

MINUTES

North Dakota Public Employees Retirement System

Thursday, January 17, 2008
ND Association of Counties, Bismarck
BCBS, 4510 13th Ave SW, Fargo
8:30 A.M.

Members Present: Ms. Joan Ehrhardt
Mr. Ron Leingang
Mr. Mike Sandal
Ms. Arvy Smith
Chairman Jon Strinden

Member Absent: Mr. Thomas Trenbeath

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Sharmain Dschaak, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Sharon Schiermeister, NDPERS
Mr. Aaron Webb, Attorney Generals Office
Mr. Kevin Schoenborn, BCBSND
Mr. Dan Ulmer, BCBSND
Mr. Mike Schwab, NDPhA/NDPSC
Mr. Bill Kalanek, AFPE
Ms. Nancy Kopp, ND Optometric Association
Mr. David Peske, ND Medical Association

Via Conference Call: Mr., Gary Dauenhauer, BCBSND
Ms. Onalee Sellheim, BCBSND
Mr. Tom Christensen, BCBSND
Mr. Dave Olig, NDPhA/NDPSC

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 November 15, 2007 Board meeting.

MR. LEINGANG MOVED APPROVAL OF THE NOVEMBER 15, 2007 NDPERS BOARD MINUTES. MS. EHRHARDT SECONDED THE MOTION. THE MINUTES WERE APPROVED.

Chairman Strinden called for any questions or comments regarding the minutes of the December 3, 2007 Board planning meeting.

MS. EHRHARDT MOVED APPROVAL OF THE DECEMBER 3, 2007 NDPERS BOARD PLANNING MINUTES. MR. SANDAL SECONDED THE MOTION. THE MINUTES WERE APPROVED.

AUDIT REPORT

Mr. John Mongeon from Brady Martz and Associates reviewed with the Board the audit report for the period June 30, 2007 and 2006. A clean opinion was issued. He noted the unfunded actuarial accrued liability which was approximately \$107 and \$166 million at June 30, 2007 and 2006. Mr. Mongeon reported that a management letter was issued June 30, 2007 which noted certain matters involving the internal control structure and its operation that could be improved. The complete audit report is on file at the NDPERS office. Chairman Strinden reported that the Audit Committee had reviewed the report in detail at its November meeting.

RETIREMENT

SEGAL UPDATE

Mr. Collins reported that Segal provides technical and actuarial support to NDPERS. He reported to the Board that PERS was notified in the beginning of January that staff changes have occurred and Mr. Brad Ramirez from the Denver office has been assigned to NDPERS. Mr. Collins indicated our next bid with Segal is scheduled for 2010, with a renegotiation in July 2008. The Board discussed and agreed that staff should continue to monitor the service provided by Segal, and to go out to bid as scheduled in 2010.

SOUTH DAKOTA ECONOMIC STUDY

Mr. Collins reviewed with the Board the information from the NASRA website regarding the South Dakota study relating to the economic effect of pensions. The Board discussed whether we should conduct a similar study and determined that there may be opportunities for a university student to conduct such a study.

SEGAL COLA REVIEW

As a follow up to the December Board meeting, Mr. Collins indicated it was discussed whether to have Segal assist with developing planning information relating to a possible retiree COLA approach based upon earnings. Mr. Collins reported that Segal would require approximately 26 hours of time to work on this project to establish one set of desirable parameters and prepare three investment return scenario projections.

MS. EHRHARDT MOVED THAT STAFF PROCEED WITH HAVING SEGAL PREPARE THREE INVESTMENT RETURN SCENARIO PROJECTIONS FOR THE BOARD'S REVIEW. THE MOTION WAS SECONDED BY MR. SANDAL.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

BENEFIT OPTIONS REVIEW

Mr. Collins reviewed with the Board the possible benefit options and recommendations of the various committees for inclusion in proposed legislation that will be drafted and presented to the Board at the March meeting. All proposed legislation will need to be submitted to the Legislative Employee Benefits Committee by the end of March. Mr. Collins recommended that the legislation relating to automatic enrollment in the 457 plan not be pursued this session due to Higher Education's continued opposition. He suggested that we continue to work with them relating to their concerns over the next two years. He also noted that at that time this method should be fairly common in both the public and private sector which should help to alleviate many concerns.

MR. LEINGANG MOVED TO PROCEED WITH THE RECOMMENDATIONS FOR PROPOSED LEGISLATION. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

GROUP INSURANCE

SERVICE AGREEMENT AMENDMENT

Mr. Collins reported that the Dakota Retiree Plan service agreement amendment as submitted for Board review and approval relates to the change in the Medicare rates previously approved by the Board.

MS. SMITH MOVED TO AUTHORIZE THE BOARD CHAIRMAN TO SIGN THE SERVICE AGREEMENT AMENDMENT. THE MOTION WAS SECONDED BY MR. SANDAL.

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

MOTION PASSED

MINIMUM PARTICIPATION AND CONTRIBUTION REVIEW

Ms. Sellheim, BCBSND, reported to the Board that there was a 100% response rate and all participating employers for the 2007 calendar year are meeting the minimum participation and contribution requirements.

HB 1433, PROPOSAL FROM THE ND PHARMACISTS ASSOCIATION

Mr. Collins stated that Mr. Mike Schwab was attending the meeting to follow up with the Board relating to the diabetes management program. Mr. Schwab reviewed with the Board the ND Pharmacy Service Corporation's proposal for this program, presented a program overview, and explained other aspects of the program including the provider network, provider training and accreditation, program promotion and enrollment, patient education, data collection, flow of finances and cost, and timelines and organizational chart. The cost to all eligible participants will be a flat rate of \$800 per participant. It is anticipated that a maximum of 800 program participants can be enrolled. There will be incentives to get members to participate. Mr. Collins indicated that this program will be communicated to members via newsletter and mailings to members.

MS. SMITH MOVED TO GO FORWARD WITH THE DIABETES MANAGEMENT PROGRAM AS OUTLINED. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

MOTION PASSED

BCBSND ATTACHMENTS TO CONTRACT RENEWAL

Mr. Collins reviewed with the Board the attachments to the BCBS contract that had previously been before the Board in draft form. All suggested comments have been incorporated and Legal Counsel has reviewed the attachments.

MR. SANDAL MOVED TO APPROVE THE ATTACHMENTS TO THE BCBSND CONTRACT. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

Absent: Mr. Trenbeath

MINUTE CLINICS

Mr. Collins presented follow-up information from BCBS relating to possible inclusion of a utilization question on the customer satisfaction survey. BCBS responded there was very little impact on utilization based on the minute clinic's close proximity to the RapidCare clinic in the same building.

VISION PLAN

Ms. Allen reported that the vision plan contract with Ameritas is scheduled for renewal in 2008. Ameritas has agreed in writing to guarantee the current rates and to extend the current contract for an additional year through December 31, 2009.

MR. LEINGANG MOVED TO EXTEND THE VISION CONTRACT FOR AN ADDITIONAL YEAR THROUGH DECEMBER 31, 2009 AS PROPOSED. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

Absent: Mr. Trenbeath

SURPLUS/AFFORDABILITY UPDATE

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

DEFERRED COMPENSATION

3RD QUARTER 457 AND 401 (a) PLAN REPORTS

Mr. Reinhardt reviewed with the Board the 3rd quarter 2007 investment report for the 401(a) and 457 Companion Plan. Assets in the 401(a) plan increased to \$18.6 million and in the Companion Plan to about \$24 million.

MISCELLANEOUS

ADMINISTRATIVE RULES

Ms. Knudsen reported to the Board that a public hearing was held on Wednesday, November 21, at 11:00 a.m. No members of the public attended. The comment period was held open until 5:00 p.m. on December 10, 2007; no written comments were received. Subject to Board approval, the rules will be submitted to the Attorney General's Office for review, then to the Legislative Council for final promulgation.

MS. EHRHARDT MOVED TO APPROVE THE RULES AND TO SUBMIT THEM FOR FINAL PROMULGATION. THE MOTION WAS SECONDED BY MR. SANDAL.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

QUARTERLY CONSULTANT FEES

The report of consultant fees paid during the quarter ending December 31, 2007 was presented to the Board for their information.

2007 BUSINESS PLAN

Mr. Collins presented the 2007 Business Plan to the Board for their information. It is used internally to guide our many business activities for the year. The 2008 plan will be shared with the Board at the February meeting.

PERSLink QUARTERLY UPDATE

The PERSLink quarterly status report was shared with the Board. The planning phase went well and the project is on time and on budget.

2007 COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

Mr. Collins shared the CAFR report with the Board and stated it has been submitted to the Government Finance Officers Association with an application for the GFOA Certificate of Excellence in Financial Reporting. The CAFR is available on the NDPERS website under Forms and Publications at <http://www.nd.gov/ndpers/forms-and-publications/index.html>

AUDIT COMMITTEE MINUTES

The approved August 22, 2007 audit committee minutes were shared with the Board for their information.

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

Ms. Allen introduced the new Benefits Administrator, Mr. Srinivas Goluguri, to the Board.

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 10:15 a.m.

Prepared by,

Cheryl Stockert
Secretary to the Board