

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13th Ave SW, Fargo

Thursday, February 25, 2010

8:30 A.M.

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

Via Videoconference: 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. Kevin Schoenborn, BCBSND
Ms. Bethany Pfister, Prime Therapeutics
Ms. Jodi Crouse, BCBSND
Mr. Casey Martin, Prime Therapeutics
Mr. Brad Ramirez, Segal
Mr. Kurt Schneider, Segal
Mr. Stuart Savelkoul, NDPEA
Mr. Bill Kalanek, AFPE
Ms. Fay Kopp, RIO

Via Videoconference: Ms. Onalee Sellheim, BCBSND
Mr. Tom Christenson, BCBSND
Mr. Jim Sorenson, BCBSND
Mr. Don Schott, BCBSND
Ms. Marissa Parmer, 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 January 21, 2010 Board meeting.

MR. SANDAL MOVED APPROVAL OF THE JANUARY 21, 2010 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MR. TRENBEATH. THE MINUTES WERE APPROVED.

GROUP INSURANCE

BCBS Pharmacy Strategies

Mr. Casey Martin and Ms. Bethany Pfister from Prime Therapeutics reviewed with the Board information relating to the pharmacy benefits including: characteristics of the benefits, cost implications, tactics; leveraging pharmacy for NDPERS in 2010; opportunities for focused NDPERS efforts in 2010; menu of clinical products and services; utilization management savings opportunities; generics plus formulary savings opportunities; Triessent specialty drug program savings; and PrimeMail savings opportunities. They focused on integrated programs that generate the greatest potential to positively impact health outcomes and hold down total cost. Appropriate management of pharmacy utilization and drug mix can impact total health spend. The Board had questions which were answered by Prime staff. The Board requested clarification on several issues which BCBS staff indicated they would provide for them.

Annual Health Care Utilization Report

Mr. Schoenborn and Ms. Crouse from BCBS reviewed with the Board the annual health care utilization report. Information reviewed included: active and retiree summaries; EPO/PPO comparison; discount comparisons; demographics; total high dollar claims; total institutional utilization comparison; total professional utilization comparison; total office calls; emergency room utilization rates; prescription drugs; member education; MyHealthCenter and health club credit; wellness programs update; medical management; smoking cessation; the Pharmacy Disease Management Program; and recommendations. Mr. Schoenborn indicated that they will be changing the format of the utilization report in the future. The Board had questions which were answered by BCBS staff. The Board requested clarification and additional information on several issues which BCBS staff indicated they would provide for them. A detailed medical management report will be provided at a future Board meeting. BCBS will also provide a quarterly executive summary to the Board relating to an update on benefits, utilization trends, updates to the wellness program and other information.

BCBS Update

Mr. Collins reported to the Board the information in their materials was in follow-up to the last meeting relating to the Milliman Study and health trend.

RETIREMENT

Experience Study

Mr. Brad Ramirez and Mr. Kurt Schneider, Actuaries with the Segal Company, reviewed with the Board the results of the experience study. The purposes of the experience study are to evaluate the demographic and economic assumptions used in the annual valuations; evaluate the actuarial methods used in the annual valuations; and if needed, suggest possible changes to the above. Actual experience is compared against the projected experience, and if there are differences, the future contribution requirement is adjusted. Segal's summary of recommendations included: no change in the current 8% investment return; no change to the current inflation rate of 3.5%; increase the assumptions for promotional/merit increases; adjust the retirement rates by age; decrease the mortality rates by updating the table; increase the termination rates by age; and decrease the disability rates for PERS. Segal also studied the retiree health credit fund participation which was less than expected so the participation rate was adjusted. The Board had questions relating to the experience study which Segal responded to. Staff indicated they will be following up on several issues and bringing that information back to the Board for final action on the experience study recommendations. A copy of the report is available at the NDPERS Office.

TFFR

Ms. Fay Kopp with TFFR reviewed with the Board their funding challenge and what options TFFR is exploring to address the funding challenge. The TFFR Board will be meeting in March to develop proposed legislation to address the funding shortfalls. The Board had questions relating to their proposed legislation which was responded to.

Defined Contribution Update

Ms. Allen informed the Board that in 2009 six eligible members transferred to the defined contribution plan.

Retiree Health Credit for pre-Medicare Retirees

Mr. Collins reported to the Board that in response to ideas brought forth at the Board retreat in December, one idea was to allow pre-Medicare retirees to use their health credit for not only PERS health insurance plan, but any other health insurance plan. Segal has reviewed this issue and did a cost analysis of a retiree health credit eligibility change. The cost would increase by .03% from 1.00% to 1.03%. Mr. Ramirez further explained this analysis. The Board concurred the idea of allowing pre-Medicare retirees another option to use their retiree health credit should continue to be pursued. Currently, 57% of pre-Medicare retirees use the health credit for PERS health insurance coverage. Mr. Collins suggested the Board could review an alternative to amend the health insurance statute to offer pre-Medicare retirees an additional health insurance option with higher deductibles that would also be eligible for the credit. The Board further discussed this issue and asked for more information on the additional health insurance option.

Draft Legislation

Mr. Collins reviewed with the Board the first draft of three bills designed around the employer/employee contributions to the retirement fund beginning January 2012 for a period of four years. Also proposed is an administrative bill. The Board concurred with moving forward with an administrative bill draft and to change the cost sharing provision in the three draft bills to 50/50.

FLEX COMP

Flex Comp Update

Ms. Allen gave an update to the Board relating to the flex comp payment issue. The current status involves three outstanding accounts; two individuals have been contacted and one individual cannot be contacted as they have no address update. The Board discussed this issue.

MR. TRENBEATH MOVED TO DIRECT STAFF TO WRITE OFF THESE ACCOUNT BALANCES AND HAVE OMB ISSUE AMENDED 2009 W-2 FORMS. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

MOTION PASSED

Provider Training Compliance

Ms. Allen reviewed with the Board the deferred compensation provider training. There were representatives from several provider companies that did not satisfy the training requirements specified in the NDPERS administrative contract and to date PERS has received no response from Chase Life, The Hartford, and Symetra Financial. The Board, at its May 15, 2008 meeting, applied a "loss of active provider status" to Chase and Symetra due to failure to take action with regard to its agents out of compliance with the training requirements.

MR. SANDAL MOVED TO AUTHORIZE STAFF TO NOTIFY THE HARTFORD THAT THIS SITUATION HAS BEEN REVIEWED WITH THE BOARD, AND THAT AT ITS MARCH MEETING THE BOARD WILL CONSIDER TAKING ACTION TO IMPLEMENT A LOSS OF ACTIVE PROVIDER STATUS PURSUANT TO THE ADMINISTRATIVE RULES. THE MOTION WAS SECONDED BY MR. ERDMANN.

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

Nays: None

MOTION PASSED

Mr. Collins reported both companies are in a loss of active provider status. The Board discussed Chase and Symetra provider training compliance issue and requested staff to review the applicable rules and provide an update to the Board.

MISCELLANEOUS

Audit Report

Due to time constraints, Brady Martz will attend the March Board meeting to present the audit report.

Administrative Rules

Mr. Collins reported to the Board that, due to substantive errors in PERS proposed rules, it was determined that PERS re-advertise the rules and hold a new hearing. This process has begun. Mr. Collins went on to explain that staff has reviewed our internal rule making process which will be revised for the future. One of the changes will be to have Mr. Webb more involved with the process in the future as well as use a different method for tracking changes.

Personnel Policies Update

Ms. Allen reviewed with the Board the updated/revised sections of the PERS Personnel Policy Manual.

MR. TRENBEATH MOVED APPROVAL OF THE PERS PERSONNEL POLICY MANUAL CHANGES. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

MOTION PASSED

PERSLink Quarterly Report

Mr. Reinhardt presented the fourth quarterly 2009 status report to the Board and explained that this report must be filed with ITD for the duration of the system replacement project. The project continues to be on time and on budget.

ANNUAL INVESTMENT REPORT

Due to time constraints, Mr. Cochrane will attend a future Board meeting to present the annual investment report.

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Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 12:40 p.m.

Prepared by,

Cheryl Stockert
Secretary to the Board