

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13th Ave SW, Fargo

Tuesday, August 23, 2011

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. Kim Humann, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. Barbara Dammen, NDPERS
Ms. Jan Murtha, Attorney General's Office
Mr. John Geissinger, NDRIO
Ms. Connie Flanagan, NDRIO

Via Videoconference: Mr. Kevin Schoenborn, BCBSND
Ms. Onalee Sellheim, BCBSND
Mr. Jim Wynstra, BCBSND
Mr. Mike Carlson, BCBSND

Ms. Arvy Smith, acting as Chairman, called the meeting to order at 8:30 a.m.

MINUTES

Ms. Smith called for any questions or comments regarding the minutes of the July 28, 2011 Board meeting minutes.

MS. EHRHARDT MOVED APPROVAL OF THE JULY 28, 2011 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MR. TRENBEATH. THE MINUTES WERE APPROVED.

Ms. Smith called for any questions or comments regarding the minutes of the August 10, 2011 Board meeting minutes.

MR. TRENBEATH MOVED APPROVAL OF THE AUGUST 10, 2011 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MS. EHRHARDT. THE MINUTES WERE APPROVED.

INVESTMENTS

Investment Update

Mr. Geissinger, Chief Investment Officer with the ND State Investment Board, Retirement and Investment Office, presented the annual investment update to the Board. Information included a discussion on the asset allocation as of June 30, 2011 for PERS, Job Service, and retiree health insurance credit program; market value of PERS group insurance; performance analysis on the plans, and the WG trading fraud recovery. Mr. Geissinger also shared information with the Board relating to the asset liability study being conducted by Callan Associates. Staff and the Board had questions of Mr. Geissinger.

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 3% for salary increases for the first year of the 2011-13 biennium. The North Dakota Highway Patrol leadership is recommending that deferred members in its system have their final average salary indexed by 2%.

MR. TRENBEATH MOVED APPROVAL OF A TWO PERCENT ANNUAL INCREASE IN THE FINAL AVERAGE SALARY INDEXING FOR HIGHWAY PATROL MEMBERS EFFECTIVE JULY 1, 2011. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

TIAA-CREF Transition

Mr. Collins updated the Board on the defined contribution/deferred compensation transition. Since the last Board meeting, TIAA-CREF advised PERS that the small cap fund has been closed since we had accepted it. There are three other funds available that PERS could select from or another option is to retain the existing fund. Segal advised us to maintain the existing fund (Allianz Small Cap Value).

MR. SANDAL MOVED TO REPLACE THE INVESCO US SMALL CAP FUND WITH THE ALLIANZ SMALL CAP VALUE. THE MOTION WAS SECONDED BY MR. TRENBEATH.

The Board discussed the motion.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

Mr. Collins indicated that the agreement between PERS and TIAA-CREF is in the review process and will be included on the September agenda for final approval. Staff and TIAA-CREF have started working on a communication plan for the transition which will be presented at the September meeting. Mr. Collins shared key dates of the transition plan with the Board.

GROUP INSURANCE

Member Services Survey

Ms. Sellheim, BCBS, presented the annual Member Services Survey to the Board. Specific information relating to member satisfaction included overall satisfaction rating which was 90.9%; question answered/problem resolved; time reasonable to resolve inquiry; wait time reasonable with a favorable response of 95.1%; representative sounded caring at 96.9%; caller treated with courtesy at 98.1%; representative was knowledgeable; clear and complete answer; completed follow-up; claim processed timely; understandable explanation of benefits; and Claims processed within 30 days at 99.8%. Overall rating was very good. The Board and staff discussed the survey results with BCBS staff.

HDHP/HSA Update

Mr. Collins provided an update to the Board on activities relating to the high deductible health plan/health savings account. There are two challenges, one of which is technical relating to allowing supplemental contributions through payroll. The second challenge relates to the enrollment process, specifically the federal law which states that persons cannot be enrolled in a health savings account at the same time they are enrolled in a flexible spending account grace period, including the claims run out period(during the first 90 days of the next year). Staff continues to obtain clarification on these issues.

Mr. Collins shared the proposed amendment to the BCBS administrative agreement which incorporates the changes relating to the HDHP and was included in the Board material. Legal counsel reviewed with the Board the suggested changes to the agreement. The Board concurred they would take action on the agreement at the September meeting.

Part D Renewal

Mr. Collins reviewed the Part D renewal with the Board. Deloitte Consulting reviewed the 2012 PDP renewal calculation for reasonableness and appropriateness. Upon review, Deloitte found the 7.8% increase in monthly premium rates reasonable (from \$69.50 to \$74.90). The Board discussed the Part D renewal. Mr. Wynstra, BCBSND, responded to Board questions.

MR. ERDMANN MOVED APPROVAL OF THE PART D RENEWAL RATES FOR 2012. THE MOTION WAS SECONDED BY MS. EHRHARDT.

Ayes: Ms. Ehrhardt, Mr. Erdmann, Mr. Sage, Mr. Sandal, Ms. Smith and Mr. Trenbeath
Nays: None
Absent: Chairman Strinden

MOTION PASSED

Adherence Reporting Pilot Results

Mr. Collins indicated that at the May Board meeting BCBS gave a presentation to the Board relating the adherence reporting mailing pilot program. This program includes a mailing to members to encourage them to properly take their medications. At that time, the Board decided to wait until the pilot program was completed to obtain program results.

Mr. Solseng, BCBSND, gave an overview on the medication adherence program as well as the results of the adherence pilot project. Mr. Collins indicated if the Board wishes to move forward, the depression and respiratory medication adherence program will be implemented for the next quarter and hypertension implemented in the fourth quarter. Mr. Solseng explained that six months after the program is implemented the results will be shared with the Board. The only cost involved with this program will be the mailing costs. The Board had questions relating to this program and discussion followed. Staff shared indicated information would be given to members through the wellness program activities and the newsletters. There was no motion to approve the adherence reporting program; however, the Board indicated it would like to review additional information later showing the program's effectiveness in other plans.

2010 Health Report

Mr. Collins indicated the 2010 NDPERS active member health report shows costs and trends at a favorable rate.

Smoking Cessation Program

Ms. Allen reviewed with the Board the final contract for the 2011-2013 biennium which incorporates the administrative changes recommended by the Department of Health.

MR. SAGE MOVED APPROVAL OF THE SMOKING CESSATION PROGRAM AGREEMENT WITH THE ND DEPARTMENT OF HEALTH FOR THE 2011-2013 BIENNIUM. THE MOTION WAS SECONDED BY MR. SANDAL.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

Health Plan Summary

Mr. Collins shared with the Board the final accounting summary for the health plan for the 2007-2009 biennium. The report showed the plan took a loss of \$3.1 million for the period. Due to our contractual arrangements with BCBS, this liability accrued to them.

Employer Based Wellness Program Renewal

Ms. Fricke gave a report to the Board on the renewal of the Employer Based Wellness Programs. The renewal determines those employers that qualify for the 1% health insurance premium discount. There are a total of 191 out of 281 employers electing to participate (68%). It was noted that those employers that elect to participate included 97% of the employees covered on the insurance plan. The Board had questions of staff relating to the wellness program, specifically the MyHealthCenter program offered through BCBS.

MISCELLANEOUS

Board Reimbursement

Mr. Collins reported that effective July 1, 2011 the per diem rate for PERS Board members increased. He reviewed current policy with the Board.

MR. TRENBEATH MOVED TO MAINTAIN THE CURRENT POLICY. THE MOTION WAS SECONDED BY MR. ERDMANN.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

Board Planning Meeting

Mr. Collins indicated that every two years a PERS Board planning meeting is scheduled. It is tentatively scheduled for January 2012. Staff will work with the Board to schedule a specific date.

Proposed Administrative Rules

Ms. Knudsen reviewed with the Board the proposed administrative rules which have been reviewed by staff and legal counsel. The rules will be brought back to the Board in September for approval to move to the next steps in the promulgation process. The Board had questions of staff with further discussion.

PERSLink Update

Ms. Schiermeister presented an update on the PERSLink business system. She noted the warranty period with the vendor ended on May 31 and we are now in the production support phase, which is contracted for two years. Part of this arrangement includes dedicating an on-site business analyst who has been involved in the project since its beginning. She shared system metrics information as follows:

- For problem incident reports, which is PERS internal mechanism for reporting problems with the system, since December to present, the number of these reports is decreasing.
- The number of data fixes is decreasing.
- The number of troubleshooting cases is also decreasing, which tells us that users are getting more familiar with how things are working on the system.

Accomplishments achieved over the last five months include:

- Transitioned to the new life insurance carrier effective July 1, 2011 and that also involved a change in the level of coverage for basic life insurance, so those changes to our system went well.
- Implemented new insurance rates for the health, life, EAP and HMO plan. Also implemented the employer elections, where every two years an employer can choose a different EAP provider.
- In the accounting area, achieved completing the bank reconciliations using data that is produced on the system and integrated into the general ledger on PeopleSoft.
- Produced the member annual statements for the first time in the new system. The member will also be able to access a more detailed statement by logging onto the member self-service functionality (going live with the mailing of the statements). Sharon also noted that information has been sent to our actuary from PERSLink which included detailed demographic data on all members in the system.

Other issues since implementation:

- Sharon also discussed another issue relating to the implementation of PERSLink which is change management relating to realigned staff duties. In the previous system we were aligned like a silo where staff did not know other programs. The way that PERSLink is designed is that there are roles where the person does a function like enrollment or maintenance and they do it across the programs. We had experienced a backlog of work and found our productivity was not initially up to speed. The backlog is now eliminated in most areas. We did hire temporary staff during the go live period, but we did release them as of June 30, so since then we have been operating with our current staff. We are relying on the internal audit staff to help with some daily functions, but as reported to the Audit Committee, we expect this will reduce to a level of 20% of time so the internal auditors can get back to auditing and performing their regular functions.

- We still have issues with our employers who are using employer self-service. We find there is still demand by people who are requiring help on a monthly basis. We had hoped that as they used employer self-service, it would become easier. We know we probably could improve the usability of our employer self-service, the system could be more intuitive. We need to improve on employer self-service, and if we make those improvements, it will help our employers and lower the amount of calls we receive. We are also working on updating our online help for that area and will be providing additional training to employers.
- We have made the decision to delay the interface with PeopleSoft for doing benefit enrollments. The reason for that is we didn't have the resources to test it adequately.
- We had experienced issues with our insurance billing for retirees and COBRAs. At this time there are not issues with this and it is going smoothly.

Upcoming activities that will impact our system:

- Currently involved in the annual audit, and PERSLink is integrating more with our general ledger.
- Working on our transition to TIAA-CREF. We need to make sure we can interface our files with their format.
- Annual enrollment will be coming up in October.
- The retirement contribution increase goes into effect January 1, 2012 which will impact our system to get the employer elections online, making sure all our employers accurately report the new contribution rates. This is a big effort.
- Interfacing the high deductible health plan/health savings account.
- Issuing our retiree annual statements for the first time at the end of the year.
- Since the member self-service has much functionality, we will be doing extensive testing in September, where we have a usability lab set up. We are inviting 20 members to actually use it. The consultant will document the experience to help us improve it to make it more user friendly and intuitive so members like it when they go out there. Member self-service will be fully deployed in February 2012.

Ms. Schiermeister thanked the Board for their support as we have developed and implemented the PERSLink business system.

Hardship Appeal Case #45

Ms. Allen presented detailed information to the Board on a deferred compensation hardship withdrawal in the amount of \$6,782.63 to cover repairs to the home and loss of personal property that occurred as a result of flooding. The Board reviewed this request and discussed this appeal.

MS. EHRHARDT MOVED APPROVAL OF HARDSHIP APPEAL CASE #45. THE MOTION WAS SECONDED BY MR. TRENBEATH.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

Mr. Carlson, BCBS, speaking for Ms. Marissa Parmer, Wellness Coordinator, wanted to express her thanks to PERS staff and the PERS Board, and stated the support she received from the Board has provided opportunities to grow in her position and provide better wellness to employees. She feels great confidence that with the continued support of this position, there will be benefits for all parties. She wished everyone continued success in NDPERS wellness programs. Mr. Carlson reported they hired an individual to replace Ms. Parmer that will be starting on September 9. Ms. Smith also expressed the Board's appreciation for all Ms. Parmer's work on the wellness program.

Ms. Smith called for any other business or comments. Hearing none, the meeting adjourned at 11:20 a.m.

Prepared by,

Cheryl Stockert
Secretary to the Board