

MINUTES

North Dakota Public Employees Retirement System

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

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

Via Video Conference: Ms. Rosey Sand
Chairman Jon Strinden

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

Via Video Conference: Mr. Kevin Schoenborn, BCBSND

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

MINUTES

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

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

GROUP INSURANCE

Review of Dental Insurance Proposals

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

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

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

Nays: None

MOTION PASSED

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

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

Nays: None

MOTION PASSED

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

BCBS Member Satisfaction Survey

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

Wellness Benefit Program

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

Segal Update

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

Group Medical Plan Surplus/Affordability Update

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

RETIREMENT

Final Average Salary Indexing for Highway Patrol

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

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

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

Nays: None

MOTION PASSED

Law Enforcement Retirement Plan

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

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

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

Nays: None

MOTION PASSED

BUSINESS SYSTEM REPLACEMENT PROJECT (LASR) UPDATE

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

MISCELLANEOUS

Updated Personnel Policies

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

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

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

Nays: None

MOTION PASSED

State Employee Compensation Commission

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

IFEBP and Other Outside Activities

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

Disability Appeal 2006 002D

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

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

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

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

Nays: None

MOTION PASSED

Executive Director Review

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

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

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

Nays: None

MOTION PASSED

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

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

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

Nays: None

MOTION PASSED

The meeting adjourned at 11:10 a.m.

Prepared by,

Cheryl Stockert
Secretary to the NDPERS Board