

MINUTES

North Dakota Public Employees Retirement System

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

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

Via Video Conference: Chairman Jon Strinden

Member Absent: Ms. Joan Ehrhardt

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

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

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

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

MINUTES

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

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

GROUP INSURANCE

WELLNESS BENEFIT PROGRAM

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

GROUP HEALTH PLAN RENEWAL

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

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

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

Nays: None

Absent: Ms. Ehrhardt

MOTION PASSED

PLAN DESIGN

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

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

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

MINUTE CLINICS

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

2006 FLU SHOT CLINIC

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

SURPLUS/AFFORDABILITY UPDATE

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

RETIREMENT

ANNUAL INVESTMENT UPDATE

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

DEFERRED COMPENSATION

THIRD QUARTER 2006 INVESTMENT REPORT

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

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

LASR UPDATE

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

MISCELLANEOUS

EXECUTIVE BUDGET

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

AUDIT REPORT

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

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

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

Nays: None

Absent: Ms. Ehrhardt

MOTION PASSED

AUDIT COMMITTEE MINUTES

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

DEFERRED COMPENSATION

PROVIDER TRAINING COMPLIANCE

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

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

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

Nays: None

Absent: Ms. Ehrhardt

MOTION PASSED

FINANCIAL HARDSHIP INFORMATION

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

FINANCIAL HARDSHIP APPEAL

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

OTHER

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

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

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

Nays: None

Absent: Ms. Ehrhardt

MOTION PASSED

The meeting adjourned at 11:15 a.m.

Prepared by,

Cheryl Stockert
Secretary to the NDPERS Board