

MINUTES

North Dakota Public Employees Retirement System

Thursday, August 16, 2007
ND Association of Counties, Bismarck
BCBS, 4510 13th Ave SW, Fargo
8:30 A.M.

Members Present: Mr. Ron Leingang
Mr. Howard Sage
Mr. Mike Sandal
Ms. Arvy Smith
Mr. Thomas Trenbeath

Via Conference Call: Chairman Jon Strinden

Member Absent: Ms. Joan Ehrhardt

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Sharmain Dschaak, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Diane Heck, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Rebecca Fricke, NDPERS
Mr. Dave Peske, ND Medical Association
Mr. Dirk Huggett, ITD
Mr. Leon Wechsler, LRWL
Mr. Andy Flewelling, LRWL
Ms. Onalee Sellheim, BCBSND
Mr. Weldee Baetsch

Via Conference Call: Mr. Larry Brooks, BCBSND
Mr. Tom Christensen, 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, 2007 Board meeting.

MR. LEINGANG MOVED APPROVAL OF THE JULY 19, 2007 NDPERS BOARD MINUTES. MS. SMITH SECONDED THE MOTION. THE MINUTES WERE APPROVED.

RETIREMENT

COST OF LIVING ADJUSTMENT

Mr. Collins stated that several meetings ago it was suggested that the Board add to the work plan for this year a review of cost of living adjustments (COLA's) for retirement plans. Mr. Collins outlined a possible approach for discussion of COLA's. The Board directed Mr. Collins to proceed as proposed.

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. During this last legislative session, agency budgets were increased by 4% for the first year of 2007-09 and employees were to receive a minimum monthly increase of \$75. The North Dakota Highway Patrol leadership is recommending that deferred members in its system have their final average salary indexed by 4%.

MR. LEINGANG MOVED APPROVAL OF A FOUR PERCENT ANNUAL INCREASE IN THE FINAL AVERAGE SALARY INDEXING FOR HIGHWAY PATROL MEMBERS. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

Absent: Ms. Ehrhardt

MOTION PASSED

PUBLIC SAFETY OFFICERS TAX-FREE DISTRIBUTIONS FOR HEALTH PREMIUMS

Ms. Allen reported that the Pension Protection Act of 2006 permits eligible retired public safety officers to take a credit on their tax return of up to \$3,000 for the cost of their qualified health insurance premiums if they retire at normal retirement age or due to disability. The Segal Company has reviewed this provision and has concluded that it is the responsibility of the retired officer to claim the premium payments that were subtracted from their pension as a reduction in taxable income on their Form 1040 up to the eligible amount of \$3,000 per year. There is no special requirement that the employer provide this reporting on Form 1099-R. Staff would communicate and educate our membership and would proceed with development of the necessary communication materials to disseminate on or before December 1, 2007.

MR. SANDAL MOVED THAT STAFF SHOULD MOVE FORWARD WITH DISSEMINATING THE NECESSARY COMMUNICATION AND EDUCATION MATERIALS TO THE MEMBERSHIP ON OR BEFORE DECEMBER 1, 2007. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

Absent: Ms. Ehrhardt

MOTION PASSED

DEFERRED NORMAL RETIREMENT OPTION

Mr. Webb, Assistant Attorney General, reported back to the Board that the Board does not have legal authority to make payment of interest on back payments, unless there is express legislative authority. Current statutes make it clear that interest is not included in the back payment of benefits.

GROUP INSURANCE

BCBS EFFORTS

Mr. Collins reviewed with the Board several draft attachments to the administrative agreement that document work efforts BCBS is doing relating to Tobacco Cessation, the Wellness Benefit Program, the Wellness Pilot Project, and Disease Management Services. The final agreement will be presented at the September meeting for Board approval.

SPD RATE REQUEST

Mr. Collins reported to the Board PERS had received two resolutions requesting that we consider adding a single plus dependent rate for political subdivisions. Staff suggests that BCBS be asked to determine if such a change can be made and if so, what the effect will be on the rates for political subdivisions (usually under a three tier structure, the family rate rises and the SPD rate will fall somewhere between the old family rate and the single rate). Once information is received from BCBS, we can forward this information onto the political subdivisions to determine if they would like to see their rates modified to include the SPD rate.

MS. SMITH MOVED TO APPROVE STAFF RECOMMENDATION TO EXPLORE WITH BCBS THE IDEA OF ADDING A SINGLE PLUS DEPENDENT RATE AND HOW IT WILL AFFECT THE POLITICAL SUBDIVISIONS. THE MOTION WAS SECONDED BY MR. SAGE.

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

Nays: None

Absent: Ms. Ehrhardt

MOTION PASSED

DRUG FORMULARY

Mr. Christensen, Director of Pharmacy Management with BCBS, presented the Board with information relating to the process of removing a drug from the formulary and how notification is made to the members, and the process for notifying members of changes to the formulary. Discussion followed and the Board suggested that members should be educated about asking physicians questions relating to their medication, if there is a generic equivalent, etc. Also, it was noted that BCBS does send pharmacists out to clinics to provide physicians with education on how on the formulary and how to prescribe in a more cost effective manner. The Board requested that BCBS provide a presentation on this program at the next meeting.

EPO OPEN ENROLLMENT UPDATE

Mr. Collins stated that the Board memo includes information relating to the EPO open enrollment for 2007 as compared to the contracts for 2006.

SURPLUS/AFFORDABILITY UPDATE

Mr. Reinhardt presented the June surplus projection and affordability analysis for the NDPERS group medical plan and reviewed the estimated surplus projection figures with the Board.

EMPLOYEE ASSISTANCE PROGRAM UPDATE

Mr. Reinhardt reported that the EAP selection process has concluded for the 2007-2009 biennium and agencies choose their EAP provider. One agency switched providers and 20 new groups chose their provider for the first time. We now have 4 providers: St. Alexius, Medcenter One, The Village, and Deer Oaks.

HEALTH REPORT 2006

Mr. Reinhardt reported that every year PERS compiles a group health insurance comparison report for groups of agencies over 100 employees (37 agencies). The report compares the agency against the total group relating to hospitalizations, physician visits, and pharmacy utilization.

GASB

Mr. Collins stated that the Government Accounting Standards Board (GASB) has new requirements that requires the state to report any financial obligations it has relating to providing health insurance benefits to retirees. Staff received cost proposals from Gallagher Benefit Services and Segal Company to complete a GASB 45 valuation. Gallagher Benefit Services had calculated this in 2005 for OMB and the Legislative Council. Their cost proposal was less than Segal Company and staff is recommending contracting with Gallagher Benefit Services for this service.

MS. SMITH MOVED TO AWARD THE CONTRACT TO GALLAGHER BENEFIT SERVICES TO COMPLETE THE GASB 45 VALUATION. THE MOTION WAS SECONDED BY MR. LEINGANG.

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

Nays: None

Absent: Ms. Ehrhardt

MOTION PASSED

LASR

Ms. Knudsen stated that included in the Board book was the monthly update.

Mr. Collins introduced the LRWL firm who was present to give the Board an overview of the development phase of IT projects. Mr. Leon Wechsler presented information to the Board relating to the project, its functionality, the integration capabilities, the work plan, what the probable challenges and risks are, and the trustee's role in the project.

Mr. Collins stated pursuant to the RFP that resulted in the selection of L.R. Wechsler it included the option for the Board to continue their contract for the development phase if their work efforts in the initial phases was acceptable. It was noted that all efforts to date were acceptable and staff recommended continuing them for the next phase. Their role as identified in the RFP for the next phase is to provide oversight project management and quality assurance support for the project at a projected cost for the services in this phase ranging from \$956,894 to \$1,050,499 over the next 36 months. These costs were included in the budget approved by the Governor and legislature. Staff recommendation is to continue the relation with LRWL for Phase IV.

MR. SAGE MOVED TO RETAIN THE WECHSLER FIRM (LRWL) TO PROVIDE OVERSIGHT PROJECT MANAGEMENT AND QUALITY ASSURANCE SUPPORT DURING PHASE IV OF THE LASR PROJECT. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

Absent: Ms. Ehrhardt

MOTION PASSED

MISCELLANEOUS

ADMINISTRATIVE RULES

Ms. Knudsen reported that the draft administrative rules are complete (included in the Board book). Staff will bring the final draft of the rules to the September meeting for Board approval. A Small Entity Regulatory Analysis will also need to be conducted and information will be presented at the September Board meeting. Ms. Allen reported the Election Committee met to review the election rules. After Board discussion, it was decided that the Election Committee will meet to review the proposed rules before they are brought before the Board in September.

MAINFRAME MIGRATION

Mr. Collins reported to the Board that NDPERS will not be going through the mainframe migration this summer. Instead it has been decided that PERS will migrate when the new business system is completed.

BOARD PLANNING MEETING

Mr. Collins stated that a couple of years ago a Board planning meeting was held in the fall which focused on the PERS goals and programs. At that time it was suggested that this type of meeting should be done every several years. Keeping with that schedule consideration should be given to such a meeting in November or December. This timeframe would be timely since the Board will have had an opportunity to view the annual valuations and the suggestions of the benefits committee and retiree committee. The Board directed staff to schedule another planning meeting in November or December 2007.

LEGISLATIVE EMPLOYEE BENEFITS PROGRAMS COMMITTEE

Mr. Collins shared the agenda with the Board for the August 21, 2007 scheduled meeting of the Legislative Employee Benefits Programs Committee.

STATE INVESTMENT BOARD

SIB agenda and minutes were distributed at the Board meeting.

HARDSHIP WITHDRAWAL

Ms. Allen presented detailed information to the Board relating to a participant requesting a hardship withdrawal to cover expenses accrued as a result of loss of income due to spouse's unemployment earlier this year. Ms. Allen also presented information relating to the IRC section 457 regulations, specifically the definition of financial hardship. The Board discussed this hardship withdrawal case.

MR. SAGE MOVED TO DENY THE REQUEST FOR HARDSHIP WITHDRAWAL. THE MOTION WAS SECONDED BY MR. LEINGANG.

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

Nays: None

Absent: Mr. Ehrhardt

MOTION PASSED

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 10:45 a.m.

Prepared by,

Cheryl Stockert
Secretary to the Board