

MINUTES

North Dakota Public Employees Retirement System

Tuesday, August 26, 2008
ND Association of Counties, Bismarck
BCBS, 4510 13th Ave SW, Fargo
8:30 A.M.

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

Via Conference Call: Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. Anne Bahr, LRWL
Mr. Aaron Webb, Attorney Generals Office
Mr. Bill Robinson, Gallagher Benefit Services
Ms. Onalee Sellheim, BCBSND
Mr. Bill Kalanek, AFPE
Ms. Jodi Buhr, NDPEA
Ms. Gisele Thorson, NDPEA

Via Conference Call: Mr. Kevin Schoenborn, BCBSND
Mr. Brad Bartle, BCBSND
Mr. Rob Scheiring, BCBSND
Mr. Jim Sorensen, 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 17, 2008 Board meeting.

Ms. Smith had a question relating to the minutes and the motion that was made on the Executive Director's salary adjustment. She believed the motion should have read a 3.5% general legislative increase, with a 1.5% external equity adjustment. Mr. Collins indicated staff will review the taped transcript and report back at the September Board meeting. Approval of the July meeting minutes will be held over to September.

PERSLINK

Quarterly Report

Ms. Schiermeister reviewed with the Board the 2nd quarter 2008 PERSLink status report which is required to be filed with ITD. The project is on time and on budget.

LRWL Report

Ms. Bahr, with LRWL, project oversight vendor, presented information on her work experience and background and reviewed with the Board the PERSLink project status. The project is nearing 1/3 completion with the first release scheduled for October 1. It was recommended that NDPERS will need to begin planning for future ongoing maintenance, enhancement and support beyond the warranty period. Board questions and discussion followed.

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 4% for salary increases the second 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 EFFECTIVE JULY 1, 2008. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

MOTION PASSED

IRA'S

Ms. Fricke stated that the Board, at its May meeting, approved the short and long term plan of action relating to the new federal special tax notice regarding plan payments. The amendment to the statute has been presented to the Legislative Employee Benefits Committee and the legislation has been modified accordingly. PERS staff contacted the Bank of North Dakota and they indicated they would set up the IRA's in a money market account with a fixed yearly rate (adjusted January each year). Currently the rate is 3.65%

with an APR of 3.71%. The Bank of North Dakota does not assess any fees on IRA accounts at this time. A proposed contract was drafted by legal counsel for Board consideration. Board questions and discussion followed.

MR. SANDAL MOVED TO APPROVE THE CONTRACT WITH THE BANK OF NORTH DAKOTA AS A CUSTODIAN TO SET UP IRA'S FOR NONVESTED PARTICIPANTS WITH AUTOMATIC ROLLOVERS OVER \$1,000. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

MOTION PASSED

GROUP INSURANCE

Renewal

Mr. Collins reviewed with the Board information relating to the 2009-2011 renewal with BCBSND. Mr. Collins reported that Mr. Larry Brooks has retired and Mr. Kevin Shoenborn will be representing BCBSND as the consultant to NDPERS. Mr. Shoenborn stated that they value us as the largest employer group in the state. He stated they have proven to be open, fair and consistent in their dealings with NDPERS in providing a comprehensive fully-insured health plan with a high level of service, and efficient, low cost operations at competitive rates. He and Brad Bartle, the BCBS actuary, presented their proposal and response to questions submitted by PERS, with the key points relating to the administrative charge and other retention, contingency margin and trend assumption. Board questions followed.

Mr. Robinson from Gallagher Benefit Services, shared with the Board their observations and analysis of the BCBSND renewal proposal. He informed the Board that the BCBSND proposal is about \$14.5 million (or about 3.6%) higher than their independent projection. The differential is almost entirely due to differences in assumed retention/contingency margin (\$4.2 million or 1.0%) and trend (\$10.3 million or 2.6%). Board questions followed.

Self-Insured Bid

Mr. Collins indicated to the Board that, due to the number of issues in the BCBSND proposal that need to be resolved in the next several weeks and in recognition of the possibility that an agreement may not be reached, this could bring about the need for PERS to go to bid. One element of going to bid is getting quotes on a self-funded plan and the ND Century Code requires that such bids must be received by January 1, with a decision made by March 1 of next year. Staff recommends that Gallagher Benefit Services begin work on the request for proposal for both a self-funded and fully insured product immediately so a draft will be available by early October if the Board finds it necessary to go to bid. Board discussion followed.

MR. TRENBEATH MOVED TO AUTHORIZE GALLAGHER BENEFIT SERVICES TO WORK ON A SELF-FUNDED AND FULLY INSURED PLAN BID DOCUMENT. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

MOTION PASSED

Wellness Program Update

Ms. Fricke presented information to the Board relating to the renewal of employers participating in the Employer Based Wellness Program. There are a total of 187 out of 279 employers electing to participate in the wellness program (67%). Ninety-seven percent of employees covered on the insurance plan are working for employers that are offering wellness programs and activities to their employees.

HB1433

Mr. Collins reported to the Board that currently there are 320 individuals signed up for the Diabetes State Management Program. A request for proposal for program assessment of this project was sent out and four proposals were received and evaluated and rated in the technical and price categories. The Board discussed the proposals and ratings.

MR. TRENBEATH MOVED TO APPROVE THE UNIVERSITY OF NORTH DAKOTA PROPOSAL TO PROVIDE PROGRAM ASSESSMENT OF THE DIABETES STATE MANAGEMENT PROGRAM. THE MOTION WAS SECONDED BY MR. LEINGANG.

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

Nays: None

MOTION PASSED

2007 Active Health Report

Mr. Reinhardt reviewed with the Board the 2007 health report for active employees. He will provide agency specific reports for those agencies over 100 employees. The report recapped the following: average charge and average paid amounts increased by approximately 10% from 2006 to 2007; active claims per month remained about the same throughout 2007; and the 2007 overall per capita costs increased for the NDPERS health plan.

Surplus/Affordability Update

Mr. Reinhardt presented the July surplus projection and affordability analysis for the NDPERS group medical plan to the Board.

MISCELLANEOUS

The State Investment Board agenda and approved minutes were shared with the Board.

Leave Policy

Mr. Leingang reviewed with the Board the proposed annual/sick leave policy for the NDPERS Executive Director (unclassified staff). He noted that the proposed policy was to follow the one in place for classified employees except the Board could set a different accrual level. It was recommended that if implemented, the Board recognized Mr. Collins's current accrued annual and sick leave and continue with his monthly leave accrual. Board discussion followed.

MR. LEINGANG MOVED TO APPROVE THE ANNUAL AND SICK LEAVE POLICY FOR NDPERS APPOINTED OR UNCLASSIFIED EMPLOYEES, AND TO ALSO APPROVE MR. COLLINS' CURRENT ACCUMULATION OF LEAVE. THE MOTION WAS SECONDED BY MR. TRENBEATH.

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

Nays: None

MOTION PASSED

DEFERRED COMPENSATION

Financial Hardship Withdrawal #2008-002DC

Ms. Allen presented detailed information to the Board relating to a participant requesting a hardship withdrawal to cover medical expenses incurred by the participant's dependent. The Board discussed this hardship withdrawal case.

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

Ayes: Ms. Ehrhardt, Mr. Leingang, Mr. Trenbeath, Mr. Erdmann, and Chairman Strinden.

Nays: Ms. Smith and Mr. Sandal

MOTION PASSED

Appeal for Premium Underpayment

Ms. Allen reported to the Board that an error was discovered during a recent audit which related to undercharging individuals that elected COBRA continuation of their health benefit at the time of retirement. The COBRA rate was effective for 18 months and once the 18 months ended, the members should have been changed to the higher non-Medicare rate which did not occur. Five members have appealed and are requesting to be released from liability for the repayment. Board questions and discussion followed.

MR. TRENBEATH MOVED TO APPROVE THE APPEALS OF EACH OF THE FIVE INDIVIDUALS. THE MOTION WAS SECONDED BY MR. ERDMANN.

Board discussion followed.

Ayes: Ms. Ehrhardt, Mr. Trenbeath, Mr. Erdmann, and Chairman Strinden

Nays: Mr. Leingang, Ms. Smith, and Mr. Sandal

MOTION PASSED

EXECUTIVE SESSION

MR. ERDMANN MOVED THAT THE BOARD GO INTO EXECUTIVE SESSION PURSUANT TO NDCC 44-04-19.1(9) TO DISCUSS THE NEGOTIATION STRATEGY RELATING TO THE BCBS RENEWAL. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

MOTION PASSED

All members named above were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 11:30 a.m.

MR. TRENBEATH MOVED THAT THE BOARD RETURN TO OPEN SESSION. THE MOTION WAS SECONDED BY MR. ERDMANN.

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

Nays: None

MOTION PASSED

The Executive Session closed at 11:55 a.m. and the Board returned to open session.

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 11:57 a.m.

Prepared by,

Cheryl Stockert
Secretary to the Board