOTION WAS SECONDED BY MR. SANDAL.**

**Ayes:** Mr. Sandal, Ms. Smith, Mr. Trenbeath, Mr. Sage, Mr. Erdmann, and Chairman Strinden

**Nays:** None

**Absent:** Ms. Ehrhardt

**MOTION PASSED**

### **Hartford Update**

Mr. Collins shared with the Board the letters that were sent to Hartford after the last meeting. He reported NDPERS had not received a response to the last letter dated May 23 and he sent them a reminder letter on June 19, with no response received. Legal Counsel will send them a letter requesting a response.

### **MISCELLANEOUS**

#### **NDPERS 2013-2015 Budget**

Ms. Schiermeister reviewed the base budget request with the Board. NDPERS has been asked by the Governor and OMB to examine the level of spending to ensure the most efficient operation and effective use of resources. The budget request is for \$7.2 million which is a 4.68% increase over a hold even budget amount. She covered specific details on the budget request.

**MR. TRENBEATH MOVED APPROVAL OF THE 2013-2015 NDPERS BASE BUDGET. THE MOTION WAS SECONDED BY MS. SMITH.**

**Ayes:** Mr. Erdmann, Mr. Sage, Mr. Sandal, Ms. Smith, Mr. Trenbeath, and Chairman Strinden

**Nays:** None

**Absent:** Ms. Ehrhardt

**MOTION PASSED**

Mr. Collins indicated that the Hay Group study recommendations adopted by the last legislature for the state's salary system have had a significant effect on PERS. Many staff were below the new ranges and had to be brought up to the minimum. As a result of this change, it has created internal inequities and compression issues. Ms. Schiermeister further explained that we will need \$350,522 which is a 5.08% increase over the hold even budget amount to address these equity issues. The proposed approach was based upon analysis which showed that there are 26 positions whose C-ratio decreased under the new pay ranges. The proposed remedy would return PERS employees to the same point in the new range as they were in the old range. The increases necessary to accomplish this would range anywhere from about 4.5% up to 31%. The Board had questions relating to the optional package. It was brought to staff's attention that the North Dakota Administrative Code limits salary increases to no greater than 20% during the biennium. Ms. Schiermeister indicated if this is the case, then the amount that will be needed would be \$316,831.

**MR. SANDAL MOVED TO APPROVE THE OPTIONAL SALARY PACKAGE UP TO THE LIMITATIONS PRESCRIBED UNDER THE NORTH DAKOTA ADMINISTRATIVE CODE. THE MOTION WAS SECONDED BY MR. SAGE.**

**Ayes:** Mr. Trenbeath, Mr. Sandal, Mr. Sage, Mr. Erdmann, and Chairman Strinden

**Nays:** Ms. Smith

**Absent:** Ms. Ehrhardt

**MOTION PASSED**

**Board Election**

Ms. Allen reported that the Election Committee met on June 18, 2012 to review and validate the results of the election for the active opening on the NDPERS Board. Mr. Erdmann reported that Mr. Mike Sandal has been elected as the active member for the term of July 1, 2012 through June 30, 2017.

**MR. TRENBEATH MOVED APPROVAL OF THE ELECTION RESULTS FOR MR. MIKE SANDAL'S TERM OF JULY 1, 2012 THROUGH JUNE 30, 2017. THE MOTION WAS SECONDED BY MS. SMITH.**

**Ayes:** Ms. Smith, Mr. Erdmann, Mr. Sage, Mr. Trenbeath, Mr. Sandal, and Chairman Strinden

**Nays:** None

**Absent:** Ms. Ehrhardt

### **MOTION PASSED**

Chairman Strinden congratulated Mr. Sandal on his election to the NDPERS Board.

### **Legislative Employee Benefits Committee**

Mr. Collins reported that the Legislative Employee Benefits Committee met on June 7 and NDPERS submitted the four bills. The next step in the process is to forward the bills to the consultants for review. No date has been set for the next meeting.

### **Audit Committee Minutes and Charter Activity Review**

The approved minutes and charter activity review was submitted to the Board for their information.

### **Executive Director Review**

Chairman Strinden reported that all Board members had completed a performance evaluation of Mr. Collins. Based on a favorable performance evaluation, the review committee of Mr. Sage, Ms. Smith, and Chairman Strinden recommended a 3% salary increase effective July 1, 2012. Board discussion occurred.

### **MR. TRENBEATH MOVED TO GRANT MR. COLLINS A SALARY ADJUSTMENT OF 3% EFFECTIVE JULY 1, 2012. THE MOTION WAS SECONDED BY MR. SANDAL.**

**Ayes:** Mr. Trenbeath, Mr. Erdmann, Mr. Sage, Mr. Sandal, Ms. Smith, and Chairman Strinden

**Nays:** None

**Absent:** Ms. Ehrhardt

### **MOTION PASSED**

### **RIO Update**

Mr. Sandal presented an update to the Board regarding recruitment efforts of the Executive Director of the Retirement and Investment Office. The SIB has assigned a search committee to go through the process of recruiting a new Executive Director. The committee members are Lt. Governor Wrigley, Treasurer Schmidt, Lance Gaebe, Bob Toso, and Mike Sandal. The search committee conducted an exit interview with Mr. Geissinger and received valuable information. One of the considerations was how this position was currently aligned. The suggestion was made that with the dual role of being Executive Director of TFFR and also Chief Investment Officer, this might create difficulties in recruiting for another Executive Director. The committee is taking this into consideration. TFFR has discussed this with no action taken.

## **FLEX COMP**

### **Flex Comp RFP**

Mr. Collins reported staff is moving ahead with the flex comp RFP with the goal to get it out next week. The flex comp program generates revenues to pay for its operation (about \$600,000 a year). More detailed information will be presented to the Board at the August meeting.

### **Flex Comp Annual Limit**

Ms. Allen reported that the Affordable Care Act changes the annual contribution limit for flexible spending accounts under the Section 125 Flex Comp Plan. Effective January 1, 2012, the annual limit for medical spending accounts will be reduced from \$6,000 to \$2,500 per year. This will be in effect for annual enrollment this year. Staff will be communicating with the members in the next newsletter so they can plan accordingly.

### **Flex Comp Appeal Case ID 68**

Ms. Allen presented detailed information to the Board regarding a flex comp appeal where the participant is appealing the denial of payment from the 2011 medical spending account to cover expenses incurred during the 2011 plan year. This claim was not submitted within the four months following the end of the plan year on December 31, 2011. The Board discussed this flex comp appeal.

**MR. SAGE MOVED TO APPROVE THE APPEAL REQUEST TO ALLOW THE MEMBER TO USE ALL ELIGIBLE EXPENSES INCURRED IN THE 2011 PLAN YEAR. THE MOTION WAS SECONDED BY MR. ERDMANN.**

**Ayes:** Mr. Sandal, Mr. Sage, Mr. Trenbeath, Ms. Smith, Mr. Erdmann, and Chairman Strinden

**Nays:** None

**Absent:** Ms. Ehrhardt

## **MOTION PASSED**

Mr. Collins informed the Board he had just learned that the Supreme Court upheld the entire Affordable Health Care Act by a vote of 5-4.

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 11:30 a.m.

Prepared by,

Cheryl Stockert  
Secretary to the Board

# MINUTES

## North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13<sup>th</sup> Ave SW, Fargo

Thursday, July 19, 2012

8:30 A.M.

Members Present: Ms. Joan Ehrhardt  
Mr. Levi Erdmann  
Mr. Howard Sage  
Mr. Mike Sandal  
Mr. Thomas Trenbeath

Via Videoconference: Chairman Jon Strinden

Member Absent: Ms. Arvy Smith

Others Present: Mr. Sparb Collins, NDPERS  
Ms. Cheryl Stockert, NDPERS  
Ms. Sharon Schiermeister, NDPERS  
Ms. Kathy Allen, NDPERS  
Ms. Deb Knudsen, NDPERS  
Ms. Rebecca Fricke, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Mr. Srinivas Goluguri, NDPERS  
Ms. Jan Murtha, Attorney General's Office  
Mr. Gary Petersen, The Segal Company  
Mr. Roderick Crane, TIAA-CREF  
Mr. Robert Rickey, TIAA-CREF  
Mr. Kevin Schoenborn, BCBSND

Via Videoconference: Ms. Jodi Crouse, BCBSND  
Ms. Onalee Sellheim, BCBSND

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

### **MINUTES**

Chairman Strinden called for any questions or comments regarding the minutes of the June 14, 2012 Board meeting.

**MR. TRENBEATH MOVED APPROVAL OF THE JUNE 14, 2012 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MR. ERDMANN. THE MINUTES WERE APPROVED.**

## **GROUP INSURANCE**

### **Dental RFP**

Mr. Collins advised that the Board go into Executive Session pursuant to NDCC §44-04-19.1(9) and §44-04-19.2 to discuss negotiating strategy relating to the dental bid. Mr. Petersen from Segal was present to discuss this with the Board.

### **EXECUTIVE SESSION**

**MR. ERDMANN MOVED THAT THE BOARD GO INTO EXECUTIVE SESSION PURSUANT TO NDCC §44-04-19.1(9) AND §44-04-19.2 TO DISCUSS NEGOTIATING STRATEGY RELATING TO THE DENTAL BID. THE MOTION WAS SECONDED BY MS. EHRHARDT.**

**Ayes:** Ms. Ehrhardt, Mr. Erdmann, Mr. Sage, Mr. Sandal, Mr. Trenbeath, and Chairman Strinden

**Nays:** None

**Absent:** Ms. Smith

### **MOTION PASSED**

All members named above were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 8:35 a.m.

Chairman Strinden determined that the Board could return to open session. The Executive Session closed at 9:15 a.m. and the Board returned to open session.

**MR. TRENBEATH MOVED APPROVAL TO HAVE DELTA DENTAL AND UNITED CONCORDIA (UCCI) PRESENT INFORMATION AND GIVE NDPERS THEIR BEST AND FINAL OFFER AT THE NEXT BOARD MEETING. THE MOTION WAS SECONDED BY MS. EHRHARDT.**

**Ayes:** Mr. Erdmann, Ms. Ehrhardt, Mr. Sandal, Mr. Sage, Mr. Trenbeath and Chairman Strinden

**Nays:** None

**Absent:** Ms. Smith

### **MOTION PASSED**

## **DEFERRED COMPENSATION**

### **TIAA-CREF Update**

Mr. Collins indicated that Mr. Rickey and Mr. Crane from TIAA-CREF were at the Board meeting today. Mr. Crane previously reviewed with the Board the Registered Investment Advisor option. At that time it was decided to move forward with this concept by refining some of the details and deciding on an implementation strategy.

Mr. Rickey reviewed with the Board a presentation which included information relating to how TIAA-CREF works with Advisors, the Fiduciary Advice Model, introduction to the TIAA-CREF Advisor Network and Partners, and how to implement a Fiduciary Advice Model. What this means to participants is they are represented by a fiduciary who manages their finances. All fees are fully transparent through confirmations and quarterly statements. Participants can terminate the advisor relationship at any time. Mr. Rickey indicated, if approved, this could be implemented by the end of the year.

Mr. Collins reported that staff is recommending the participant choice option and was seeking Board approval. The participant choice option allows members to choose any advisor that is approved by the SEC and/or state licensed as a financial advisor and allows the broadest participation by advisors. The advisor fees are to be paid directly from retirement accumulations. Currently there are approximately 200 licensed agents in the state. He indicated that staff will be conducting provider representative meetings in the next couple of months and will have an opportunity to review the RIA concept with the providers at that time to solicit suggestions or observations on this option. Information will be shared with the Board at the October meeting before a final decision is made on this concept. The Board had questions regarding what exposure the trustees have with this option. Mr. Rickey responded that the Level 1 participant choice model has the least risk than other models. He explained the process in place that protects the trustees.

**MR. SANDAL MOVED TO CONTINUE FORWARD WITH THE PARTICIPANT CHOICE OPTION, TO OBTAIN INPUT FROM PROVIDER REPRESENTATIVES THROUGHOUT THE STATE, AND PRESENT INFORMATION TO THE BOARD FOR FINAL ACTION. THE MOTION WAS SECONDED BY MR. SAGE.**

**Ayes:** Mr. Sage, Mr. Trenbeath, Mr. Erdmann, Mr. Sandal, Ms. Ehrhardt, and Chairman Strinden

**Nays:** None

**Absent:** Ms. Smith

**MOTION PASSED**

**Hartford Update**

Mr. Collins advised that the Board go into Executive Session pursuant to North Dakota Century Code §44-04-19.1(2) and §44-04-019.2 for attorney consultation.

**EXECUTIVE SESSION**

**MR. SAGE MOVED THAT THE BOARD GO INTO EXECUTIVE SESSION PURSUANT TO NORTH DAKOTA CENTURY CODE §44-04-19.1(2) AND §44-04-019.2 FOR ATTORNEY CONSULTATION. THE MOTION WAS SECONDED BY MS. EHRHARDT.**

**Ayes:** Ms. Ehrhardt, Mr. Erdmann, Mr. Sage, Mr. Sandal, Mr. Trenbeath, and Chairman Strinden

**Nays:** None  
**Absent:** Ms. Smith

## **MOTION PASSED**

All members named above were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 10:00 a.m.

Chairman Strinden determined that the Board could return to open session. The Executive Session closed at 10:10 a.m. and the Board returned to open session.

The Board concurred that Legal Counsel would prepare a response to Hartford.

## **GROUP INSURANCE**

### **Health Legislation**

Mr. Collins reported that the Supreme Court upheld the Affordable Care Act; therefore, NDPERS must continue with the implementation of those provisions. He provided the Board with a report from Segal. The Board had questions relating to implementation of the law. Mr. Collins indicated we will have to wait for the proposed rules for more details on several outstanding issues.

### **2011 EAP Summary**

Mr. Reinhardt presented information relating to the 2011 utilization of the NDPERS Employee Assistance Program. The overall utilization rate is just over 8%. The Board had questions relating to this program.

### **BCBS Member Services Survey**

Ms. Sellheim, BCBSND, presented the Member Services Satisfaction Results to the Board. Information presented included: survey response rate, overall satisfaction with service, question answered/problem solved, time reasonable to resolve inquiry, call wait time reasonable, representative sounded caring, caller treated with courtesy, representative was knowledgeable, clear and complete answer, claims processed timely, understandable EOB, and benefit book meets needs. Overall, members were satisfied with the service they received with a 94.2% satisfaction rate.

## **RETIREMENT**

### **RETIREMENT**

#### **Legal Status of Retirement Benefits**

Ms. Murtha, Assistant Attorney General, presented information relating to national trends in public pension litigation, involving changes to public pension benefits. When discussing a particular case it is important to keep in mind that different states will use different tests to determine whether a change to a public pension benefit is appropriate. North Dakota is

considered a contract clause state which means that the legality of changes to public pension benefits is evaluated under a contract clause analysis. In some states the public pension plans are specifically a part of and protected by the state's constitution. It is far more difficult to make changes to public pension benefits in states where the plan is part of the constitution. In a small number of states changes to public pension benefits are evaluated under a promissory estoppel theory.

Ms. Murtha explained that during the last five years or so the economy has given rise to an environment that has prompted the need for changes in public pension benefits, and these changes have prompted litigation. Some initial decisions have not been favorable to reform measures. Most of the cases we are hearing about, however, are lower court decisions and many are appealed. The final result of much of this litigation may not be known for another two to three years. She provided a few examples of cases that have been happening around the country.

She went on to explain that courts are starting to look at what part of the benefit is protected. Historically, there has been a tendency to lump benefits together. In discussions involving possible benefit changes it will be important to look at not just what the benefit is but how it is being calculated in analyzing whether or not changes can happen. For example, there may be less protection for the health care benefits and the method used to calculate other benefits. The hope is that in a couple of years after higher courts weigh in on this issue, we will have a better idea of how and under what circumstances benefits may be changed.

### **Law Enforcement Plans**

Mr. Collins indicated that the PERS Board is responsible for the administration of the law enforcement plans which includes setting the employer contribution. He noted that the recovery plan PERS adopted which is effective January 2013 provided an increase in employer contributions of .5% for law enforcement with prior service and without prior service for political subdivisions, and 1% for state law enforcement without prior service. He noted that during the last session the Legislature enacted matching employee contributions.

**MS. EHRHARDT MOVED APPROVAL OF THE RATE INCREASES FOR LAW ENFORCEMENT PLANS EFFECTIVE JANUARY 1, 2013. THE MOTION WAS SECONDED BY MR. SAGE.**

**Ayes:** Mr. Sandal, Mr. Erdmann, Mr. Trenbeath, Ms. Ehrhardt, Mr. Sage, and Chairman Strinden

**Nays:** None

**Absent:** Ms. Smith

**MOTION PASSED**

### **Job Service Liability Drive Investment Study**

Mr. Collins indicated that a proposal was received from Callan to conduct a Job Service liability driven investment study. He indicated staff would like to review another option for the Board's consideration which is to obtain a proposal from another consultant used by the State Investment Board which PERS is required to do. One of those consultants is SEI. The Board concurred that this be moved to a future meeting.

### **FLEX COMP**

#### **Flex Comp Data**

Ms. Allen provided the Board with an update on information previously provided relating to the provisions of the Affordable Care Act. Effective January 1, 2013 the annual maximum limit for the flex comp plan medical spending account will be reduced to \$2,500 from \$6,000. Ms. Allen provided information relating to the number of participants at or in excess of \$2,500 and those at the \$6,000 maximum. She reported that for those plan years after 2013, the \$2,500 will be adjusted for inflation in multiples of \$50.

### **MISCELLANEOUS**

#### **Retirement and Investment Office**

Chairman Strinden reported that the Board memo provided an update on the recruitment efforts for the Executive Director of the Retirement and Investment Office.

#### **Deferred Compensation Hardship Case #76**

Mr. Collins reported that the member requested the opportunity to call in for this discussion. Chairman Strinden called for the Executive Session pursuant to NDCC Section 44-04-19.2(1) and 54-52-26 to discuss confidential member information relating to the deferred compensation hardship request. The Board meeting closed at 10:50 a.m. All members named above were in attendance for the Executive Session (closed meeting, electronically recorded). Chairman Strinden determined that the Board could return to open session. The Executive Session closed at 11:00 a.m. and the Board returned to open session.

**MR. TRENBEATH MOVED TO APPROVE THE HARDSHIP REQUEST, NOT TO EXCEED THE ACTUAL AMOUNTS OF THE MEDICAL BILLS, AS VERIFIED BY STAFF. THE MOTION WAS SECONDED BY MR. SAGE.**

There was further discussion.

**Ayes:** Mr. Trenbeath, Mr. Erdmann, Mr. Sage, Mr. Sandal, Ms. Ehrhardt, and Chairman Strinden

**Nays:** None

**Absent:** Mr. Smith

**MOTION PASSED**

Chairman Strinden thanked the member for appearing before the Board.

Mr. Collins reported that the flex comp request for proposal had been issued. There has been much interest in the program. Also, the health request for proposal had been issued and two responses were received. There could be an opportunity to have finalist interviews for both the flex comp and health proposals. He noted that the Board may have to coordinate a date and time for a special meeting to conduct interviews.

Mr. Collins reported that with the Companion Plan all assets were previously transferred with the exception of those in the Fidelity Managed Income Portfolio since a one year notice was required. The one year expired in June and the funds were transferred. There was a question regarding when members were notified that this transaction would occur. Staff has reviewed the previous correspondence and determined that no notice was sent prior to the transfer. Staff will work with TIAA-CREF to make sure members are advised.

Chairman Strinden called for any other business or comments.

Mr. Sage requested approval to attend the Annual Conference of the International Foundation in November.

**MR. SAGE MOVED TO APPROVE TWO BOARD MEMBERS TO ATTEND THE INTERNATIONAL FOUNDATION ANNUAL CONFERENCE IN NOVEMBER. THE MOTION WAS SECONDED BY MR. TRENBEATH.**

**Ayes:** Mr. Sandal, Mr. Sage, Ms. Ehrhardt, Mr. Erdmann, Mr. Trenbeath, and Chairman Strinden

**Nays:** None

**Absent:** Ms. Smith

**MOTION PASSED**

There being no further business, the meeting adjourned at 11:00 a.m.

Prepared by,

Cheryl Stockert  
Assistant to the Board

# MINUTES

## North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13<sup>th</sup> Ave SW, Fargo

Thursday, August 23, 2012

8:30 A.M.

Members Present: Ms. Joan Ehrhardt  
Mr. Levi Erdmann  
Mr. Howard Sage  
Mr. Mike Sandal  
Ms. Arvy Smith

Via Videoconference: Chairman Jon Strinden

Member Absent: Mr. Thomas Trenbeath

Others Present: Mr. Sparb Collins, NDPERS  
Ms. Cheryl Stockert, NDPERS  
Ms. Kathy Allen, NDPERS  
Ms. Rebecca Fricke, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Mr. Srinivas Goluguri, NDPERS  
Ms. Jan Murtha, Attorney General's Office  
Mr. Gary Petersen, The Segal Company  
Mr. Kevin Schoenborn, BCBSND  
Mr. Christopher N. Earl, Delta Dental  
Mr. David G. Anderson, Delta Dental  
Ms. Barbara Crawford, United Concordia  
Ms. Stephanie Anthony, United Concordia  
Mr. Jeb Schwab, United Concordia

Via Videoconference: Ms. Jodi Crouse, BCBSND  
Ms. Onalee Sellheim, BCBSND  
Mr. Jim Wynstra, BCBSND  
Ms. Tara Roberts, BCBSND

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

### MINUTES

Chairman Strinden called for any questions or comments regarding the minutes of the July 19, 2012 Board meeting.

**MR. ERDMANN MOVED APPROVAL OF THE JULY 19, 2012 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MR. SANDAL. THE MINUTES WERE APPROVED.**

**DENTAL PLAN PRESENTATIONS**

Mr. Collins reported that two of the finalists will appear before the Board to present information on their plans. Mr. Petersen with Segal reviewed with the Board information relating to the dental plan proposals. He reported that there was an opportunity to ask questions of all vendors to resolve any administrative issues. There are no unresolved issues with the vendors at this time. Mr. Collins indicated that participation in the dental plan has been growing. The Board had questions relating to the dental plan and the vendors.

Mr. Earl and Mr. Anderson from Delta Dental and Ms. Crawford, Ms. Anthony, and Mr. Schwab from United Concordia presented information relating to their plans and answered questions of staff and the Board. Chairman Strinden thanked both companies for presenting to the Board.

**MR. SAGE MOVED TO AWARD THE BID TO DELTA DENTAL OF MINNESOTA. THE MOTION WAS SECONDED BY MS. EHRHARDT.**

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

**Nays:** None

**Absent:** Mr. Trenbeath

**MOTION PASSED**

**GROUP INSURANCE**

**Prescription Drug Plan Rates**

Mr. Collins reviewed the proposed rates for 2013 for the Medicare prescription drug plan and noted that the rates will be going down 23.6%. Staff requested approval of these rates which become effective January 1, 2013.

**MR. SANDAL MOVED APPROVAL OF THE MEDICARE PRESCRIPTION DRUG RATES. THE MOTION WAS SECONDED BY MR. ERDMANN.**

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

**Nays:** None

**Absent:** Mr. Trenbeath

**MOTION PASSED**

### **Quarterly Executive Summary**

Ms. Crouse, BCBSND, reported to the Board that staff from BCBS will be reviewing the Quarterly Executive Summary for the second quarter of 2012. Mr. Wynstra reviewed the financial/trend analysis with the Board. The twelve month moving average trend is decreasing, and he indicated this will probably continue. He reviewed the incurred claims for actives and Medicare retirees paid through June 30, 2012.

Ms. Crouse reviewed the following with the Board: membership and health utilization; claims paid per member per month; claim type paid per member per month; high dollar cases; and prescription drug analysis. She reported there was a new section to the summary which related to health management, specifically, AccordantCare participation, MediQHome key measures, and MediQHome outcome measures.

Ms. Crouse continued with the review of the performance standards and guarantees which analyzed the measures to be achieved to date. Measures include cost management, health outcome, operational performance, and provider network management.

Ms. Roberts presented an overview of the wellness programs including: HealthyBlue, Health Club Credit, member engagement and education program participation. Also presented was information relating to completed and ongoing activities, cost savings opportunities as well as future considerations. She indicated the NDPERS members are a very engaged group. The Board had questions relating to this report.

### **Annual Health Care Report**

Mr. Reinhardt reviewed the 2011 NDPERS active health care report with the Board. Specific data he reviewed included hospital utilizations, physician/clinic utilization, prescription drug utilization, claim type, total membership, and active contracts. He reported that costs and trends are increasing. He indicated he provides an agency-specific report for the 42 larger agencies (over 100 employees) to the agency director and wellness coordinator.

## **RETIREMENT**

### **Law Enforcement Plan**

Mr. Collins reviewed information relating to the separating the law enforcement plan with past service into two plans (one for political subdivision members and one for BCI). The Board took action last year to do this separation with this year's actuarial report. Segal provided an analysis to look at how to transfer these assets. Mr. Collins noted that another option would be to defer this separation until next year when we know the outcome of the proposed legislation.

**MR. ERDMANN MOVED TO REVIEW THIS NEXT YEAR AND DEFER SEPARATING THE LAW ENFORCEMENT PLAN INTO TWO PLANS. THE MOTION WAS SECONDED BY MS. EHRHARDT.**

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

**Nays:** None

**Absent:** Mr. Trenbeath

**MOTION PASSED**

**National Guard Retirement Plan**

Mr. Collins reported that recently staff met with representatives of the National Guard to review with them the status of their retirement plan. The funded status of the plan has been good at 90%. This plan was not proposed to have an employer/employee contribution increase during the last legislative session and it is not in current legislation to do an increase. In discussing this with the National Guard, the consensus was that we should pursue a similar increase for this plan as we are for the law enforcement plans. This would mean we would need to amend our proposed bill draft to provide for a .5% employee contribution increase for 2014 and 2015. The Board has the authority to increase the employer contribution by a matching amount.

**MS. EHRHARDT MOVED TO INCLUDE IN PERS LEGISLATION A .5% INCREASE IN EMPLOYEE CONTRIBUTION FOR 2014 AND 2015 FOR THE NATIONAL GUARD RETIREMENT PLAN. THE MOTION WAS SECONDED BY MR. SAGE.**

The Board discussed the motion.

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

**Nays:** None

**Absent:** Mr. Trenbeath

**MOTION PASSED**

**DEFERRED COMPENSATION/DEFINED CONTRIBUTION**

**TIAA-CREF Update**

Mr. Collins provided an update to the Board relating to implementation of the administrative fees and the revenue sharing on member accounts. This has been a lengthy process and should be implemented this fall according to the most recent information from TIAA-CREF.

Secondly, Mr. Collins provided an update on the transfer of funds from Fidelity which occurred in June. He noted that TIAA-CREF sent out a letter explaining this transfer to all affected participants.

#### **Hartford Update**

Mr. Collins shared the letter to Hartford from legal counsel with the Board. He reported staff heard there may be an announcement on the sale in the next seven to ten days. Depending on this notice, the Board may need to convene a special meeting.

#### **457 Provider Training**

Mr. Collins reported that nineteen sessions have been set up for the existing 457 provider representatives. After meetings have concluded, staff will gather any feedback and provide it to the Board at the October meeting.

#### **Investment Subcommittee Report**

Mr. Collins reported that the subcommittee met and recommended Nuveen Tradewinds Value fund (NVORX) be terminated. Discussion followed.

#### **MS. EHRHARDT MOVED TO TERMINATE THE NUVEEN TRADEWINDS VALUE FUND. THE MOTION WAS SECONDED BY MR. SAGE.**

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

**Nays:** None

**Absent:** Mr. Trenbeath

#### **MOTION PASSED**

Mr. Collins reported that the subcommittee has narrowed the replacement of this fund to DFA Enhanced US Large Company Fund and the Vanguard Dividend Growth Investment Fund (VIFSX). Segal reviewed these two funds and is suggesting that we consider the Vanguard Dividend Growth Investment Fund.

#### **MR. SANDAL MOVED APPROVAL OF THE VANGUARD DIVIDEND GROWTH INVESTMENT FUND. THE MOTION WAS SECONDED BY MR. ERMANN.**

The Board had questions relating to how the Nuveen funds will be mapped over to the new funds.

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

**Nays:** None

**Absent:** Mr. Trenbeath

#### **MOTION PASSED**

## **MISCELLANEOUS**

### **PERSLink Member Self Service Update**

Mr. Collins provided an update on the implementation of the PERSLink Member Self Services. The redesign and testing of MSS will be completed this month. It will be rolled out to a pilot group of 9 employers representing 5,200 active members. New and existing employees will those employers will be required to use MSS to complete their benefit enrollments and will make their benefit elections during annual enrollment. If the pilot is successful, we plan to roll out MSS to the remainder of the employers by the end of the year. The Board commented that some of their staff was attending the training and it has been very well received, so congratulations to PERS staff for a job well done.

### **Quarterly Consultant Fees**

The report for the quarter ending June 30, 2012 was shared with the Board.

## **FLEXCOMP**

### **FlexComp RFP**

Mr. Collins reviewed the previous Board discussion and action regarding outsourcing the flexcomp claims processing. Two issues need to be resolved before moving forward – the funding plan and the appropriation authority. Currently, the flexcomp program is funded out of its revenues which come from the FICA tax savings and the turn back of flex funds. Currently, there is income of approximately \$675,000 per year. Out of this, \$352,000 is used for direct and indirect expenses. Relating to the deferred compensation program, there is no funding source. In the past, the Board elected to have the deferred compensation program expenses primarily funded from flexcomp program income.

The Board discussed this and concurred to move forward with outsourcing the flexcomp claims processing function and understood that at a later meeting, PERS may need to reallocate its overhead expenses.

Mr. Collins continued to explain that we will need to address the budget appropriation. We will need the authority to spend these funds. For the period of January through the end of the biennium, we would hire an outside vendor. There would have to be authority to expend money in the 2013-2015 biennium going forward.

The Board discussed this and concurred to move forward with appropriation authority and to move dollars out of contingency into the operating for the remainder of the biennium (ending June 30, 2013).

Mr. Collins reported that eleven proposals were received in response to the request for proposal to provide flexcomp claims processing services. Staff reviewed the proposals and rated the vendors and suggested interviewing four vendors. Interviews would be conducted at a Board meeting in September and would allow twenty minutes for each

presentation followed by ten minutes for questions. The Board discussed and decided to invite Discovery Benefits, ADP, Wage Works and P&A Group in for interviews.

**MR. ERDMANN MOVED TO INTERVIEW FOUR FIRMS – DISCOVERY BENEFITS, ADP, WAGWORKS and P&A GROUP. THE MOTION WAS SECONDED BY MS. SMITH.**

The Board further discussed this motion.

**Ayes:** Mr. Erdmann, Mr. Sandal, Ms. Smith, and Chairman Strinden

**Nays:** Ms. Ehrhardt

**Absent:** Mr. Sage and Mr. Trenbeath

**MOTION PASSED**

**FlexComp Appeals**

**FlexComp Appeal Case ID 85**

Ms. Allen presented detailed information to the Board regarding a flex comp appeal where the participant is appealing the denial of payment from the 2011 medical spending account to cover expenses incurred during the 2011 plan year. This claim was not submitted within the four months following the end of the plan year on December 31, 2011. The member indicated that they had faxed the appropriate documents to the PERS office within the required time frame; however, staff noted that they did not have a record of receiving the documents. The Board discussed this flex comp appeal.

**MR. SANDAL MOVED TO APPROVE THE APPEAL REQUEST TO ALLOW THE MEMBER TO USE ALL ELIGIBLE EXPENSES INCURRED IN THE 2011 PLAN YEAR. THE MOTION WAS SECONDED BY MS. SMITH.**

**Ayes:** Ms. Ehrhardt, Mr. Erdmann, Mr. Sandal, Ms. Smith, and Chairman Strinden

**Nays:** None

**Absent:** Mr. Sage and Mr. Trenbeath

**MOTION PASSED**

**FlexComp Appeal Case ID 86**

Ms. Allen presented detailed information to the Board regarding a flex comp appeal where the participant is appealing the denial of payment from the 2011 medical spending account to cover expenses incurred during the 2011 plan year. This claim was not submitted within the four months following the end of the plan year on December 31, 2011. The member indicated that they had not filed the appropriate documents in the required time frame. The Board discussed this flex comp appeal.

**MR. ERDMANN MOVED TO DENY THE APPEAL REQUEST TO ALLOW THE MEMBER TO USE ALL ELIGIBLE EXPENSES INCURRED IN THE 2011 PLAN YEAR. THE MOTION WAS SECONDED BY MS. EHRHARDT.**

**Ayes:** Mr. Sandal, Ms. Ehrhardt, Ms. Smith, Mr. Erdmann, and Chairman Strinden

**Nays:** None

**Absent:** Mr. Sage and Mr. Trenbeath

**MOTION PASSED**

**GROUP INSURANCE**

**Health Bid**

Mr. Collins advised that the Board go into Executive Session pursuant to NDCC §44-04-19.1(9) and §44-04-19.2 to discuss negotiating strategy relating to the health bid.

**EXECUTIVE SESSION**

**MS. SMITH MOVED THAT THE BOARD GO INTO EXECUTIVE SESSION PURSUANT TO NDCC §44-04-19.1(9) AND §44-04-19.2 TO DISCUSS NEGOTIATING STRATEGY RELATING TO THE HEALTH BID. THE MOTION WAS SECONDED BY MR. ERDMANN.**

**Ayes:** Ms. Ehrhardt, Mr. Erdmann, Mr. Sandal, Ms. Smith, and Chairman Strinden

**Nays:** None

**Absent:** Mr. Sage and Mr. Trenbeath

**MOTION PASSED**

All members named above were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 12:20 p.m.

Chairman Strinden determined that the Board could return to open session. The Executive Session closed at 12:25 p.m. and the Board returned to open session.

There being no further business, the meeting adjourned at 12:26 p.m.

Prepared by,

Cheryl Stockert  
Assistant to the Board

# MINUTES

## North Dakota Public Employees Retirement System

Attorney General's Office Conference Room

Wednesday, September 12, 2012

4:00 P.M.

Members Present: Ms. Joan Ehrhardt  
Mr. Levi Erdmann  
Mr. Mike Sandal  
Mr. Thomas Trenbeath

Via Teleconference: Mr. Howard Sage  
Chairman Jon Strinden

Member Absent: Ms. Arvy Smith

Others Present: Mr. Sparb Collins, NDPERS  
Ms. Cheryl Stockert, NDPERS  
Ms. Kathy Allen, NDPERS  
Mr. Doug Anderson, Attorney General's Office

Via Teleconference: Ms. Deb Knudsen, NDPERS  
Ms. Jan Murtha, Attorney General's Office

Chairman Strinden called the meeting to order at 4:07 p.m.

### **Hartford Update**

Mr. Collins advised that the Board go into Executive Session pursuant to NDCC §44-04-19.1(2), (5) and §44-04-19.2 for Attorney Consultation.

### **EXECUTIVE SESSION**

**MR. TRENBEATH MOVED THAT THE BOARD GO INTO EXECUTIVE SESSION PURSUANT TO NDCC §44-04-19.1(2), (5) AND §44-04-19.2 FOR ATTORNEY CONSULTATION. THE MOTION WAS SECONDED BY MS. EHRHARDT.**

**Ayes:** Ms. Ehrhardt, Mr. Erdmann, Mr. Sage, Mr. Sandal, Mr. Trenbeath and Chairman Strinden

**Nays:** None

**Absent:** Ms. Smith

### **MOTION PASSED**

All members named above were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 4:10 p.m.

Chairman Strinden determined that the Board could return to open session. The Executive Session closed at 4:30 p.m. and the Board returned to open session.

**MR. SAGE MOVED THAT A LETTER BE SENT TO HARTFORD FROM THE ATTORNEY GENERAL'S OFFICE REQUESTING A PLAN OF ACTION FOR DEALING WITH THE TRANSITION OF PERS 457 FUNDS BY THE NEXT BOARD MEETING. THE MOTION WAS SECONDED BY MR. ERDMANN.**

**Ayes:** Mr. Sage, Mr. Erdmann, Ms. Ehrhardt, Mr. Sandal, Mr. Trenbeath, and Chairman Strinden

**Nays:** None

**Absent:** Ms. Smith

**MOTION PASSED**

There being no further business, the meeting adjourned at 4:35 p.m.

Prepared by,

Cheryl Stockert  
Assistant to the Board

# MINUTES

## North Dakota Public Employees Retirement System

WSI, Bismarck and Fargo  
Wednesday, September 19, 2012  
8:30 A.M.

Members Present: Mr. Levi Erdmann  
Mr. Howard Sage  
Mr. Mike Sandal  
Ms. Arvy Smith  
Mr. Thomas Trenbeath

Via Videoconference: Chairman Jon Strinden

Member Absent: Ms. Joan Ehrhardt

Others Present: Mr. Sparb Collins, NDPERS  
Ms. Cheryl Stockert, NDPERS  
Ms. Kathy Allen, NDPERS  
Ms. Sharon Schiermeister, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Ms. Jan Murtha, Attorney General's Office  
Ms. Tina M. Bauer, OMB  
Mr. Kevin Rowe, ADP  
Mr. John Erxleben, ADP  
Mr. Matthew Feir, Discovery Benefits  
Ms. Michelle Larson, Discovery Benefits  
Mr. Rick Neward, P & A Group  
Ms. Barbara L. Gonzales, WageWorks  
Mr. Darryl Beacher, WageWorks

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

### **FLEXCOMP PLAN**

#### **Overview**

Mr. Collins reviewed information with the Board relating to the best and final offers for the four flexcomp vendors. ADP was the lowest cost vendor followed by WageWorks, P&A Group and Discovery Benefits. Information provided included services offered by each vendor. The Board discussed this information with staff.

Mr. Rowe and Mr. Erxleben from ADP presented information to the Board relating to their flexcomp proposal. The Board and staff had questions of ADP staff and thanked them for presenting to the Board.

Mr. Feir and Ms. Larson from Discovery Benefits presented information to the Board relating to their flexcomp proposal. The Board and staff had questions of Discovery Benefits staff and thanked them for presenting to the Board.

Mr. Rick Neward from P & A Group presented information to the Board relating to their flexcomp proposal. The Board and staff had questions of P & A Group staff and thanked them for presenting to the Board.

Ms. Gonzales and Mr. Beacher from WageWorks presented information to the Board relating to their flexcomp proposal. The Board and staff had questions of WageWorks staff and thanked them for presenting to the Board.

Mr. Collins suggested the Board may want to approve two vendors, should issues arise with the first vendor choice. The Board and staff discussed the flexcomp vendor choices and the details of claims processing.

**MR. TRENBEATH MOVED APPROVAL TO CONTRACT WITH ADP TO PROVIDE ADMINISTRATIVE AND RECORDKEEPING SERVICES FOR THE NDPERS FLEXCOMP PROGRAM. THE MOTION WAS SECONDED BY MR. SAGE.**

The Board discussed the motion.

**Ayes:** Ms. Smith, Mr. Sandal, Mr. Trenbeath, Mr. Sage, Mr. Erdmann, and Chairman Strinden

**Nays:** None

**Absent:** Ms. Ehrhardt

**MOTION PASSED**

### **RETIREMENT**

#### **Highway Patrol Indexing**

Ms. Allen stated that it is necessary for the Board to determine the rate to be used in establishing the index factor for deferred members of the Highway Patrol pursuant to the NDCC. During this last legislative session, agency budgets were increased by 3% for salary increases for the second year of the 2011-13 biennium. The North Dakota Highway Patrol leadership is recommending that deferred members in its system have their final average salary indexed by 2%.

**MR. SANDAL MOVED APPROVAL OF A TWO PERCENT ANNUAL INCREASE IN THE FINAL AVERAGE SALARY INDEXING FOR HIGHWAY PATROL MEMBERS EFFECTIVE JULY 1, 2012. THE MOTION WAS SECONDED BY MS. SMITH.**

**Ayes:** Mr. Erdmann, Mr. Sage, Ms. Smith, Mr. Trenbeath, Mr. Sandal, and Chairman Strinden

**Nays:** None

**Absent:** Ms Ehrhardt

**MOTION PASSED**

**Purchase Issue**

Mr. Collins reviewed with the Board information relating to a member's purchase of service. Staff has indicated this is a unique situation where the provider agent did not roll over the funds necessary to complete it within the required time frame. Mr. Collins was seeking Board concurrence to deal with this situation on a one time basis to allow the purchase to take place. The Board discussed this and concurred.

**Deferred Normal Retirement Option (DNRO)**

This agenda item was carried over the September 20, 2012 meeting.

There being no further business, the meeting adjourned at 11:45 a.m.

Prepared by,

Cheryl Stockert  
Assistant to the Board

# MINUTES

## North Dakota Public Employees Retirement System

WSI, Bismarck and Fargo  
Thursday, September 20, 2012  
8:30 A.M.

Members Present: Ms. Joan Ehrhardt  
Mr. Levi Erdmann  
Mr. Howard Sage  
Mr. Mike Sandal  
Ms. Arvy Smith  
Mr. Thomas Trenbeath

Via Videoconference: Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS  
Ms. Cheryl Stockert, NDPERS  
Ms. Kathy Allen, NDPERS  
Ms. Sharon Schiermeister, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Ms. Rebecca Fricke, NDPERS  
Ms. Jan Murtha, Attorney General's Office  
Mr. Paul von Ebers, BCBSND  
Dr. Jon Rice, BCBSND  
Mr. Judd Wagner, BCBSND  
Mr. Kevin Schoenborn, BCBSND  
Mr. Brad Bartle, BCBSND  
Mr. Tim Huckle, BCBSND  
Mr. Mike Carlson, BCBSND  
Mr. Kevin Krakowski, Prime Therapeutics  
Mr. William Karolski, Prime Therapeutics  
Ms. Lisa Carlson, Sanford  
Ms. Sarah Delaney, Sanford  
Mr. Pat Pechacek, Deloitte  
Mr. Bill Kalanek, AFPE

Via Videoconference: Ms. Onalee Sellheim, BCBSND  
Mr. Bob Stroup, BCBSND  
Ms. Jodi Crouse, BCBSND  
Ms. Tara Roberts, BCBSND

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

### **MINUTES**

Chairman Strinden called for any questions or comments regarding the minutes of the August 23, 2012 Board meeting.

**MS. EHRHARDT MOVED APPROVAL OF THE AUGUST 23, 2012 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MS. SMITH. THE MINUTES WERE APPROVED.**

Chairman Strinden called for any questions or comments regarding the minutes of the September 12, 2012 Board meeting.

**MR. SANDAL MOVED APPROVAL OF THE SEPTEMBER 12, 2012 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MS. EHRHARDT. THE MINUTES WERE APPROVED.**

### **HEALTH PLAN BID**

#### **Overview**

Mr. Collins provided background on the health plan bid. He indicated we issued the RFP, and two proposals were received. Blue Cross Blue Shield and Sanford came into the office for questions on their proposals and our requirements. Sanford was asked to provide a disruption analysis. Mr. Collins reviewed with the Board the responses and interview observations.

The criteria used for review included the economy affected, ease of administration, adequacy of coverages, financial position of the carrier, with special emphasis on solvency, and the reputation of the carrier and other information showing past experience with the carrier in matters of claims settlement, underwriting and services. Both vendors were given the opportunity to provide PERS a best and final offer. BCBS came down from 15.9% to about 12.98% on active and pre-Medicare and 0% increase on the Medicare. Sanford increased their rates from 12.5% to 25.5% on active and pre-Medicare and went from 12.5% to 1.3% on the Medicare.

Mr. Pechacek with Deloitte reviewed additional information with the Board.

Representatives from BCBSND presented information to the Board relating to their health plan proposal. The Board and staff had questions of BCBSND staff and thanked them for presenting to the Board.

Representatives from Sanford presented information to the Board relating to their health plan proposal. The Board and staff had questions of Sanford staff and thanked them for presenting to the Board.

The Board and staff discussed the proposals.

**MR. SAGE MOVED TO AWARD THE HEALTH INSURANCE BID TO BCBSND FOR A TWO YEAR PERIOD BEGINNING JULY 1, 2013. THE MOTION WAS SECONDED BY MS. EHRHARDT.**

**Ayes:** Mr. Sage, Ms. Smith, Mr. Trenbeath, Ms. Ehrhardt, Mr. Sandal, Mr. Erdmann, and Chairman Strinden

**Nays:** None

**MOTION PASSED**

### **MISCELLANEOUS**

#### **Legislation**

Mr. Collins indicated we have the initial actuarial and technical reviews of the four proposed PERS bills. Deloitte is suggesting minor technical changes in the health plan bill. Staff was also requesting a change in the Pre-Medicare/retiree health insurance bill because of the uncertainty of implementation of the federal health care legislation and in particular the health care exchanges. Specifically, the recommendation for the retiree health insurance credit bill is to change the effective date to July 1, 2015. The Board discussed these changes. Mr. Collins indicated these changes will be shared with the Legislative Employee Benefits Committee.

**MR. SAGED MOVED TO ACCEPT THE PROPOSED CHANGES AND AMEND BILL 103 TO HAVE AN EFFECTIVE DATE OF JULY 1, 2015. THE MOTION WAS SECONDED BY MR. TRENBEATH.**

**Ayes:** Ms. Ehrhardt, Mr. Erdmann, Mr. Sage, Mr. Sandal, Ms. Smith, Mr. Trenbeath, and Chairman Strinden

**Nays:** None

**MOTION PASSED**

**MR. TRENBEATH MOVED TO APPROVE THE TECHNICAL AMENDMENTS TO BILLS 101 AND 102. THE MOTION WAS SECONDED BY MR. ERDMANN.**

**Ayes:** Ms. Smith, Mr. Sage, Mr. Sandal, Ms. Ehrhardt, Mr. Erdmann, Mr. Trenbeath, and Chairman Strinden

**Nays:** None

**MOTION PASSED**

#### **Deferred Normal Retirement Option (DNRO)**

Mr. Collins explained the deferred normal retirement option. Usually the member is better off from a retirement perspective by leaving employment with the state and going to work for a non-covered employer until they finally retire. The reason it is higher is because the

existing method amortizes that deferred amount over the member's lifetime using an 8% rate. Staff is recommending we ask Segal to develop new tables to calculate this benefit that will result in a DNRO benefit that is equal to or slightly less than the benefit the member would have received if they had stayed under covered employment. The Board discussed this option and decided to wait for Segal to discuss at the October meeting.

### **Audit Committee Minutes**

The May 23, 2012 PERS Audit Committee minutes were shared with the Board.

### **RETIREMENT**

#### **Hartford Update**

#### **EXECUTIVE SESSION**

**MR. TRENBEATH MOVED THAT THE BOARD GO INTO EXECUTIVE SESSION PURSUANT TO NDCC §44-04-19.1(2), (5) AND §44-04-19.2 FOR ATTORNEY CONSULTATION. THE MOTION WAS SECONDED BY MS. EHRHARDT.**

**Ayes:** Mr. Sage, Mr. Sandal, Mr. Trenbeath, Ms. Ehrhardt, Mr. Erdmann, Ms. Smith and Chairman Strinden

**Nays:** None

#### **MOTION PASSED**

All members named above were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 11:50 a.m.

Chairman Strinden determined that the Board could return to open session. The Executive Session closed at 11:57 a.m. and the Board returned to open session.

There being no further business, the meeting adjourned at 12:00 p.m.

Prepared by,

Cheryl Stockert  
Assistant to the Board

# MINUTES

## North Dakota Public Employees Retirement System

Attorney General's Office Conference Room

Thursday, October 11, 2012

8:30 A.M.

Members Present: Ms. Joan Ehrhardt  
Mr. Levi Erdmann  
Mr. Howard Sage  
Mr. Mike Sandal  
Ms. Arvy Smith  
Mr. Thomas Trenbeath

Via Teleconference: Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS  
Ms. Cheryl Stockert, NDPERS  
Ms. Kathy Allen, NDPERS  
Ms. Deb Knudsen, NDPERS  
Ms. Sharon Schiermeister, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Mr. Srinivas Goluguri, NDPERS  
Mr. Doug Anderson, Attorney General's Office  
Ms. Laura Balliet, Attorney General's Office

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

### Hartford Update

Mr. Collins indicated that Ms. Kirsten Steiert, Senior Regional Client Care Manager with Hartford, would be available for the meeting, but we were unable to connect with Ms. Steiert.

Mr. Collins reported that in recent correspondence received from Hartford dated September 24, 2012, Hartford will continue to provide the product, but MassMutual will administer it, accruing profit/loss and through a re-insurance agreement, assuming the obligations of Hartford. Staff believes it will be a hybrid Hartford/MassMutual product with differing responsibilities accruing to both Hartford and MassMutual. Mr. Collins indicated that in our provider agreement, it specifies certain functions. Hartford has indicated that the provider agreement can stay with them as they will be supplying the product. It appears that administrative functions will be provided by MassMutual. Mr. Collins indicated there must be a clear line of responsibility on who PERS will deal with on

specific issues. It would appear that both parties should sign the provider agreement with a separate memorandum of understanding specifically stating each party's responsibilities.

Mr. Collins indicated that staff should also be authorized to attempt to get Hartford and MassMutual to agree to a transition election period of 3, 6 or 12 months to allow our members to leave the without an exit penalty. This period would start after the transition to MassMutual and would allow our members to assess whether MassMutual customer service, quarterly reporting, tax reporting and other administrative operations are meeting expectations and if not they would be able to leave without penalty. The Board discussed these issues.

**MR. ERDMANN MOVED THAT BOTH HARTFORD AND MASSMUTUAL SIGN THE PROVIDER AGREEMENT AND THAT PERS HOLD HARTFORD AND MASSMUTUAL EQUALLY LIABLE AND RESPONSIBLE. THE BOARD ALSO WANTED STAFF TO PURSUE A TRANSITION PERIOD FOR PERS MEMBERS. THE MOTION WAS SECONDED BY MS. EHRHARDT.**

**Ayes:** Ms. Ehrhardt, Mr. Erdmann, Mr. Sage, Mr. Sandal, Ms. Smith, Mr. Trenbeath, and Chairman Strinden

**Nays:** None

**MOTION PASSED**

**ADP Flexcomp Vendor**

Mr. Collins indicated staff continues to work with ADP on the contract. Legal Counsel continues to work with ADP and there are now just a few issues remaining to resolve before the contract is finalized. Ms. Balliet reviewed the areas of the contract which are being negotiated and clarified with ADP. The Board had questions and discussed the contract. Mr. Collins indicated staff needs Board approval to move forward with executing the ADP contract.

**MR. SANDAL MOVED TO CONTINUE FORWARD WITH NEGOTIATING THE CONTRACT WITH ADP WITH AN UNDERSTANDING THAT TERMINOLOGY WILL BE NEGOTIATED WITH ADP IN SECTION 8.5 OF ANNEX A THAT ALLOWS THE SAME REIMBURSEMENT SHOULD ADP TERMINATE AS IS BEING REQUESTED FOR PERS, AND MOVED TO AUTHORIZE STAFF TO SIGN THE CONTRACT. THE MOTION WAS SECONDED BY MR. TRENBEATH.**

**Ayes:** Mr. Sage, Mr. Trenbeath, Ms. Smith, Mr. Erdmann, Mr. Sandal, Ms. Ehrhardt, and Chairman Strinden

**Nays:** None

**MOTION PASSED**

**401(a) Plan**

Mr. Collins reported that when TIAA-CREF bid this product, they stated they needed 23 basis points (bp) for their administration. At that time they were projecting the funds would bring in about 30 bp which left about 7 bp that would be returned to PERS. The Board accepted the above in selecting TIAA-CREF and decided at the March meeting that the 7 bp would go to the member accounts. TIAA-CREF has struggled to implement this in that the revenue sharing has not been applied to member accounts. They have struggled to get started with applying the PERS administrative fee to the 401(a) plan and have only started with this last statement. Consequently, no fees have been applied since the transfer from Fidelity. As a result, TIAA/CREF is offering the option of having the retrospective fees paid from the revenue sharing directly before depositing the revenue sharing amounts to the member accounts.

**MR. TRENBEATH MOVED THAT PERS HAVE THE REVENUE SHARING DIRECTLY PAY THE RETROACTIVE ADMINISTRATIVE FEE. IN THE FUTURE THE REVENUE SHARING WOULD BE PUT IN THE MEMBER ACCOUNTS. THE MOTION WAS SECONDED BY MR. SAGE.**

**Ayes:** Ms. Smith, Mr. Sage, Mr. Trenbeath, Mr. Sandal, Ms. Ehrhardt, Mr. Erdmann, and Chairman Strinden

**Nays:** None

**MOTION PASSED**

Mr. Collins followed up by stating that since this has been dragging on for some time, he suggested that TIAA-CREF explain the delay in implementation to the Board at either the November or December meeting. Mr. Collins will inform them the Board is considering some performance standards regarding turnarounds on these efforts. The Board concurred it would be beneficial to have TIAA-CREF attend a meeting and explain this situation and discuss performance standards. In response to Board suggestion, Mr. Collins indicated PERS will be communicating with TIAA-CREF participants on how the administrative fees will be handled.

Mr. Erdmann announced that he was nominated to serve on the Noridian Board of Directors. There was some concern on his part if there was a conflict of interest and generally, the Board felt that as long there was full disclosure there should be no problem and will evaluate it further should he be elected to the Noridian Board.

There being no further business, the meeting adjourned at 9:40 a.m.

Prepared by,

Cheryl Stockert  
Assistant to the Board

# MINUTES

## North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13<sup>th</sup> Ave SW, Fargo

Thursday, October 25, 2012

8:30 A.M.

Members Present: Mr. Levi Erdmann  
Mr. Howard Sage  
Mr. Mike Sandal  
Ms. Arvy Smith  
Mr. Thomas Trenbeath

Via Videoconference: Chairman Jon Strinden

Member Absent: Ms. Joan Ehrhardt

Others Present: Mr. Sparb Collins, NDPERS  
Ms. Cheryl Stockert, NDPERS  
Ms. Sharon Schiermeister, NDPERS  
Ms. Deb Knudsen, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Ms. Rebecca Fricke, NDPERS  
Mr. Srinivas Goluguri, NDPERS  
Ms. Jan Murtha, Attorney General's Office  
Mr. Kevin Schoenborn, BCBSND  
Mr. Brad Ramirez, Segal  
Ms. Tammy Dixon, Segal

Via Videoconference: Ms. Onalee Sellheim, BCBSND  
Ms. Tara Roberts, BCBSND

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

### **MINUTES**

Chairman Strinden called for any questions or comments regarding the minutes of the September 19, September 20, and October 11, 2012 Board meetings.

**MR. SANDAL MOVED APPROVAL OF THE SEPTEMBER 19, SEPTEMBER 20 AND OCTOBER 11, 2012 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MS. SMITH. THE MINUTES WERE APPROVED.**

## **RETIREMENT AND RETIREE HEALTH INSURANCE CREDIT**

### **Actuarial Valuations**

Mr. Collins stated that representatives from Segal will be reviewing the annual actuarial valuations of the retirement systems which are done yearly in October. These reports will be presented to the Legislative Employee Benefits Committee.

Mr. Ramirez and Ms. Dixon from Segal presented information relating to the actuarial valuations. Information included: overview of the valuation process; summary of valuation highlights; membership and demographics; and valuation results and projections. Risks to the system include continued aging of population, unforeseen demographic shocks, and change in asset return environment. The Board had questions and discussed the valuations with Segal.

### **Retirement Legislation**

Mr. Collins reviewed the retirement recovery plan legislation with the Board. There are three goals which are to stop the downward trend, stabilize the plan and put it in a path to 100%. The first two years of the recovery plan accomplished the first two goals. Regarding the law enforcement plan with prior service, that plan has employees from BCI (through Attorney General's Office) and employees from political subdivisions. It was started as a political subdivision law enforcement plan only and BCI was included a few years ago. For this plan, it was planned to have a .5% increase for the employer and employee. Last session the BCI contribution went up 1% each year which is the same amount as state employees. As of January 1, 2013 the BCI employees and employer are paying 10.31% and the remainder of them are paying 9.31% into the plan. If these contributions are equalized among the BCI and political subdivision members, then the Bill will have to be amended to eliminate the BCI increase.

**MR. TRENBEATH MOVED TO STANDARDIZE THE CONTRIBUTION RATES FOR THE BCI AND POLITICAL SUBDIVISION MEMBERS IN THE LAW ENFORCEMENT PLAN WITH PRIOR SERVICE AND TO AMEND THE BILL ACCORDINGLY. THE MOTION WAS SECONDED BY MR. SAGE.**

The Board further discussed this issue.

**Ayes:** Mr. Erdmann, Ms. Smith, Mr. Sandal, Mr. Trenbeath, Mr. Sage, and Chairman Strinden

**Nays:** None

**Absent:** Ms. Ehrhardt

**MOTION PASSED**

**GASB/Moody's**

Mr. Ramirez, Segal, reviewed with the Board information and changes relating to the Governmental Accounting Standards Board (GASB) pension accounting and financial reporting standards. It relates to the GASB Statement 67 (pension plans) and GASB Statement 68 (employer accounting and financial reporting for pensions). He also reviewed Moody's proposed pension adjustments. The GASB change would be effective for plan reporting beginning after June 15, 2013. Employers in pooled plans will have a portion of the net pension liability assigned to their balance sheet. The faster recognition of net pension liability changes will introduce much greater volatility in the reported expense for financial reporting. Mr. Ramirez noted that the GASB change only applies to financial reporting and not to funding planning. Mr. Ramirez reported that Moody's is considering adjustments in pension plans reporting in the public sector with the goal of improving comparability. The Board had questions relating to this information.

**Deferred Normal Retirement Option**

Mr. Collins reported this had been discussed at the last meeting and explained that this issue relates to members who meet their normal retirement age, age 65 or rule of 85. Years ago PERS came up with the deferred normal retirement option for members who leave employment after meeting their normal retirement date but elect not to start drawing. Under procedures in place at that time they would get a lump sum payment of the missed retirement payments. For some this had tax consequences. Therefore, an additional option was approved by the legislature that allowed members to elect to have the missed payments spread over their lifetime and added on to the annuity. The tables that were built at that time by Segal had a built in assumption of 8%. The Board discussed this with staff and Segal.

**MR. ERDMANN MOVED TO CHANGE THE TABLES TO A 4% ANNUITIZATION RATE. THE MOTION WAS SECONDED BY MR. TRENBEATH.**

The Board further discussed this issue.

**Ayes:** Mr. Sandal, Ms. Smith, Mr. Erdmann, Mr. Trenbeath, and Chairman Strinden

**Nays:** Mr. Sage

**Absent:** Ms. Ehrhardt

**MOTION PASSED**

**Job Service COLA**

Ms. Allen informed the Board that the Bureau of Labor Statistics publicized there will be a 1.7 percent COLA increase for the federal Civil Service Retirement Plan. The Board is authorized under Article VII (3) of the Job Service Plan document to give an increase to Job Service retirees based on what is provided to federal employees. The last increase for annuitants in this system was 3.6% effective December 1, 2011. It was also noted that this increase is less than the actuarially assumed increase and it represents a gain to the system.

**MR. SANDAL MOVED APPROVAL OF A 1.7 PERCENT INCREASE FOR JOB SERVICE ANNUITANTS EFFECTIVE DECEMBER 1, 2012. THE MOTION WAS SECONDED BY MR. SAGE.**

**Ayes:** Mr. Erdmann, Mr. Sage, Mr. Sandal, Ms. Smith, Mr. Trenbeath, and Chairman Strinden

**Nays:** None

**Absent:** Ms. Ehrhardt

**MOTION PASSED**

**Job Service Liability Driven Investment Study**

Mr. Collins reported that it was decided at the June meeting to move forward with a liability driven investment study of the Job Service retirement plan. Callan discussed this concept at the June meeting and a proposal was received from them at a cost of \$62,000. The Board requested that the Retirement and Investment Office check with SEI, a company that has done these studies for PERS in the past. SEI indicated they could undertake this effort for PERS at no charge because we are an existing client.

**MR. TRENBEATH MOVED APPROVAL TO HAVE SEI DO A LIABILITY DRIVEN INVESTMENT STUDY OF THE JOB SERVICE RETIREMENT PLAN. THE MOTION WAS SECONDED BY MR. ERDMANN.**

**Ayes:** Mr. Sage, Mr. Erdmann, Ms. Smith, Mr. Trenbeath, Mr. Sandal, and Chairman Strinden

**Nays:** None

**Absent:** Ms. Ehrhardt

**MOTION PASSED**

**GROUP INSURANCE**

**Legislation**

Mr. Collins reported that the Legislative Employee Benefits Committee will be meeting next week. He reported that the health care reform bill changes the definition of temporary employee to provide that those employees that work an average of 30 hours per week or more would only be required to pay 9.5% of their income for single health plan coverage. The federal legislation only requires that those employees that meet certain income requirements to be eligible for this provision. The PERS bill as proposed does not include the income requirement provision. The Board discussed this information.

**MR. SANDAL MOVED APPROVAL TO INCLUDE THE INCOME REQUIREMENT FOR TEMPORARY EMPLOYEES IN BILL 101 TO BE CONSISTENT WITH THE FEDERAL DEFINITION. THE MOTION WAS SECONDED BY MS. SMITH.**

**Ayes:** Mr. Trenbeath, Mr. Sandal, Ms. Smith, Mr. Erdmann, Mr. Sage, and Chairman Strinden

**Nays:** None

**Absent:** Ms. Ehrhardt

## **MOTION PASSED**

### **Wellness Initiative Update**

Ms. Fricke reported that at the June meeting an overview of the NDPERS Wellness Engagement Project in collaboration with the Lt. Governor was announced. Ms. Roberts, BCBSND, provided an update on this effort to the Board which included information relating to the Daily Dose of Wellness Member Webinars and Wellness Leadership Webinar.

## **DEFERRED COMPENSATION**

### **Hartford Update**

Mr. Collins reported that a conference call was held with Hartford. Staff reviewed with them the Board's position that both MassMutual and Hartford will be asked to sign the provider agreement; that there must be a separate administrative memorandum detailing which party has lead responsibilities for each item in the provider agreement; and that once MassMutual assumes the lead responsibility, a transition period be established to allow members to leave the plan without penalty. It was indicated to Hartford that this should be accomplished by November 12. Mr. Collins indicated that approximately 50% of the participants who would have passed the exit period and they can leave without penalty.

## **MISCELLANEOUS**

### **Personnel Policies**

Ms. Allen indicated that due to a recent review of the OMB Human Resource Policy Manual, a new chapter was added that includes Infants at Work policy. Also proposed was an adjustment to the FMLA Policy in Chapter 12. The Board discussed the Infants at Work policy with concerns that if approved, it not affect PERS work efforts.

**MS. SMITH MOVED APPROVAL OF THE PERSONNEL POLICIES. THE MOTION WAS SECONDED BY MR. SANDAL.**

**Ayes:** Ms. Smith, Mr. Sandal, Mr. Erdmann, and Chairman Strinden

**Nays:** Mr. Sage, Mr. Trenbeath

**Absent:** Ms. Ehrhardt

**MOTION PASSED**

## **FLEXCOMP**

### **ADP Update**

Mr. Collins reported that the contract with ADP has been completed and PERS is moving forward with implementation.

### **Flexcomp Appeal Case ID97**

Ms. Allen presented detailed information to the Board regarding a flexcomp appeal where the participant is appealing the payment from the 2012 medical spending account to cover expenses incurred during the 2012 grace period. The participant intended to have the claim paid out of the 2011 account balance. The Board discussed this flexcomp appeal.

**MR. SANDAL MOVED APPROVAL OF THE MEMBER APPEAL TO REPROCESS THE CLAIM FROM THE 2011 ACCOUNT BALANCE. THE MOTION WAS SECONDED BY MR. TRENBEATH.**

**Ayes:** Mr. Erdmann, Mr. Sage, Mr. Sandal, Ms. Smith, Mr. Trenbeath, and Chairman Strinden

**Nays:** None

**Absent:** Ms. Ehrhardt

## **MOTION PASSED**

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

Prepared by,

Cheryl Stockert  
Secretary to the Board

# MINUTES

## North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13<sup>th</sup> Ave SW, Fargo

Thursday, November 29, 2012

8:30 A.M.

Members Present: Ms. Joan Ehrhardt  
Mr. Levi Erdmann  
Mr. Howard Sage  
Mr. Mike Sandal  
Ms. Arvy Smith

Via Videoconference: Chairman Jon Strinden

Member Absent: Mr. Thomas Trenbeath

Others Present: Mr. Sparb Collins, NDPERS  
Ms. Cheryl Stockert, NDPERS  
Ms. Sharon Schiermeister, NDPERS  
Ms. Deb Knudsen, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Ms. Rebecca Fricke, NDPERS  
Mr. Srinivas Goluguri, NDPERS  
Ms. Jan Murtha, Attorney General's Office  
Mr. Alan Pearson

Via Videoconference: Mr. Kevin Schoenborn, BCBSND  
Ms. Onalee Sellheim, BCBSND  
Ms. Jodi Crouse, BCBSND  
Mr. Michael Carlson, BCBSND  
Ms. Tara Roberts, BCBSND  
Ms. Stacy Duncan, BCBSND  
Mr. Jim Wynstra, BCBSND

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

### MINUTES

Chairman Strinden called for any questions or comments regarding the minutes of the October 25, 2012 Board meeting.

**MR. SANDAL MOVED APPROVAL OF THE OCTOBER 25, 2012 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MR. SAGE. THE MINUTES WERE APPROVED.**

## **RETIREMENT AND RETIREE HEALTH INSURANCE CREDIT**

### **Job Service Liability Driven Investment Study**

Mr. Collins reported that the PERS Investment Subcommittee met with SEI, the company that will be conducting the Job Service liability driven asset allocation study. SEI indicated it will take approximately six months to complete this effort. Staff and the Investment Subcommittee will continue to meet with SEI as the study progresses and will report the findings to the Board once completed.

### **Legislation Update**

Mr. Collins reported that the Legislative Employee Benefits Committee met on October 30, and gave final consideration to the PERS bills. The Committee gave the retirement bill a favorable recommendation. During Committee discussion of the bill, it was suggested that half of the proposal be done rather than the full proposal. Last session the recovery bill was for four years, but the legislature decided to approve just two of the four years. Segal provided an analysis of both a two year and four year recovery plan. The downward trend has been stopped. The next two years of the recovery is on an upward slope back to 100% funded status. If only half of the recovery plan was implemented, it would be at 90% funded status.

Mr. Collins reported there was an observation from the Committee, that PERS should have an automatic trigger on their recovery bill, similar to the Teachers Fund for Retirement bill, that if the fund reaches a certain funded status, the additional contributions would be stopped.

Mr. Collins also indicated there was an observation from the Committee that for some of our retirement plans such as Judges and Law Enforcement, the projections done two years ago showed the long term care projections would be in more of a stable path. The observation was made that since the plans were trending upward, a contribution increase for those systems may not be necessary. Mr. Collins informed the Board that these issues may be raised during the next session.

## **GROUP INSURANCE**

### **Legislation Update**

Mr. Collins reported the two bills relating to the group health insurance plan were also presented to the Legislative Employee Benefits Committee at their October 30 meeting. The first bill related to the health insurance plan, and specifically the definition of eligible employees, to provide for standardizing the definition to be consistent with the definition in the health care reform bill. Due to the uncertainty of the Affordable Care Act, the Committee gave the bill a no recommendation. The second bill related to the retiree

health insurance credit fund and pre-Medicare retiree program and has an effective date of January 2015. The bill provides the PERS will no longer offer pre-Medicare health insurance since those members will be able to receive guaranteed coverage through the health care exchange. The bill also makes the retiree health insurance credit portable. The Committee gave the bill a favorable recommendation.

Mr. Collins reported that the Committee gave the PERS administrative bill a favorable recommendation.

### **Wellness Information**

Ms. Crouse, BCBSND, indicated this topic will be reviewed as part of the Quarterly Executive Summary report.

### **Quarterly Executive Summary**

Ms. Crouse, BCBSND, reported to the Board that staff from BCBS will be reviewing the Quarterly Executive Summary for the third quarter of 2012. Mr. Wynstra, BCBSND, reviewed the financial/trend analysis with the Board. The twelve month moving average trend of 7.6% is greater than the overall trend of 2.9%. He reviewed the average monthly incurred claims for actives and Medicare retirees paid through September 30, 2012.

Ms. Crouse reviewed the following with the Board: membership and health utilization; claims paid per member per month; claim type paid per member per month; high dollar cases; and prescription drug analysis. She reviewed the obesity trends which included information by county, by age and gender, and comparison of NDPERS and state overall weight status rates by gender. She also reviewed health management which included AccordantCare participation, MediQHome key measures, and MediQHome outcome measures.

Ms. Crouse continued with review of the performance standards and guarantees which analyzed the measures to be achieved to date in the areas of cost management, health outcomes, operational performance, and provider network management. Also reviewed were efforts completed and ongoing activities.

Ms. Roberts, BCBSND, presented an overview of the wellness programs including: HealthyBlue, Health Club Credit, member engagement and education program participation. Also presented was information relating to future considerations and Wellness Specialist efforts. Mr. Collins reported that the Lt. Governor has agreed to work with PERS on this program and has put forth much effort. Mr. Collins shared a letter that the Lt. Governor sent to all state agencies promoting employee wellness in the workplace. The Board had questions relating to the BCBSND quarterly executive summary report.

Mr. Carlson, BCBSND, announced that Ms. Roberts has done an excellent job on behalf of BCBSND, for NDPERS and its members and has taken an opportunity to move into a leadership position within the wellness department at BCBSND. Ms. Duncan, BCBSND,

will be transitioning into this position over the next few months and working closely with Ms. Roberts to insure the appropriate level of support. Ms. Duncan addressed the Board, stating she is very excited to work with PERS wellness programs.

#### **Dental Plan Implementation Update**

Ms. Allen reviewed Delta Dental's implementation plan with the Board. Currently, PERS is on schedule in all activities required to meet the effective date of January 1, 2013.

#### **Dental Plan Contract**

Mr. Collins referred the Board to the contract which was included in the Board book. Legal Counsel has reviewed the contract and resolved all issues that were identified.

#### **MS. EHRHARDT MOVED APPROVAL OF THE DELTA DENTAL MINNESOTA CONTRACT WHICH IS EFFECTIVE JANUARY 1, 2013. THE MOTION WAS SECONDED BY MR. ERDMANN.**

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

**Nays:** None

**Absent:** Mr. Trenbeath

#### **MOTION PASSED**

#### **FLEXCOMP**

#### **Flexcomp Implementation Update**

Ms. Allen reviewed the ADP's implementation plan with the Board. All tasks are on schedule for the January 1, 2013 start date. Ms. Allen explained how the transitioning of claims processing will be handled.

#### **MISCELLANEOUS**

#### **Board Meeting Schedule for 2013**

Mr. Collins shared the 2013 Board meeting schedule with the Board indicating one change on the schedule for the November meeting to November 27, 2013. This schedule will be filed with the ND Secretary of State.

#### **Quarterly Consultant Fees**

The report showing consulting, investment and administrative fees paid through the quarter ending September 30, 2012 was shared with the Board.

#### **Audit Committee Minutes**

The August 29, 2013 approved PERS Audit Committee minutes were shared with the Board. The next meeting is tentatively scheduled for February 20, 2013.

## **DEFERRED COMPENSATION**

### **TIAA-CREF Update**

Mr. Collins indicated one fund was closed in the 401(a) plan and transferred to a new fund. A letter was sent to all members advising them that this was taking place and no member calls have been received. The revenue sharing funds have been approved to be deposited in the member accounts. Mr. Collins indicated there are 7 basis points of revenue sharing for the 457 plan, which is approximately \$14,750 of revenue sharing funds that needs to be applied. There are two ways to apply this to the accounts. One is to deposit a fixed dollar amount to each account, the second is to deposit the money in the account based on the number of dollars that are in each member's account. The Board discussed this and concurred the most reasonable approach is to deposit the money based on the number of dollars in each member's account and gave Mr. Collins the authorization to direct TIAA-CREF to do so in this manner.

### **Provider Training Update**

Ms. Knudsen gave an update on the statewide training that was conducted for the 457 providers whose attendance is a requirement every two years. As part of the training, an overview of the TIAA-CREF Investment Advisor Representative (IAR) option was provided and it was explained that the Board was considering implementing it. Provider comments were requested. Ms. Knudsen reported there was not a majority consensus amongst the 457 provider representatives either way on the IAR option. Staff recommended deferring the final decision on offering the IAR program, but suggested authorizing TIAA-CREF to contact the companies to assess their interest in participating should the Board approve this in the future. This will allow the Board the opportunity to keep moving forward, while collecting additional information. The Board discussed the IAR option.

**MR. SANDAL MOVED STAFF RECOMMENDATION TO DEFER THE FINAL DECISION ON OFFERING THE TIAA-CREF INVESTMENT ADVISOR REPRESENTATIVE OPTION, AND TO AUTHORIZE TIAA-CREF TO CONTACT THE COMPANIES TO ASSESS THEIR INTEREST IN THE PROGRAM. THE MOTION WAS SECONDED BY MS. SMITH.**

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

**Nays:** None

**Absent:** Mr. Trenbeath

### **MOTION PASSED**

Mr. Sage inquired about the option of offering a 457 Roth. Mr. Collins responded that the board had authority to add it to the NDPERS plan of benefits. The Board requested more information on this option which will be discussed at a future Board meeting.

**Financial Hardship Case ID 103**

Ms. Allen presented detailed information to the Board relating to a deferred compensation hardship withdrawal in the amount of \$700.48 to cover expenses incurred as a result of two unforeseen emergency surgeries in 2012. The Board discussed this financial hardship request.

**MR. SAGE MOVED TO APPROVE THE FINANCIAL HARDSHIP REQUEST. THE MOTION WAS SECONDED BY MR. SANDAL.**

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

**Nays:** None

**Absent:** Mr. Trenbeath

**MOTION PASSED**

**Financial Hardship Case ID 108**

Ms. Allen presented detailed information to the Board relating to a deferred compensation hardship withdrawal in the amount of \$15,000 to cover expenses in arrears due to various circumstances and incidents as documented on the hardship application. The Board discussed this financial hardship request.

**MR. ERDMANN MOVED TO APPROVE THE FINANCIAL HARDSHIP REQUEST. THE MOTION WAS SECONDED BY MR. SAGE.**

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

**Nays:** None

**Absent:** Mr. Trenbeath

**MOTION PASSED**

**Hartford Update**

Mr. Collins reviewed the ongoing considerations relating to the Hartford with the Board and their proposed sale of their retirement business to MassMutual. At previous meetings, the Board had taken the position that before this sale occurs, MassMutual would have to become an approved deferred compensation provider in North Dakota. In addition, Mr. Collins noted that separate from the contract, we needed a memorandum detailing which party is responsible for each part of those provider contracts. Staff had a conversation with a representative from Hartford and relayed to them that this was the expectation and that we felt this should be completed by the early part of November. Mr. Collins indicated that he had not received the requested information from Hartford or MassMutual.

Mr. Collins noted that they are moving forward with the sale, and that their goal is to be completed by the end of the year or early next year.

Ms. Murtha advised that the Board go into Executive Session pursuant to NDCC §44-04-19.1(2), (5) and §44-04-19.2 for Attorney Consultation.

**EXECUTIVE SESSION**

**MS. EHRHARDT MOVED THAT THE BOARD GO INTO EXECUTIVE SESSION PURSUANT TO NDCC §44-04-19.1(2), (5) AND §44-04-19.2 FOR ATTORNEY CONSULTATION. THE MOTION WAS SECONDED BY MS. SMITH.**

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

**Nays:** None

**Absent:** Mr. Trenbeath

**MOTION PASSED**

All members named above were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 10:10 a.m.

Chairman Strinden determined that the Board could return to open session. The Executive Session closed at 10:38 a.m. and the Board returned to open session.

Ms. Murtha requested that the motion reflect that Mr. Anderson be authorized to proceed as instructed.

**MR. SANDAL MOVED THAT LEGAL COUNSEL IS AUTHORIZED TO PROCEED AS INSTRUCTED. THE MOTION WAS SECONDED BY MS. EHRHARDT.**

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

**Nays:** None

**Absent:** Mr. Trenbeath

**MOTION PASSED**

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 10:40 a.m.

Prepared by,

Cheryl Stockert  
Assistant to the Board

# MINUTES

## North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13<sup>th</sup> Ave SW, Fargo

Thursday, December 20, 2012

8:30 A.M.

Members Present: Ms. Joan Ehrhardt  
Mr. Levi Erdmann  
Mr. Howard Sage  
Mr. Mike Sandal  
Mr. Thomas Trenbeath

Member Absent: Ms. Arvy Smith  
Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS  
Ms. Cheryl Stockert, NDPERS  
Ms. Sharon Schiermeister, NDPERS  
Ms. Deb Knudsen, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Ms. Rebecca Fricke, NDPERS  
Ms. Jamie Kinsella, NDPERS  
Ms. Jan Murtha, Attorney General's Office  
Mr. John Mongeon, Brady Martz  
Ms. Robyn Govin, Brady Martz

Via Videoconference: Mr. Kevin Schoenborn, BCBSND  
Ms. Onalee Sellheim, BCBSND  
Mr. Michael Potts, BCBSND  
Ms. Jodi Crouse, BCBSND  
Ms. Stacy Duncan, BCBSND  
Mr. Bob Stroup, BCBSND

Acting Chairman Sage called the meeting to order at 8:35 a.m.

### **MINUTES**

Acting Chairman Sage called for any questions or comments regarding the minutes of the November 29, 2012 Board meeting.

**MR. SANDAL MOVED APPROVAL OF THE NOVEMBER 29, 2012 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MR. TRENBEATH. THE MINUTES WERE APPROVED.**

## **MISCELLANEOUS**

### **Audit Report**

Mr. Mongeon and Ms. Govin from Brady Martz presented the Audit as of June 30, 2012. Mr. Mongeon reviewed the audit report examination for the years ended June 30, 2012 and 2011 with the Board. He reported it was a clean audit and referred the Board to the Management Letter which included five recommendations. The Board had questions of Mr. Mongeon and staff. Mr. Mongeon extended a thank you to all staff that assisted during the audit.

### **MR. SANDAL MOVED TO ACCEPT THE AUDIT REPORT. THE MOTION WAS SECONDED BY MS. EHRHARDT.**

**Ayes:** Mr. Trenbeath, Ms. Ehrhardt, Mr. Sandal, Mr. Erdmann, and Mr. Sage

**Nays:** None

**Absent:** Ms. Smith and Chairman Strinden

### **MOTION PASSED**

### **Legislation Update**

Mr. Collins reported that the four PERS bills were prefiled and assigned bill numbers. The recovery plan bill and administrative bill will begin in the Senate, and the health related bills will begin in the House. Mr. Collins indicated to the Board that at the last meeting of the Legislative Employee Benefits Committee, it was observed that the recovery plan bill which provides for contributions to rise up to 16.12%, does not include a provision similar to the teacher's bill. This provision is that once the funded status of the plan meets 100%, the contribution increases are taken away. Mr. Collins indicated that it is likely that during the session there may be wording added similar to the teacher's retirement bill. He suggested that we could advise the legislative committee not to stop the funding, but rather put a de-risking strategy in place. Wording could be added that when those contributions are no longer needed that the PERS Board would look to reduce the required investment return assumption which is a longer term strategy. Mr. Collins indicated he would like to suggest this to the committee because: 1) it keeps those contributions in the system, and 2) it might help PERS overall, because one of the criticisms is that our return assumption is too high. Mr. Collins was seeking Board concurrence before discussing this de-risking concept with the Legislature. The Board discussed this concept and concurred not to bring it forward to the legislature at this time.

### **Executive Budget Recommendations**

Mr. Collins presented a brief overview of the Governor's budget recommendations. The PERS administrative budget was approved, health insurance was funded with a 10.7% increase in premiums, and salary package was recommended for all state agencies.

## **GROUP INSURANCE**

### **Long Term Care Insurance**

Mr. Collins reported that a draft request for proposal for long term care insurance was received from Gabriel Roeder Smith, our consultant. GRS has indicated that in response to an RFI, no company indicated it would be willing to submit a proposal if the state issues an RFP. The Board discussed and had suggestions for long term care insurance plan.

### **Dental/Vision Plans Update**

Ms. Allen reported that the two-year service agreement with Superior Vision expires on December 31, 2012. A new agreement has been reviewed by legal counsel and updated accordingly. Enrollments for dental and vision plans increased this year. Ms. Allen reported that we are on schedule with the implementation with Delta Dental.

**MR. TRENBEATH MOVED APPROVAL OF THE TWO YEAR AGREEMENT FOR SERVICES WITH SUPERIOR VISION FOR THE PERIOD JANUARY 1, 2013 THROUGH DECEMBER 31, 2014. THE MOTION WAS SECONDED BY MR. SANDAL.**

**Ayes:** Mr. Erdmann, Mr. Trenbeath, Mr. Sandal, Ms. Ehrhardt, and Mr. Sage

**Nays:** None

**Absent:** Ms. Smith and Chairman Strinden

**MOTION PASSED**

### **High Deductible Health Plan**

Ms. Allen reported that the enrollment in this plan has increased by 14 for a total of 110 enrolled.

### **PDP Contract**

Mr. Collins reported that the prescription drug plan contract for the Medicare Part D program as previously approved by the Board is scheduled for renewal on January 1, 2013. The contract has been reviewed by legal counsel.

**MR. TRENBEATH MOVED APPROVAL OF THE GROUP MEDICAREBLUE RX RETIREE PRESCRIPTION DRUG PLAN CONTRACT FOR THE PERIOD JANUARY 1, 2013 THROUGH DECEMBER 31, 2013. THE MOTION WAS SECONDED BY MS. EHRHARDT.**

**Ayes:** Mr. Erdmann, Mr. Sandal, Ms. Ehrhardt, Mr. Trenbeath, and Mr. Sage.

**Nays:** None

**Absent:** Ms. Smith and Chairman Strinden

**MOTION PASSED**

### **Health Care Reform**

Mr. Collins reported that beginning in 2014, provisions of the Affordable Care Act will become effective. Factors that will affect future health insurance include grandfathered status, premium subsidies, insurance exchanges, and penalties. Mr. Potts, BCBSND, reviewed with the Board a health care reform financial impact analysis. The conclusion was that NDPERS is not financially incented to drop group coverage based on this analysis. BCBSND staff will be meeting with other groups who will be requesting this same type of analysis. The Board and staff had questions relating to this analysis.

### **RETIREMENT**

#### **Contribution Increase Letter**

Mr. Collins informed the Board that PERS sent a letter to all employees notifying them of the change in their salaries as a result of the increase in retirement contributions effective January 1, 2013.

### **DEFERRED COMPENSATION**

#### **3<sup>rd</sup> Quarter Investment Report for 401(a) and 457 Companion Plan**

Mr. Reinhardt reported assets in the 401(a) plan increased to \$24 million as of September 30, 2012. The number of participants is at 270 which is about the same as when the plan began, with 70% of the assets in the TIAA-CREF Lifecycle funds. Assets in the 457 Companion Plan increased to \$43 million as of September 30, 2010. The number of participants is increasing at 3,985. TIAA-CREF Lifecycle funds comprise 74% of the assets. The Investment Subcommittee reviewed the third quarter market overview with no funds marked as underperforming for the quarter.

#### **Hartford Update**

Mr. Collins reported that MassMutual signed the Provider Agreement along with the supplemental memorandum of understanding between Hartford and MassMutual. Mr. Collins reported they have met what has been requested. Ms. Murtha indicated that all requests from legal counsel have been responded to and are acceptable. Mr. Collins indicated that staff will continue to work with MassMutual.

### **FLEXCOMP**

#### **Flexcomp Update**

Ms. Allen reported that flexcomp enrollments for plan year 2013 are 2,729, which is a decrease from last year. Mr. Collins added that the decrease in enrollment will affect income and staff will be reviewing this. Implementation with ADP is on schedule.

The Board had questions relating to annual enrollment and the use of Member Self Service (MSS) portal for the pilot agencies. Mr. Collins reported that enrollments through MSS processed well. Ms. Fricke indicated that PERS staff will be working with the pilot agencies and staff on lessons learned to continue to improve the functionality of MSS.

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December 20, 2012  
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Acting Chairman Sage called for any other business or comments. Hearing none, the meeting adjourned at 10:30 a.m.

Prepared by,

Cheryl Stockert  
Assistant to the Board