

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13th Ave SW, Fargo

Thursday, August 20, 2009

8:30 A.M.

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

Member Absent: Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Sharmain Dschaak, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. Diane Heck, NDPERS
Mr. Aaron Webb, Attorney Generals Office
Mr. Stuart Savelkoul, NDPEA
Mr. Ron Leingang
Mr. Mark Kolling

Via Videoconference: Mr. Kevin Schoenborn, BCBSND
Ms. Jodi Crouse, BCBSND
Ms. Onalee Sellheim, BCBSND
Mr. Don Schott, BCBSND
Mr. Mike Potts, BCBSND

As Chairmain Strinden was not able to attend the meeting, Mr. Sage called the meeting to order at 8:30 a.m.

MINUTES

Mr. Sage called for any questions or comments regarding the minutes of the July 16, 2009 Board meeting.

MS. EHRHARDT MOVED APPROVAL OF THE JULY 16, 2009 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MR. TRENBEATH. THE MINUTES WERE APPROVED.

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. During this last legislative session, agency budgets were increased by 5% for salary increases for the first year of the 2009-10 biennium and employees were to receive a minimum monthly increase of \$100. The North Dakota Highway Patrol leadership is recommending that deferred members in its system have their final average salary indexed by 5%.

MS. EHRHARDT MOVED APPROVAL OF A FIVE PERCENT ANNUAL INCREASE IN THE FINAL AVERAGE SALARY INDEXING FOR HIGHWAY PATROL MEMBERS EFFECTIVE JULY 1, 2009. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

DC Plan Valuation

Mr. Collins reported that an actuarial valuation is done each year of the defined benefit (DB) plan. Since PERS also administers the optional defined contribution (DC) plan for nonclassified employees, it is suggested to conduct the same type of valuation for that plan to determine how its funding status is progressing. Segal, who is currently the PERS retirement plan consultant, prepared a proposal at a cost of \$12,500. Board discussion followed.

MR. SANDAL MOVED APPROVAL OF THE DEFINED CONTRIBUTION ACTUARIAL VALUATION TO BE DONE BY SEGAL. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

Investment/Retirement Update

Mr. Collins included in the Board book information on the status of PERS retirement plans funding status. He reviewed the information with the Board. Board discussion and questions followed. Mr. Collins discussed the possibility of needing a contribution

increase from employees, employers, or a combination of both. Board discussion followed.

The Board directed PERS staff to communicate with and educate employees as to the status of the retirement funding and any future action that may need to be taken. Mr. Collins indicated that in October the actuarial reports will reveal more detail. He assured the Board that there already have been meetings with many of PERS employer groups at the management level.

Mr. Collins reported that for the Job Service plan return assumption is presently 7.5%. He suggested that we also ask for a valuation based upon an 8% return.

MR. ERDMANN MOVED THAT THE JOB SERVICE VALUATION SHOULD BE PREPARED USING BOTH THE 8% AND 7.5% RETURN ASSUMPTIONS. THE MOTION WAS SECONDED BY MR. TRENBEATH.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

Purchases

Ms. Fricke reviewed with the Board the current purchase of service processes as well as the recommended procedural changes that are being proposed as part of the new business system and suggested administrative rule changes. Staff recommends adopting Board policy to allow PERS to continue the current purchase processes for the crediting and proration of service credit until the new business systems is available. Once the new system is in place, then administrative rules can be promulgated. Board discussion followed. After Board discussion, they concurred to change the payment period from 10 years to 15 years which could give opportunity to more employees to purchase service.

MR. SANDAL MOVED TO APPROVE THE NEW PROCESS FOR CREDITING AND PRORATING SERVICE CREDIT WITH A PAYMENT PERIOD OF 15 YEARS, AND ONCE THE BUSINESS SYSTEM IS AVAILABLE, ADMINISTRATIVE RULES WOULD BE PROMULGATED. THE MOTION WAS SECONDED BY MR. TRENBEATH.

The Board discussed the motion and had questions of staff.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

GROUP INSURANCE

BCBS Health Care Review

Mr. Schoenborn from BCBS presented Mr. Don Schott with Provider Reimbursement and Mr. Mike Potts with Provider Networks of BCBS. Mr. Schott reviewed with the Board the 2009 reimbursement information which included 2009 rate increases; annual change to the North Dakota providers; dollars paid to out-of-state providers; and the Milliman Study which is an evaluation of health insurance premiums and provider reimbursement levels in 8 states. Information was also presented relating to immediate challenges facing health care providers in North Dakota, . Mr. Potts reviewed with the Board the NDPERS provider network update which included EPO to PPO transition; PPO network access; financial value of professional discounts; improving performance; provider challenges and changes; and future issues. The Board had questions of BCBS relating to this information and also discussed the concept of medical tourism.

BCBS Plan

Mr. Collins reviewed with the Board information on the BCBS Seven Point Plan. Mr. Collins indicated that if there is any further information Board members need from BCBS, it can be requested and presented to the Board. He reported PERS will be working on the health insurance bid beginning January 2010. Mr. Sandal indicated the Board should seek updates from BCBS on how they are progressing with the plan.

Memorandums of Understanding

Mr. Collins reviewed with the Board the Memorandums of Understanding. The BCBS Wellness Program MOU will be deferred to the September meeting as there are details to be worked on.

MS. SMITH MOVED TO APPROVE THE MEMORANDUMS OF UNDERSTANDING FOR THE WELLNESS BENEFIT PROGRAM, THE PHARMACY DISEASE MANAGEMENT PROGRAM, AND THE TOBACCO CESSATION PROGRAM. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

Transfer Procedures

Ms. Allen reviewed with the Board staff recommendation to allow an exception to the policy for a member transferring from a political subdivision to the state. Board discussion followed.

MS. EHRHARDT MOVED TO APPROVE THE CHANGE IN POLICY PURSUANT TO STAFF RECOMMENDATION. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

Medicare Secondary Payer Update

Mr. Reinhardt updated the Board on the Centers for Medicare and Medicaid Services process that queries employers and health plans to find claims that Medicare might have paid for which they did not have primary responsibility. The rule states that for actively employed persons over 65 with health coverage that plan is primary and Medicare is secondary. The state of North Dakota is having issues with this because the federal government is deducting these amounts from grants, even though in many cases the deducted amounts have been resolved cases and are not the responsibility of the employer.

Active Health Report 2008

Mr. Reinhardt reviewed the 2008 report with the Board. Average charge and average paid amounts increased over 10% from 2007. Generic drug use is up from previous reports and the drug trend has leveled. A report for active employer groups of over 100 employees will be sent a similar report.

DEFERRED COMPENSATION AND DC PLAN

Request for Proposal

Mr. Collins reported to the Board that the RFP to provide technical assistance to prepare and analyze a proposal for recordkeeping and investment services for PERS 457 and 401(a) plans was issued. Proposals are due Friday, September 4.

FLEX COMP

Flex Payments

Ms. Allen presented an update on actions taken on the flex comp payment error that was run by Oracle and ITD on May 15 and 16. Staff sought advice from Segal on this issue.

MISCELLANEOUS

Legislative Employee Benefits Committee

Mr. Collins reported that this committee had its first meeting August 6 with the next meeting scheduled for October 26 then December 17. Mr. Sandal attended this meeting and commended staff on the way in which the difficult information was presented and handled with the committee.

RFP for Experience Study

Mr. Collins noted that at the July meeting there had been some confusion in the proposals for the experience study on the cost information. The proposers were sent a clarification document. Based upon additional information received, GRS and Segal were the top two proposals in total points. The Board discussed all information relating to awarding the bid for the experience study.

MR. SANDAL MOVED TO AWARD THE BID FOR THE EXPERIENCE STUDY TO SEGAL. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: Mr. Trenbeath

Absent: Chairman Strinden

MOTION PASSED

PERS Board Planning Meeting

Mr. Collins indicated to the Board that every two years a one-day planning meeting is scheduled which gives the Board an opportunity to review topics relating to PERS programs and administrative operations. This will also give Board members an opportunity to discuss the challenges facing the retirement plans. Mr. Collins also indicated that the October Board meeting could be held at the BCBS location in Fargo which would give Board members an opportunity to get an update from BCBS staff and tour the facility. Further details on the October meeting will be discussed at the September meeting.

The Board concurred that a planning meeting should be held in December.

Personnel Policies Update

Ms. Allen indicated to the Board it was necessary to update PERS personnel policies because of the new Department of Labor amendments to the FMLA relating to two new leave entitlements for military service.

MR. ERDMANN MOVED TO APPROVE THE UPDATED PERS PERSONNEL POLICIES. THE MOTION WAS SECONDED BY MR. SANDAL.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

Proposed Administrative Rules

Ms. Knudsen indicated to the Board that the proposed rules in the Board book were in response to legislation, to update Board policy or clarify existing language. Legal Counsel has reviewed the content and a Small Entity Regulatory Analysis will be completed and reviewed with the Board at the September meeting. Board discussion followed.

PERSLink Quarterly Report

Mr. Reinhardt reviewed with the Board the first quarter PERSLink status report which PERS is required to file with ITD throughout the duration of the project. The project is on time and on budget.

Financial Hardship #2009-002DC

Ms. Allen presented detailed information to the Board relating to a participant requesting a hardship withdrawal to cover medical expenses not covered by insurance. The Board discussed this hardship withdrawal case.

MR. TRENBEATH MOVED TO DENY THE HARDSHIP REQUEST. THE MOTION WAS SECONDED BY MR. ERDMANN.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

Mr. Sage called for any other business or comments. Hearing none, the meeting adjourned at 11:10 a.m.

Prepared by,

Cheryl Stockert
Secretary to the Board