

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13th Ave SW, Fargo

Tuesday, December 30, 2008

3:00 P.M.

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

Via Conference Call: Chairman Jon Strinden
Mr. Ron Leingang

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Kathy Allen, NDPERS
Mr. Aaron Webb, Attorney Generals Office
Mr. Gary Rath, NDEA
Ms. Gisele Thorson, NDPEA

Chairman Strinden called the meeting to order at 3:00 p.m.

Retirement Plans: Funding Status, Contributions and Legislation

Mr. Collins reported that since the last Board meeting, he has met with Representative Grande, chair of the Legislative Employee Benefits Committee, the Highway Patrol, Judges, League of Cities, Association of Counties, School Board Association, and City of Fargo. He shared with these groups the information relating to the various options that could be taken to recover losses incurred because of the recent market conditions. Also, Segal developed the margin and funded ratio projections for the Judges and Highway Patrol plans. The Board discussed the options that may be necessary to recoup the losses.

Retiree Health Plan: Funding Status, Contributions and Legislation

Mr. Collins reviewed with the Board the bill relating to increasing the retiree health credit of 50 cents and requires an increase in contributions of .14% to fund the benefit. The Board discussed this issue.

MR. TRENBEATH MOVED STAFF RECOMMENDATION AS FOLLOWS:

(A) PROPOSE AN INCREASE EQUAL TO THE ACTUARIALLY REQUIRED CONTRIBUTION FOR 2009 AND 2010 FOR THE MAIN, JUDGES, AND HP PLANS WITH A 20% LOSS THIS YEAR. IF APPROVED, THE SAME METHOD WILL BE USED FOR OUR OTHER PLANS (LAW ENFORCEMENT AND NATIONAL GUARD);

- (I) INCREASE FOR MAIN AND DEFINED CONTRIBUTION PLANS OF APPROXIMATELY 3.4%;**
- (II) INCREASE FOR JUDGES 1.92% (BASED UPON 5 YEARS INSTEAD OF 2);**
- (III) INCREASE FOR HIGHWAY PATROL 2.62%.**

(B) PROPOSE JANUARY 1, 2010 AS THE EFFECTIVE DATE, THIS WILL ALLOW POLITICAL SUBDIVISIONS TO BUDGET FOR THE INCREASE (THIS WILL MEAN A 6 MONTH DELAY IN INCOME).

(C) PROPOSE THE INCREASE AS AN AMENDMENT TO OUR BILL WITH THE 2% RETIREE INCREASE (HB 1121).

(D) THE AMENDMENT WILL BE REVIEWED BY THE LEGISLATIVE EMPLOYEE BENEFITS COMMITTEE (LEBC) BEFORE GOING TO THE STANDING LEGISLATIVE COMMITTEE. IF AFTER REVIEW THE LEBC GIVES THE BILL AN "UNFAVORABLE" RECOMMENDATION, PERS SHOULD NOT SUBMIT THE AMENDMENT TO THE STANDING COMMITTEE. IF THE LEBC GIVES IT A "NEUTRAL" OR "FAVORABLE" RECOMMENDATION, THEN SUBMIT THE AMENDMENT.

(E) MAINTAIN THE RETIREE INCREASE PORTION OF THE BILL AND LET THE LEGISLATURE CONSIDER ITS MERITS (THE POSITIVE IS IT ALLOWS OUR RETIREES TO BE CONSIDERED FOR AN INCREASE, THE NEGATIVE IS THAT THE COST OF THE 2% PLUS THE CONTRIBUTION INCREASE COULD BE CONSIDERED TOO MUCH).

(F) SET THE PERS PRIORITY FOR LEGISLATIVE INITIATIVES THAT HAVE A FISCAL EFFECT AS:

- (I) CONTRIBUTION INCREASE TO IMPROVE THE FUNDED STATUS OF THE PLAN.**
- (II) RETIREE HEALTH CREDIT**
- (III) 2% INCREASE**

THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

MOTION PASSED

Judges Plan 2009 Benefit

Mr. Collins stated that legislation was passed last session that Judges would receive a 2% increase January 1, 2008 and January 1, 2009 subject to available margin. Mr. Collins shared with the board information from Segal on the projected margins for the next several years assuming various levels of loss for this year and the cost of the 2% increase if given. Specifically Segal indicated the cost of the increase was 3% of pay and

that “the margin is projected to be less than 3% on July 1, 2010 if the 2008 rate of return is less than -12%. It was noted that Steve Cochrane, the state investment officer, had indicated at the December 16th meeting the year to date return was -22%. This information indicates that sufficient margin is not available in the plan given the cost and the returns. The Board discussed this issue.

MR. LEINGANG MOVED THAT IT HAS BEEN DETERMINED THERE IS INSUFFICIENT ACTUARIAL MARGINS TO GRANT THE JANUARY 1, 2009 2% INCREASE TO JUDGES. THE MOTION WAS SECONDED BY MR. SANDAL.

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

Nays: None

MOTION PASSED

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 3:30 p.m.

Prepared by,

Cheryl Stockert
Secretary to the Board