

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13th Ave SW, Fargo

Thursday, August 22, 2013

8:30 A.M.

Members Present: Mr. Howard Sage
Mr. Mike Sandal
Ms. Arvy Smith
Ms. Kim Riedlinger Wassim
Mr. Thomas Trenbeath

Via Teleconference: Ms. Ehrhardt

Via Videoconference: Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. Jan Murtha, Attorney General's Office
Mr. Lynn Hart, HRMS
Ms. Onalee Sellheim, BCBSND

Via Videoconference: Mr. Kevin Schoenborn, BCBSND
Ms. Stacy Duncan, 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 25, 2013 Board meeting.

MR. SANDAL MOVED APPROVAL OF THE JULY 25, 2013 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MS. WASSIM. THE MINUTES WERE APPROVED.

GROUP INSURANCE

Unum Long Term Care Plan Rate Adjustment

Mr. Collins shared an August 1, 2013 letter from Unum informing PERS of a 15% premium increase effective January 1, 2014. Mr. Collins reported that currently 60 members participate in the long term care program. If a member would disagree with this rate increase, they would have the option to drop coverage. The Board discussed this rate adjustment.

MR. TRENBEATH MOVED APPROVAL OF THE UNUM RATE INCREASE EFFECTIVE JANUARY 1, 2014. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

MOTION PASSED

Long Term Care Insurance

Mr. Collins indicated that the Board has been discussing options on whether or not to go out to bid on the long term care plan. Our current product, Unum, is not a partnership eligible product and its design is old. Schmidt Insurance Agency has presented information on long term care insurance to the Board. Various options were discussed relating to the long term care insurance product.

MR. SANDAL MOVED TO REFER THIS INFORMATION TO THE PERS BENEFITS COMMITTEE TO OBTAIN THEIR INPUT AND DIRECTION ON THE LONG TERM CARE INSURANCE PRODUCT. THE MOTION WAS SECONDED BY MR. SAGE.

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

Nays: None

MOTION PASSED

Medicare Part D Rates

Mr. Collins reviewed the proposed renewal for the Medicare Part D prescription drug plan with the Board. The rate increase is .3% increase and is effective January 1, 2014. Deloitte reviewed the renewal and indicated that the rate renewal is reasonable and appropriate.

MS. EHRHARDT MOVED APPROVAL OF THE MEDICARE PART D RATES EFFECTIVE JANUARY 1, 2014. THE MOTION WAS SECONDED BY MR. TRENBEATH.

The Board discussed the motion, specifically how the projected risk scores affect the calculation of the premiums. BCBS indicated the risk score is decreasing which is positive and they will provide additional information to the Board at a later meeting.

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

Nays: None

MOTION PASSED

Affordable Care Act Implementation

Mr. Collins provided an update on the Affordable Care Act (ACA) shared responsibility provisions. The provisions will not be enforced until January 2015 instead of the original date of January 2014. House Bill 1059, passed this session, included language so the PERS health plan would comply with these provisions starting January 2014. Mr. Collins indicated the Legislative Employee Benefits Committee is meeting August 29, at which time he will request delaying the portion of House Bill 1059 relating to ACA to January 2015, pursuant to the action of the Board at a previous meeting.

HIPAA Compliance Changes

Ms. Knudsen reported that PERS operates under the federally mandated Health Insurance Portability and Accountability Act (HIPAA). The most recent changes to the privacy and security regulations will require implementation by September 23, 2013. Staff has been working with legal counsel and provided the Board the draft policies/agreements for review to be finalized at the September Board meeting. Ms. Knudsen asked the Board to review the materials and to get any questions or suggestions to her.

Interim Study – Health Premiums

Mr. Collins reported that this last legislature passed a study resolution relating to state employee health insurance premiums. It was assigned to the Government Finance Committee and they met on July 30. Mr. Collins shared the proposed study plan as prepared by Legislative Council and adopted by the Committee. The Board had questions on the study.

2012 Active Health Care Report

Mr. Reinhardt reviewed the 2012 active health care report with the Board. Information included hospital utilization, physician/clinic utilization, and prescription drug utilization. Costs and trends are increasing slightly. Mr. Reinhardt indicated that an agency-specific report is sent to the 43 large employer groups on the plan. The Board had questions relating to this report.

RETIREMENT

Defined Contribution Plan Research

Mr. Collins reviewed information relating to the recent survey of the DC plan members concerning their satisfaction with the plan, TIAA-CREF and PERS. The comments that were received were analyzed and categorized by general observations relating to the DC plan, TIAA-CREF and PERS.

Relating to the DC plan, there were high levels of dissatisfaction with the DC plan. Approximately 75% of the DC plan members feel they will not have enough money to retire; 71% feel that the DB plan is better than the DC plan; and 59% find the process of selecting their investments to be confusing. Regarding TIAA-CREF, respondents generally do not have a high satisfaction level and they are not satisfied with the advisor services or investment options. Other general observations were that 60% are satisfied with PERS service.

Mr. Collins indicated that a proposed plan of action would be to refer the DC plan challenges to the PERS Benefits Committee to seek their input for possible consideration of legislation that would provide members a new election opportunity or if contributions should be increased to provide members a better benefit at retirement.

Mr. Collins indicated that PERS could also conduct a survey of the Companion Plan participants to determine if their perception relating to TIAA-CREF matches the DC plan members. Staff had noted in their review that the general negative feelings for the DC plan may have influenced the responses relating to TIAA-CREF. Surveying the Companion Plan members would help to clarify this observation. Once the survey is complete, staff would share this information with TIAA-CREF to develop an action plan to respond to members' concerns.

Regarding the investment options concerns, this could be referred to the Investment Committee to review and report back to the Board. The last step in the proposed plan of action would be for PERS to conduct another survey next spring to see if the action plan has helped to improve the services. The Board had questions and discussed these options.

MR. SAGE MOVED THAT STAFF CONTINUE FORWARD WITH THE PROPOSED PLAN OF ACTION. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

MOTION PASSED

Defined Contribution Plan Implementation

Ms. Knudsen updated the Board on the defined contribution plan implementation relating to House Bill 1452. The pertinent rules were identified and relocated to the DC Plan Document and legal counsel is working with the Legislative Council to suspend the rules. Staff is communicating with employers and coordinating business system changes through PeopleSoft and PERSLink. PERS is also working with TIAA-CREF to provide assistance in updating and printing materials for individuals eligible for the election between the two plans, updating comparison software, and streamlining the process for transfers. The Board had questions relating to the implementation plan.

Defined Contribution Plan Document

Ms. Knudsen reviewed the Defined Contribution Plan Document with the Board. The rules relating to House Bill 1452 have been incorporated into this document. The document included input from staff and Segal. Segal recommended that additional safe harbor language be added to the document for purposes of IRC 415 limits. The last step in the process will be to have a legal review then to post this to the website by October 1.

MR. TRENBEATH MOVED APPROVAL OF THE DEFINED CONTRIBUTION PLAN DOCUMENT SUBJECT TO LEGAL REVIEW. THE MOTION WAS SECONDED BY MR. SANDAL.

The Board had further questions relating to the plan document.

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

Nays: None

MOTION PASSED

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 pursuant to the NDCC. During this last legislative session, agency budgets were increased by an average of 4% for salary increases for the first year of the 2013-15 biennium. The North Dakota Highway Patrol leadership is recommending that deferred members in its system have their final average salary indexed by 3%.

MR. SANDAL MOVED APPROVAL OF A THREE PERCENT ANNUAL INCREASE IN THE FINAL AVERAGE SALARY INDEXING FOR HIGHWAY PATROL MEMBERS EFFECTIVE JULY 1, 2013. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

MOTION PASSED

Interim Study – Retirement

Mr. Collins reported that a study resolution was adopted during the last legislative session and assigned to the Government Finance Committee relating to the retirement plan. The purpose of the study is to review the defined benefit and defined contribution plans and to study the possibility of transitioning to a state defined contribution plan. He shared the background memorandum with the Board which included the study plan. Mr. Collins indicated staff would be available to the Committee as requested.

FLEX COMP

Flex Comp Survey Research

Mr. Collins reviewed information relating to the recent survey of the flex comp plan participants concerning their satisfaction with the new vendor ADP and PERS. The comments that were received were analyzed and categorized by general observations relating to the enrollment process and ADP claims processing. There were strong negative comments on questions relating to ADP which indicate that PERS has more work to do to improve member's understanding of the options available, customer service and general acceptance of the new vendor ADP. However, it was noted that when asked if members would participate in flex comp program next year, 90% said yes, they would.

Mr. Collins suggested that the findings of the survey be reviewed with ADP and request they bring back a plan of action to the Board addressing the following issues: dissatisfaction with the debit card, concerns with customer service, confusion between the debit card and the automatic claims reimbursement, the low level of understanding of the mobile application, and how they plan to decrease the intensity of the dissatisfaction comments. Also, PERS will inform ADP that a member survey will be conducted again next year and the results of this will be a consideration of the Board in extending the ADP contract past the end of 2014. The Board discussed this issue and had questions of staff.

MR. SANDAL MOVED APPROVAL OF THE PLAN OF ACTION TO INCLUDE REQUESTING THAT ADP COME BEFORE THE PERS BOARD. THE MOTION WAS SECONDED BY MR. TRENBEATH.

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

Nays: None

MOTION PASSED

MISCELLANEOUS

Board Committee Assignments

Mr. Strinden reviewed the memo relating to PERS Board committees and the existing assignments. He indicated that, as a result of Mr. Erdmann's departure from the Board, it was necessary to appoint someone to the Investment Subcommittee and as an alternate to the State Investment Board. It was noted that Mr. Trenbeath, the existing alternate to the SIB, indicated he was willing to serve as the PERS Investment Committee and SIB member. Mr. Strinden asked if anyone on the Board would be willing to serve as the alternate and Ms. Wassim volunteered. It was also noted that there was an opening on the PERS Benefits Committee if Mr. Trenbeath moved to the State Investment Board.

MR. SANDAL MOVED APPROVAL OF MR. TRENBEATH TO SERVE ON THE STATE INVESTMENT BOARD AND FOR MS. WASSIM TO SERVE AS AN ALTERNATE TO THE STATE INVESTMENT BOARD AND ON THE PERS BENEFITS COMMITTEE. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

MOTION PASSED

Mr. Strinden noted that with the above appointments, all committee assignments were filled unless anyone wanted to make any other changes. No other changes were offered.

Administrative Rules

Ms. Knudsen reviewed the proposed administrative rule changes with the Board. Legal counsel is reviewing whether we must complete a regulatory analysis, takings assessment or a small entity economic impact statement. The rules and analysis will be brought to the Board in September for final approval.

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 10:05 a.m.

Prepared by,

Cheryl Stockert
Assistant to the Board