

MINUTES

North Dakota Public Employees Retirement System

WSI Boardroom, Bismarck

WSI Meeting Room, Fargo

Thursday, January 21, 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
Mr. Aaron Webb, Attorney Generals Office
Mr. Paul von Ebers, BCBSND
Mr. Kevin Schoenborn, BCBSND
Mr. Stuart Savelkoul, NDPEA
Mr. Ron Leingang
Mr. Bill Kalanek, AFPE
Ms. Ruth Krystopolski, Sanford Health Plan
Mr. Ryan Bohy, Sanford Health Plan
Ms. Lisa Carlson, Sanford Health Plan
Ms. Martha Leclerc, Sanford Health Plan
Mr. Jason Hubers, Great Plains Brokerage

Via Videoconference: Ms. Onalee Sellheim, BCBSND
Ms. Jodi Crouse, BCBSND
Mr. Chad Niles, 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 November 19, 2009 Board meeting.

MS. SMITH MOVED APPROVAL OF THE NOVEMBER 19, 2009 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MR. SAGE. THE MINUTES WERE APPROVED.

Chairman Strinden called for any questions or comments regarding the minutes of the December 16, 2009 Board meeting.

MR. TRENBEATH MOVED APPROVAL OF THE DECEMBER 16, 2009 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MS. SMITH. THE MINUTES WERE APPROVED.

GROUP INSURANCE

BCBS Update

Mr. Collins introduced Mr. Paul von Ebers, the President and CEO of the BCBSND to the Board. Mr. von Ebers assured the Board that they value the NDPERS group which represents their largest customer. Mr. von Ebers presented information relating to key cost drivers of health care; current cost containment initiatives; and the impact of health care reform. Summary of information presented:

- Major factors contributing to health care inflation are reimbursement increases, cost shifting, utilization, and demographics (aging population). There has been an increase in costs at 8% a year over the last 10 years.
- Cost shifting occurs between government payers and private payers.
- When new technologies are available in health care, doctors want to cure, which creates a perfect inflationary machine.
- BCBS will look at how to address this inflation and recommit to the mission to do something about the health care inflation that has occurred these past few years.
- The Milliman Study shows that North Dakota is below the average compared with other states in all areas: average premium; private payer hospital reimbursement; hospital costs, and FY 2007 total hospital operating margin.
- Current cost containment initiatives include medical and disease management, quality assurance initiatives and reporting, wellness programs, member education and engagement, pharmacy management, and NDPERS programs.
- Longer range options were presented including MediQHome program, product options encouraging members to engage in their health care and personal wellness, and provider reimbursement initiatives directed at lowering the cost of health care.
- BCBS has put administrative cost containment in place, with a flat 2010 corporate budget, revisions to the executive compensation philosophy, and increased BCBS employee health insurance participation contribution.
- BCBS is supportive of the concept of tort reform.
- In the longer range options, BCBS is willing to do an actuarial valuation of the HRA/Blue Dollar product.
- Mr. von Ebers reported BCBS has a new Board Chair, Mr. Bob Lamp, who would be happy to meet with the PERS Board if requested.

The Board had questions that were answered and discussed with Mr. von Ebers. The Board found Mr. von Eber's comments encouraging as far as the progress which BCBS is making on the issues that have been addressed earlier.

Contracts

PBM Audit with TRICAST

Mr. Collins reported that Mr. Webb has been working with TRICAST on the contract, specifically the confidentiality provisions. TRICAST has accepted all changes.

MS. EHRHARDT MOVED APPROVAL OF THE TRICAST CONTRACT. THE MOTION WAS SECONDED BY MR. SANDAL.

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

Nays: None

MOTION PASSED

Health Consultant

Mr. Collins reported that Deloitte was awarded the fee for service portion of the health insurance effort pursuant to our recent RFP and included in the Board materials was the proposed contract for Board review and approval. Mr. Webb has reviewed and approved the contract and Business Associate Agreement.

MS. SMITH MOVED APPROVAL OF THE DELOITTE CONTRACT AND BUSINESS ASSOCIATE AGREEMENT. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

MOTION PASSED

COBRA Subsidy

Ms. Allen presented the Board with an update on the COBRA premium assistance subsidy program which was initially passed in February 2009 and has been extended to February 28, 2010. Staff is working on implementing the changes and notified participating employers the week of January 4. The Board had questions relating to this program.

Surplus/Affordability Update

Mr. Reinhardt presented the November surplus projections to the Board. Projections are that BCBS will take a loss of \$4 million. Since the plan is fully insured, NDPERS estimated gain/loss is \$0.

Heart of America Contract

Mr. Allen reviewed with the Board the request from Heart of America Health Plan in Rugby to continue to offer its health plan to state employees in the Rugby area for the period July 1, 2010 through June 30, 2011. The Board had questions of staff and discussed this plan.

MR. TRENBEATH MOVED APPROVAL OF THE HEART OF AMERICA HEALTH PLAN, RUGBY, FROM JULY 1, 2010 THROUGH JUNE 30, 2011. THE MOTION WAS SECONDED BY MR. SAGE.

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

Nays: None

MOTION PASSED

Sanford Health Plan

Representatives from Sanford Health Plan presented information to the Board relating to their company. Information presented included: company profile, management, products and services, and worksite wellness program. Sanford does not currently have a statewide provider network, but they are working towards that goal. The Board discussed the Sanford Plan with the representatives and thanked them for attending.

Retiree Concern

Mr. Collins discussed with the Board a letter which was sent to each Board member expressing concern with the benefit services from a provider in Arizona. Ms. Sellheim, BCBS, reviewed with the Board the issues this retired member is dealing with relating to the provider not accepting Medicare as reimbursement for primary care services. After discussion, it was determined that Mr. Collins will write to the member and the provider on behalf of the Board.

RETIREMENT

Segal Contract

The Board previously discussed renewing the retirement consultant contract with Segal for one more year subject to reviewing the cost proposal from them. Included in the Board materials was the Segal renewal proposal that offered a one year extension with no change in fees from the existing period. The Board had questions of staff.

MR. SANDAL MOVED TO EXTEND THE SEGAL CONTRACT FOR ONE YEAR JULY 1, 2010 TO JUNE 30, 2011. THE MOTION WAS SECONDED BY MR. ERDMANN.

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

Nays: None

Absent: Ms. Ehrhardt

MOTION PASSED

Retiree Health Plan

Mr. Collins indicated to the Board that at the December meeting it was discussed to allow members to use the retiree health credit program credit for not only the PERS health insurance plan but also other non-PERS health products. Currently, the retiree health credit is tied to PERS coverage only. In the 2005 session a bill was submitted that would have provided a similar provision. Segal conducted an actuarial report on allowing this and would have cost .12% of payroll to allow this expanded coverage. The Board indicated that it would also like to get information from Segal on allowing just the pre-Medicare retirees to use the credit for other products due to the premium costs levels. Mr. Collins will request Segal to look at this concept and bring information back to the Board at the February meeting.

Communication Efforts

Mr. Collins reported that two web videos for members have been produced by the Health Department and posted to the website discussing the challenge facing the PERS retirement plan as a result of the downturn in the financial markets and the various considerations relating to that challenge. Mr. Collins noted that a third video will be posted in March titled "The Proposals". In addition, Mr. Collins reviewed with the Board the member groups he has met with to review the status of the plans. The Board discussed with Mr. Collins how this information will be disseminated to members.

FLEX COMP

Enrollment Update

Ms. Allen presented a 2010 flex comp enrollment update to the Board. The Board discussed with staff how this program is promoted to employees.

DEFERRED COMPENSATION

Third Quarter 2009 401(a) and 457 Reports

Mr. Reinhardt reviewed with the Board the 3rd quarter investment report for the companion and defined contribution plans. In the 401(a) plan, assets increased to \$16.0 million; assets in the 457 plan increased to \$25.3 million. The number of participants in the companion plan is increasing and is now at 2,768. The Investment Subcommittee has been reviewing adding another international fund to the portfolio and has recommended adding the Fidelity Spartan International Index Fund to the core lineup.

MR. ERDMANN MOVED TO ADD THE FIDELITY SPARTAN INTERNATIONAL INDEX FUND TO THE CORE LINEUP. THE MOTION WAS SECONDED BY MR. SAGE.

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

Nays: None

MOTION PASSED

MISCELLANEOUS

2010 Business Plan

Mr. Collins sought Board concurrence not to update the full Business Plan document as was done in 2009 due to the requirements of the PERSLink project. The Board concurred.

2009 Comprehensive Annual Financial Report

Mr. Collins indicated this report was submitted to the Government Finance Officers Association with an application for the GFOA Certificate of Excellence in Financial Reporting. The Board suggested this report be sent to all employees. It is available on the PERS website at <http://www.nd.gov/ndpers/forms-and-publications/publications/2009-annual-report.pdf>

Public Pension Coordinating Council Certificate of Recognition for Administration

NDPERS qualified for the PPCC Recognition Award for Administration. The Board congratulated staff on this effort.

International Foundation of Employee Benefit Programs

Mr. Collins indicated that two Board members expressed an interest in attending the annual Public Funds Conference/Investment Institute Conference this April in Arizona.

MS. SMITH MOVED APPROVAL FOR TWO BOARD MEMBERS TO ATTEND THE PUBLIC FUNDS CONFERENCE. THE MOTION WAS SECONDED BY MS. EHRHARDT.

Mr. Sage suggested the Board include the NCPERS Conference approval in this motion.

MR. SMITH AMENDED THE ORIGINAL MOTION TO INCLUDE APPROVAL OF TWO BOARD MEMBERS TO ATTEND THE NCPERS CONFERENCE. THE AMENDMENT WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

MOTION PASSED

Quarterly Consultant Fees

The report of consultant fees paid during the quarter ending December 31, 2009 was presented to the Board for their information.

Hardship Withdrawal

Ms. Allen presented detailed information to the Board relating to a participant requesting a hardship withdrawal for expenses for unexpected dental treatment. The Board discussed this hardship withdrawal case.

MR. SAGE MOVED TO APPROVE THE HARDSHIP WITHDRAWAL. THE MOTION WAS SECONDED BY MS. SMITH.

Board discussion occurred.

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

Nays: None

MOTION PASSED

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 11:30 a.m.

Prepared by,

Cheryl Stockert
Secretary to the Board