

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13th Ave SW, Fargo

Thursday, June 18, 2009

8:30 A.M.

Members Present: Ms. Joan Ehrhardt
Mr. Levi Erdmann
Mr. Ron Leingang
Mr. Mike Sandal

Via Videoconference: Chairman Jon Strinden

Members Absent: Ms. Arvy Smith
Mr. Thomas Trenbeath

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Sharon Schiermeister, 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
Ms. Onalee Sellheim, BCBSND
Mr. Steve Cochrane, RIO
Ms. Connie Flanagan, RIO
Mr. Bill Kalanek, AFPE
Ms. Nancy Kopp, ND Optometric Assn.

Via Videoconference: Ms. Jodi Crouse, BCBSND
Mr. Kevin Schoenborn, BCBSND

Chairman Strinden called the meeting to order at 8:35 a.m.

MINUTES

Chairman Strinden called for any questions or comments regarding the minutes of the May 21, 2009 Board meeting.

MS. EHRHARDT MOVED APPROVAL OF THE MAY 21, 2009 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MR. SANDAL. THE MINUTES WERE APPROVED.

RETIREMENT

Retiree Health Insurance Credit Update

Mr. Collins indicated that Mr. Cochrane and Ms. Flanagan were present at the Board meeting to answer questions relating to the Investment Committee considerations relating to the retiree health plan. Mr. Collins reported that the PERS Investment Subcommittee met on May 13 to address the questions referred to it by the PERS Board relating to the RHIC program and determined that the SIB should consider other managers in implementing the RHIC asset allocation; to suggest withdrawing 59% of the funds invested with State Street immediately and 41% over three years; and to also suggest that the SIB hold the withdrawn funds in the Northern Trust STIF account until they can be invested pursuant to the new allocation. Mr. Cochrane reported to the Board that the Investment Subcommittee has made sound suggestions relating to the RHIC fund and they are consistent with his recommendation.

Job Service Retirement Plan

Mr. Collins reviewed with the Board that a Job Service retiree working group has been put together to discuss issues relating to that plan. A meeting was held on May 19 at the Job Service office. One issue that was discussed related to the need to access the federal funds that have been set aside pursuant to the agreement reached in the late 1990's. A letter to the Department of Labor will be drafted to initiate a contract with them should we need to make a formal request.

GROUP INSURANCE

ND Pharmacy Services Corporation Contract and Program Update

Mr. Collins reported that at the May meeting the Board discussed the diabetes program renewal with the ND Pharmacy Services Corporation. The Board requested additional information relating to the administrative fees added to the 2009-2010 cost proposal. Mr. Steig, Clinical Coordinator, reported that due to lower than anticipated enrollments and additional administrative costs, a fee of \$7,000 will be included. He also indicated that they will put additional efforts into marketing this program to increase participation. Mr. Collins assured the Board we were well within budget for the biennium.

Board discussion followed.

MR. SANDAL MOVED TO APPROVE THE AGREEMENT EXTENSION AND TO LIMIT THE ADMINISTRATIVE FEE TO ONE YEAR AND THE BOARD SHOULD RE-EVALUATE IT PRIOR TO THE SECOND YEAR. THE MOTION WAS SECONDED BY MR. LEINGANG.

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

Nays: None

Absent: Ms. Smith and Mr. Trenbeath

MOTION PASSED

BCBS Response

Mr. Collins shared with the Board the response to the letter sent by the PERS Board to the BCBS Board from Mr. Tim Huckle, Interim President and CEO. Mr. Collins recently met with BCBS staff in an effort to open up additional dialog. Additional meetings have also been scheduled for PERS staff. In addition, the Board can expect regular presentations from BCBS on a quarterly basis addressing plan performance and other issues.

BCBS Update

BCBS reviewed with the Board trend data. Mr. Schoenborn explained that within the last few months the trend has dropped. He also presented claims information to the Board.

Group Insurance Renewal Contract

Mr. Collins reviewed the draft contract with BCBS for the 2009-2011 biennium. He noted the contract information is presented for review at this meeting and final documents will be prepared for approval at the July Board meeting. Board members should contact Mr. Collins or Ms. Allen if they any questions or comments relating to this contract

Member Services Survey

Ms. Sellheim from BCBSND reviewed with the Board the 2009 member satisfaction survey results. The Board had questions that were responded to by Ms. Sellheim.

Vision Plan Renewal

Ms. Allen reported that the original effective date of the vision plan contract with Ameritas was January 1, 2003. Ameritas has submitted a proposal for a two year renewal through December 31, 2011 and have guaranteed the current rates. Gallagher Benefit Services underwriting department indicated that the exam benefit increase from the \$40 to \$45 is worth 6%. The Board discussed the options for renewal of the vision plan with Ameritas.

MR. SANDAL MOVED TO ACCEPT THE AMERITAS PROPOSAL TO EXTEND THE VISION CONTRACT FOR ONE YEAR WITH NO CHANGE IN THE CURRENT RATES AND TO ACCEPT THE CHANGE TO THE ANNUAL EYE EXAM BENEFIT FROM \$40 TO \$45. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

Absent: Ms. Smith and Mr. Trenbeath

MOTION PASSED

Smoking Cessation Program

Ms. Allen reviewed with the Board the smoking cessation program which will be continued through the next biennium and funded by the ND Department of Health at \$150,000. The details of this program will be incorporated into the final BCBS contract for the Board's review and approval.

DEFERRED COMPENSATION

First Quarter Investment Report

Mr. Reinhardt reported that the assets in the 401(a) plan decreased to \$12.1 million as of March 31, 2009 which is down about 30% from the same period in 2008. Assets in the 457 Companion Plan decreased to \$17.9 million as of March 31, 2008. The number of participants is increasing and is now at 2,590.

FLEX COMP

Flex Payments

Ms. Allen reported to the Board of a flexcomp error detected by staff which occurred as a result of a PeopleSoft flexcomp claims processing software program update. Checks were generated in error to individuals that were not authorized for payment. Ms. Allen indicated staff is working on this issue. Board discussion followed.

MISCELLANEOUS

PERSLink Quarterly Update

Mr. Reinhardt presented the PERSLink quarterly update to the Board for their information. This is the fifth progress report that must be submitted to ITD. The project is on time and on budget.

PERSLink Data Conversion

Ms. Schiermeister reported to the Board that one of the major activities within the PERLink project is data conversion. She noted that additional assistance will be needed for this effort. Various options were presented to the Board for consideration and approval. One option was to retain an outside vendor which is the approach recommended by PERS staff. Specifically, staff was suggesting retaining a vendor that had experience working with Sagitac and was recommended by other systems that had recently done business system replacements. Staff recommendation was to approve reallocation of project budget dollars of up to \$120,000 to contract with ICON for data conversion assistance. Ms. Schiermeister assured the Board there were funds available within the project budget for this effort due to certain other efforts being completed at less than expected. The Board discussed this recommendation.

MR. ERDMANN MOVED TO RETAIN ICON FOR DATA CONVERSION SUBJECT TO BEING WITHIN THE SCOPE OF PROCUREMENT GUIDELINES. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

Absent: Ms. Smith and Mr. Trenbeath

MOTION PASSED

Request for Proposal

Mr. Collins reviewed with the Board the RFP process for the experience study and OPEB valuation. Proposals were due June 5 at 5:00 p.m. (CST) and four proposals were received in the office from Segal, AON Consulting, Van Iwaarden, and Gabriel Roeder Smith. A fifth proposal was also received by Gallagher Benefit Services (GBS) via email as there was a delivery issue with UPS. GBS learned on the afternoon of June 5 (the due date) that their proposal was misdirected by UPS to the wrong location (documentation shared with the Board). GBS called Mr. Collins and he instructed them to email the proposal to him which they did by 5:00 p.m. The proposals were delivered to the office the following Monday, June 8. Mr. Collins indicated to the Board that the RFP included the following provision: "The failure to meet all procurement policy requirements shall not automatically invalidate a proposal of procurement. The final decision rests with the Board." The Board discussed whether the GBS proposal should be accepted or rejected.

MR. LEINGANG MOVED TO ACCEPT THE GALLAGHER BENEFIT SERVICES PROPOSAL. THE MOTION WAS SECONDED BY MR. ERDMANN.

Further discussion occurred on the motion and discussed with Mr. Webb, Assistant Attorney General.

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

Nays: None

Absent: Ms. Smith and Mr. Trenbeath

MOTION PASSED

Board Election

Mr. Sandal reported that the election committee comprised of Chairman Strinden, Mr. Sandal, and Mr. Erdmann met to review and validate the results of the election for the active and retiree openings on the PERS Board. Ms. Joan Ehrhardt was elected as the active member and Mr. Howard Sage was elected as the retiree member for the term of July 1, 2009 through June 30, 2014. Mr. Sandal informed the Board that there was an issue with approximately 165 of the ballots possibly not being included in the mailing.

The Board discussed the election and results.

MS. EHRHARDT MOVED TO APPROVE THE ELECTION RESULTS. THE MOTION WAS SECONDED BY MR. ERDMANN.

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

Nays: Mr. Leingang

Absent: Ms. Smith and Mr. Trenbeath

MOTION PASSED

Mr. Leingang clarified that he voted no because of his concern with the mailing not that he did not support Mr. Sage.

Audit Committee Minutes

The February 18, 2009 PERS Audit Committee minutes were shared with the Board.

Executive Director Review

Mr. Leingang reported to the Board that the Performance Review and Compensation Committee met on May 1 to discuss the Executive Director performance evaluations and to make a salary recommendation. The Committee initially discussed a 5% salary increase for 2009 but Mr. Collins requested no more than 4.5% so the remaining .5% could be pooled for equity adjustments in the PERS office. The Committee recommended that Mr. Collins be given a 4.5% salary increase the first year and limit the second year to no more than 4.5% subject to good performance. Chairman Strinden thanked Mr. Collins for his continued good work, making the job of the trustees much easier.

MS. EHRHARDT MOVED TO APPROVE THE COMMITTEE RECOMMENDATION TO GRANT A 4.5% SALARY INCREASE TO MR. COLLINS EFFECTIVE JULY 1, 2009 WITH NO MORE THAN A 4.5% SALARY INCREASE THE NEXT YEAR SUBJECT TO GOOD PERFORMANCE. THE MOTION WAS SECONDED BY MR. LEINGANG.

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

Nays: None

Absent: Ms. Smith and Mr. Trenbeath

MOTION PASSED

Payroll Conference

Mr. Collins shared with the Board the results of the 2009 Payroll Conference where over 260 attended either at the ND Heritage Center or via webcast.

Chairman Strinden had to leave the meeting early and recognized Mr. Leingang for his contributions and years of service to the PERS Board stating that he was a valuable member to the Board of Trustees, both as an active and retiree representative, putting the interests of the members first. Mr. Collins presented a plaque to Mr. Leingang. Mr. Leingang thanked Chairman Strinden for his kind words and thanked the PERS Board and staff, stating it was a pleasure working with them all and the kindness that has been shown to him over the years.

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Mr. Sandal called for any other business or comments. Hearing none, the meeting adjourned at 10:25 a.m.

Prepared by,

Cheryl Stockert
Secretary to the Board