

# MINUTES

## North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

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

Tuesday, December 21, 2010

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

Member Absent: Ms. Joan Ehrhardt

Others Present: Ms. Kim Humann, NDPERS  
Ms. Kathy Allen, NDPERS  
Ms. Sharon Schiermeister, NDPERS  
Ms. Jamie Kinsella, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Mr. Aaron Webb, Office of Attorney General  
Mr. Kevin Schoenborn, BCBSND  
Mr. John Mongeon, Brady Martz  
Mr. John Geissinger, RIO  
Ms. Julie Klassen, Great West Retirement Services  
Mr. Jay Kloepfer, Callan Associates  
Mr. Paul Erlendson, Callan Associates

Via Videoconference: Mr. Sparb Collins, NDPERS  
Ms. Jodi Crouse, BCBSND  
Mr. Tom Christensen, BCBSND  
Ms. Jane Nephew, BCBSND  
Ms. Onalee Sellheim, BCBSND  
Mr. Mike Potts, BCBSND

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 November 18, 2010 Board meeting.

**MR. TRENBEATH MOVED APPROVAL OF THE NOVEMBER 18, 2010 BOARD MINUTES. THE MOTION WAS SECONDED BY MS. SMITH. THE MINUTES WERE APPROVED.**

## **AUDIT**

Mr. Collins reported that the audit committee had reviewed the 2010 audit report. Mr. Mongeon from Brady Martz reviewed with the Board the 2010 audit report that was conducted as of June 30, 2010. It was a clean audit. Mr. Mongeon indicated there were no instances of noncompliance with laws in disclosing deficiencies or weaknesses in internal controls. There were no questions from the Board relating to the audit.

## **PERSLink Update**

Ms. Schiermeister presented an update on the PERSLink business system. The system is stable and PERS is able to conduct daily business. Ms. Schiermeister presented highlights on issues and challenges currently facing PERS with the new system. Work is being reassigned and temporary help has been hired to assist us in keeping up with daily work. A training session is being scheduled in January for PeopleSoft agencies to address their questions and concerns relating to the Employer Self-Service portal. The retiree payments were processed for two months with success. A file upload has been done from PERSLink to PeopleSoft for all annual enrollments. This eliminated the need for state payroll staff to do data entry into PeopleSoft. Ms. Schiermeister reported that we continue to have problems with the insurance billings and have asked Sagitec to devote more resources to this area so we can get this corrected. The certificate of completion has not yet been signed off on until these issues are resolved. The Board had questions of staff relating to the new PERSLink business system.

## **GROUP INSURANCE**

### **Prime Therapeutics Response (PBM Audit)**

This agency item will be held over to the January 2011 meeting.

### **Health Plan**

Mr. Collins updated the Board on issues relating to the health plan. First, the executive budget did recommend the 7.4% increase and this was incorporated into the appropriation bill. Second, the Board previously had discussed the premium reprojected done in February. The thought was that the premiums would remain flat. Given there was an increase, Mr. Collins suggested that we do the premium reprojected.

**MS. SMITH MOVED THAT THE HEALTH PREMIUMS BE REPROJECTED IN FEBRUARY. THE MOTION WAS SECONDED BY MR. ERDMANN.**

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

**Nays:** None

**Absent:** Ms. Ehrhardt

**MOTION PASSED**

Mr. Collins indicated that at previous Board meetings, BCBS presented information on the Accordant program (a disease management program for rare or unique medical conditions) and the Triessent specialty pharmacy program. Mr. Collins raised the question whether we want to include these programs in the 2011-13 biennium. The Board had questions relating to these programs. Mr. Tom Christenson with BCBSND explained the specialty pharmacy program to the Board and answered questions.

**MR. ERDMANN MOVED TO INCLUDE THE TRIESSENT AND ACCORDANT PROGRAMS FOR THE 2011-13 BIENNIUM. THE MOTION WAS SECONDED BY MR. TRENBEATH.**

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

**Nays:** None

**Absent:** Ms. Ehrhardt

**MOTION PASSED**

Mr. Collins reported that the Legislative Employee Benefits Committee gave a positive recommendation on Representative Carlson's bill to offer a high deductible health plan (health savings account). This bill will have no affect on PERS health care plan.

Mr. Collins reviewed with the Board the letter from BCBS relating to changing the pharmacy benefit portion of the health insurance business from Prime National Network to Prime Select Network. Also, he shared information relating to the Plan Document changes for 2011 which have no cost impact on our plan.

**Life Insurance Bid**

Ms. Allen indicated that information relating to the Group Life AD&D Insurance Plan request for proposal has been included in the Board book. She reviewed with the Board the key dates for this request for proposal. The Board had questions of staff relating to this request for proposal.

**MR. SANDAL MOVED TO APPROVE THE GROUP LIFE AD&D INSURANCE PLAN REQUEST FOR PROPOSAL. THE MOTION WAS SECONDED BY MR. ERDMANN.**

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

**Nays:** None

**Absent:** Ms. Ehrhardt

**MOTION PASSED**

**RETIREMENT**

**Asset/Liability Study**

Mr. Collins reported that Callan Associates will be conducting an asset allocation and liability study for the Public Employees Retirement System. Representatives from Callan reviewed with the Board a proposed asset allocation framework. The current asset class categorization for TFFR and PERS includes several broad asset classes: domestic equity, international equity, domestic fixed income, international fixed income, real estate, alternatives, and cash equivalents. Callan recommends changing the framework into five broad groups: global equity, global fixed income, global real assets, global alternatives, and cash equivalents. This broad approach is used by large public funds around the country, and allows for flexibility in the implementation of the investment program. The Board had questions and comments relating to these asset classes.

**MR. SANDAL MOVED TO APPROVE THE PROPOSED ASSET ALLOCATION FRAMEWORK FOR CALLAN TO CONDUCT THE ASSET ALLOCATION AND LIABILITY STUDY FOR EACH NDPERS PLAN. THE MOTION WAS APPROVED BY MR. SAGE.**

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

**Nays:** None

**Absent:** Ms. Ehrhardt

**MOTION PASSED**

**Retirement Plan**

Mr. Collins reported that the Governor has included funding for Bill 53 in the executive budget. Mr. Collins noted that it is likely that the DC bill will be introduced. He suggested maintaining a neutral position on the bill. The Board concurred and indicated that we have to make sure the legislators understand what the facts are there. Relating to the funding of the DB plan, the Board indicated that PERS should propose an amendment to the bill to insure the DB plan will remain funded. The Board reiterated that the goal is to make sure the DB plan remains actuarially sound.

Mr. Collins asked for guidance on the RIO administrative bill. They are requesting one additional FTE for the investment area. The Board agreed that it would be acceptable to take a positive position on this if asked by the legislature.

Relating to the PERS administrative bill, Mr. Collins and legal counsel reviewed the statute at NDCC 54-52-0211(3). In 2003, this subsection was changed when the law enforcement system was created. After further review, it appears that the current language in the bill created had a broader effect than originally anticipated since we would have a unique rate for each subdivision. Mr. Collins reviewed with the Board the history of this law and recommended an amendment be included in the PERS administrative bill to return PERS to the status quo.

**MS. SMITH MOVED TO APPROVE INCLUDING A CHANGE TO THIS SUBSECTION IN THE PERS ADMINISTRATIVE BILL. THE MOTION WAS SECONDED BY MR. SAGE.**

The Board further discussed the motion.

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

**Nays:** None

**Absent:** Ms. Ehrhardt

**MOTION PASSED**

**Segal Contract**

Mr. Collins reported to the Board that the contract with Segal for actuarial work is scheduled to go to bid this year with the new contract being effective July 1, 2011. The contract was extended by the Board last year because of the challenges facing the retirement plans and the bill review process before the legislature. Mr. Collins requested to extend the contract with Segal for one more year because the actuarial valuation will be done in 2011 and this will be the first year that the data will be drawn from our new business system. An extension would be drafted with rates and terms and brought before the Board at the January meeting for final approval.

**MR. TRENBEATH MOVED TO REQUEST A PROPOSAL FROM SEGAL TO EXTEND THE CONTRACT FOR ONE MORE YEAR ENDING JUNE 30, 2012 SUBJECT TO REVIEW OF THE SEGAL PROPOSAL. THE MOTION WAS SECONDED BY MS. SMITH.**

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

**Nays:** None

**Absent:** Ms. Ehrhardt

**MOTION PASSED**

**DEFERRED COMPENSATION**

Mr. Reinhardt reported that the 2010-2011 NDPERS Summary of Investment Options for the Deferred Compensation Plan is available on the NDPERS website. There are currently nine providers and over three hundred funds to choose from.

**MISCELLANEOUS**

**Audit Committee Minutes**

The August 18, 2010 PERS Audit Committee minutes were shared with the Board.

**Deferred Compensation Hardship Withdrawal**

Ms. Allen presented detailed information to the Board relating to a member requesting hardship withdrawal to cover debt incurred as a result of a medical condition that required the participant to take a leave of absence without pay. The Board discussed this hardship withdrawal case.

**MR. SAGE MOVED TO APPROVE THE HARDSHIP WITHDRAWAL IN THE AMOUNT OF THE MEMBER'S ACCOUNT BALANCE OF \$438.84. THE MOTION WAS SECONDED BY MS. SMITH.**

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

**Nays:** None

**Absent:** Ms. Ehrhardt

**MOTION PASSED**

**Flex Comp Appeals**

Ms. Allen presented detailed information to the Board relating to a member request to reprocess and reimburse the claim submitted on June 23, 2010 from the remaining 2009 medical spending account balance (Appeal Case #6). The Board discussed this appeal.

**MR. ERDMANN MOVED TO APPROVE THE APPEAL CASE NUMBER 6. THE MOTION WAS SECONDED BY MR. TRENBEATH.**

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

**Nays:** None

**Absent:** Ms. Ehrhardt

**MOTION PASSED**

Ms. Allen presented detailed information to the Board relating to a member request for a member to elect COBRA continuation of coverage for July 1, 2010 through December 21, 2010 and pay claim (Appeal Case #7). The Board discussed this appeal.

**MR. SAGE MOVED TO DENY THE APPEAL CASE NUMBER 7. THE MOTION WAS SECONDED BY MR. TRENBEATH.**

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

**Nays:** None

**Absent:** Ms. Ehrhardt

**MOTION PASSED**

**Retiree Health Insurance Credit Appeal**

Ms. Allen presented detailed information to the Board relating to an appeal relating to retiree health insurance credit of two NDPERS members with the RHIC combined under one member's retirement file. Upon the death of the spouse, the RHIC should have been adjusted and was not. As a result, the health insurance premium was underpaid from February 2009 through October 2010 in the amount of \$1,452.87. The member has offered to repay 50%. Mr. Collins further explained PERS administrative procedures relating to this matter. The Board discussed this appeal.

**MR. TRENBEATHY MOVED TO FORGIVE THE UNDERPAYMENT IN THE AMOUNT OF \$1,452.87. THE MOTION WAS SECONDED BY MR. SANDAL.**

Staff, the Board and legal counsel further discussed this motion.

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

**Nays:** None

**Absent:** Ms. Ehrhardt

**MOTION PASSED**

Chairman Strinden called for any other business or comments. Board members concurred and the meeting adjourned at 11:18 a.m.

Prepared by,

Cheryl Stockert  
Secretary to the Board