

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13th Ave SW, Fargo

Thursday, June 20, 2013

8:30 A.M.

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

Member Absent: Mr. Thomas Trenbeath

Via Videoconference: Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. Jan Murtha, Attorney General's Office
Mr. Lynn Hart, HRMS
Mr. Kevin Schoenborn, BCBSND
Mr. Gene Schmidt, Schmidt Insurance Agency

Via Videoconference: Ms. Onalee Sellheim, BCBSND
Ms. Jodi Crouse, BCBSND
Ms. Stacy Duncan, BCBSND
Ms. Peg Dickelman, NISI

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 May 16, 2013 Board meeting.

MR. SANDAL MOVED APPROVAL OF THE MAY 16, 2013 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MS. EHRHARDT. THE MINUTES WERE APPROVED.

GROUP INSURANCE

Long Term Care Insurance

Mr. Collins reported that Mr. Schmidt from Schmidt Insurance Agency will present information on changes in the long term care insurance market.

Mr. Schmidt, SIA, presented information relating to changes in the long term care market which included: gender pricing, updated underwriting requirements which are becoming stricter, claims utilization which continues to increase, utilization statistics and the cost of care. In the current environment, utilization is greater for females, the cost of care continues to increase and lapse rates continue to decrease.

Mr. Schmidt indicated that if the state would fund a long term care benefit for each employee, there are companies that would offer simplified underwriting provisions that would benefit the employees. Volume buying will provide participants with good coverage. He further indicated that a census would have to be sent to a company which would then determine what benefit the state would receive and whether there would need to be a state contribution.

The Board had questions relating to long term care insurance. The Board suggested that before we proceed with offering long term care insurance, PERS check with state employees to determine if this is a benefit they would be interested in. Mr. Collins responded that the PERS Benefits Committee would be consulted. The Board thanked Mr. Schmidt for his presentation.

Group Insurance Eligibility

Mr. Collins indicated there have been members questioning eligibility in the PERS group insurance plan by domestic partners or same gender spouses where a marriage has occurred. The question has been asked if spousal benefits are available to same gender member spouses or domestic partners married or otherwise so qualified in another state. Ms. Murtha reviewed information with the Board. North Dakota law states that the term spouse refers only to a person of the opposite gender who is a husband or a wife. Ms. Murtha concluded that NDPERS spousal benefits are only available to member spouses of the opposite gender. However, there are various federal cases that could impact this analysis. The Board had questions and discussed this issue. Ms. Murtha indicated that she will keep the Board informed.

MR. SANDAL MOVED TO HAVE LEGAL COUNSEL RESEARCH WHETHER THE NDPERS BOARD HAS THE AUTHORITY TO GRANT HEALTH INSURANCE COVERAGE TO SAME GENDER PARTNERS. THE MOTION WAS SECONDED BY MS. SMITH.

The Board further discussed the motion.

Ayes: Mr. Sandal, Ms. Smith

Nays: Ms. Ehrhardt, Mr. Erdmann, Mr. Sage, and Chairman Strinden

Absent: Mr. Trenbeath

MOTION FAILED

Explanation of Benefits (EOB) Bundling

Mr. Collins reported that PERS received a request from BCBS to bundle the explanation of benefits forms for children eleven and younger with the policy holder's explanation of benefits if it is within the same time period. BCBS indicated they have implemented this for their other lines of business. Legal counsel and staff have reviewed this request and there are no concerns. The Board had questions relating to the bundling of EOB's.

MS. EHRHARDT MOVED APPROVAL FOR BLUE CROSS/BLUE SHIELD TO BUNDLE THE EXPLANATION OF BENEFITS FOR CHILDREN AGES ELEVEN AND UNDER WITH THE ACCOUNT SUBSCRIBER EXPLANATION OF BENEFITS. THE MOTION WAS SECONDED BY MR. SANDAL.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

Affordable Care Act Implementation

Mr. Collins provided an update to the Board relating to progress on implementing the Affordable Care Act provisions for the state. Employers must determine who is eligible, then develop a payment methodology that does not charge those that are eligible more than 9.5% of their household income. PERS is assisting in this effort by informing participating employers and holding a training session in July.

Wellness Update

Ms. Fricke updated the Board on the Employer Based Wellness Program renewal for the plan year July 1, 2013 through June 30, 2014. There are a total of 197 out of 290 employers electing to participate in the wellness program which is approximately 68% covering 97% of employees. The Board had questions relating to participation in this program.

Annual Claims Review

Mr. Reinhardt reported that an audit was conducted at BCBS to check the accuracy of claims processing. A sample of 100 claims was reviewed with two findings noted. The Board had questions relating to this audit.

Tobacco Cessation Grant Renewal

Ms. Allen reported that the North Dakota Department of Health had notified PERS that the Smoking Cessation Program funding will be continued for the upcoming biennium. Funding approved for this biennium is \$80,000 due to decreased utilization during this past biennium. Last biennium funding was \$100,000 and the Health Department has indicated if there is a need for additional funding throughout the biennium, they can amend the request and seek additional funds.

MS. SMITH MOVED APPROVAL OF THE TOBACCO CESSATION GRANT PROGRAM FOR THE PERIOD JULY 1, 2013 THROUGH JUNE 30, 2015. THE MOTION WAS SECONDED BY MR. SAGE.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

Political Subdivision Participation

Ms. Allen reported that PERS and BCBS have received inquiries from participating political subdivisions about whether they can change their group health insurance coverage from the grandfathered PPO/Basic Plan to the non-grandfathered PPO/Basic Plan. PERS staff reviewed this and could find no reason not to allow this option as long as the employer group was advised of the potential consequences of this action. Ms. Allen indicated that once a political subdivision chooses the non-grandfathered plan, they cannot change back to the grandfathered plan. It was also determined that political subdivisions that want to make this change would be required to complete a Memorandum of Understanding. The Board had questions relating to this information.

MR. SANDAL MOVED APPROVAL TO IMPLEMENT THE MEMORANDUM OF UNDERSTANDING ALLOWING PARTICIPATING POLITICAL SUBDIVISIONS THE OPTION TO CHANGE FROM THE GRANDFATHERED TO THE NON-GRANDFATHERED PLAN. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

RETIREMENT

Defined Contribution Plan Implementation

Mr. Collins shared information relating to the defined contribution plan implementation. All tasks are being defined and responsible parties are being identified. At the May meeting, the PERS Board approved using the existing plan provisions as the guide for developing the expanded program. Mr. Collins further noted that staff has recommended two process changes. One is to update the provision that when a member changes to the DC plan, they will not be required to notarize the form which is consistent with other member actions. The second relates to the reminder mailing process. Currently, two reminders are sent to the member. With the expected increase in volume, staff recommends changing this to one reminder after the initial letter goes to the members.

MS. SMITH MOVED APPROVAL OF THE TWO PROCESS CHANGES RELATING TO NOTARIZING THE FORM AND THE REMINDER NOTIFICATIONS. THE MOTION WAS SECONDED BY MR. SAGE.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

Law Enforcement and National Guard Employer Contributions

Mr. Collins indicated that House Bill 1452 provides employee contribution increases beginning in January 2014 as follows: a half of a percent increase in employee contributions for members of the national guard and a half of a percent increase in employee contributions for members of the law enforcement plans. The PERS Board has the authority to set the employer contribution rates. It was noted that during the legislative hearing on the employee increases, the Board's position on enacting matching employer contribution increases was shared should the bill be passed. Mr. Collins indicated that since the bill passed, he was requesting the Board approve the matching employer increase.

MS. EHRHARDT MOVED APPROVAL TO INCREASE THE EMPLOYER CONTRIBUTION RATES FOR THE NATIONAL GUARD AND LAW ENFORCEMENT PLANS BY A HALF OF A PERCENT BEGINNING JANUARY 1, 2014. THE MOTION WAS SECONDED BY MR. SANDAL.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

Disability Consulting Contract

Ms. Allen reported that the contract with Mid Dakota Clinic for disability consulting services is scheduled to expire June 30, 2013. Mid Dakota has indicated they wish to continue to perform these services for NDPERS at the rate of \$200 per hour for the July 1, 2013 through June 30, 2014 contract period. This is the same hourly rate for the sixth year and staff is satisfied with their services. The Board had questions relating to this service and the renewal.

MS. SMITH MOVED APPROVAL TO CONTRACT WITH MID DAKOTA CLINIC FOR DISABILITY CONSULTING SERVICES FOR THE PERIOD JULY 1, 2013 THROUGH JUNE 30, 2014. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

Legislation Update

Mr. Collins reported that two study resolutions were passed this last legislation session. The two Legislative Management Studies relate to the state retirement plan and state employee health insurance premiums. Both studies have been assigned to the Government Finance Committee.

Defined Contribution Review

Mr. Collins reported that to better assess how PERS is performing with the existing defined contribution (DC) program, staff plans to conduct a survey of the existing DC members and to update the Segal DC study to assess where the members are today after the improvement in the market. Mr. Collins was seeking Board observations/input on these activities.

Job Service Retirement Plan

Mr. Collins presented information to the Board relating to the Job Service plan and a letter from the United States Department of Labor (DOL) relating to their ongoing responsibilities. Mr. Collins indicated that a response will be prepared to the letter and sent to the DOL.

Investments

Mr. Collins shared the letter that Mr. Darren Schulz, Interim CIO of RIO, sent to Invesco. The letter related to action taken at the May meeting regarding Invesco Real Estate, specifically the Investment Policy Statement.

DEFERRED COMPENSATION

TIAA-CREF Service Level Agreement

Ms. Knudsen reviewed the Service Level Agreement that staff, legal counsel and TIAA-CREF have been developing. If approved, this will become an addendum to the TIAA-CREF contract.

MR. SANDAL MOVED APPROVAL OF THE TIAA-CREF SERVICE LEVEL AGREEMENT. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

TIAA-CREF Contract Extension

Mr. Collins reported that pursuant to the PERS agreement with TIAA-CREF, the contract can be extended for two years at the end of the first 24 months and again at the end of 48 months. TIAA-CREF has met all contractual requirements and staff recommends extending the contract for two years.

MS. SMITH MOVED APPROVAL TO EXTEND THE CONTRACT WITH TIAA-CREF FOR THE PERIOD JULY 1, 2013 THROUGH JUNE 30, 2015. THE MOTION WAS SECONDED BY MR. SAGE.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

1st Quarter Investment Report

Mr. Reinhardt presented the first quarter 2013 investment report for the 401(a) and 457 Companion Plan. Assets in the 401(a) plan increased to \$26.2 million and the assets in the 457 Companion Plan increased to \$48.2 million with the number of participants increasing to 4,349. The Investment Subcommittee met with SEI on the Job Service and RHIC plans and worked with RIO to develop asset class definitions.

Provider Compliance Update

Ms. Allen provided an update on the three providers that are not in compliance with the training requirements. Previously, the Board took action to put the companies on a loss of active provider status which was communicated to them. Since the last meeting, The Hartford has responded and provided direction on the actions that should be taken for its agents. Contact has been made, with no resolution, with AXA and VALIC who each have one agent out of compliance. Further developments will be reported at the next Board meeting.

FLEX COMP

Flex Comp Review

Mr. Collins reported that to better assess how PERS is performing, staff plans to conduct a survey of existing flex comp participants seeking their overall satisfaction with the new vendor ADP. PERS goal is to make this program simple, user friendly, and broaden the base of participation. Mr. Collins was seeking Board observations/input on the flex comp survey.

Flex Comp Appeal Case ID 129

Ms. Allen presented detailed information to the Board regarding a flex comp appeal where the participant is appealing the denial of payment from the 2012 medical spending account to cover expenses incurred during the 2012 plan year. This claim was not submitted within the four months following the end of the plan year on December 31, 2012. The Board discussed this flex comp appeal.

MR. ERDMANN MOVED TO DENY THE APPEAL. THE MOTION WAS SECONDED BY MS. SMITH.

The Board had further questions of staff and discussed this appeal.

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

Nays: Mr. Sage and Mr. Sandal

Absent: Mr. Trenbeath

MOTION PASSED

MISCELLANEOUS

Board Election Process

Ms. Allen reported that the Board election ballots originally sent out had a typographical error and there was no space provided for a write-in candidate. The Election Committee met on June 5, 2013 to discuss the options and determined that a new election with a new schedule would be conducted. The new ballots were mailed out on June 12, 2013 and included a two week time frame to return. The new ballots included a space for a write-in candidate, and an explanation was given regarding the error and that no old ballots would be considered.

Sagitec Maintenance Agreement

Ms. Schiermeister reviewed the draft agreement with Sagitec Solutions for software maintenance and support for the 2013-2015 biennium. Legal counsel has reviewed the agreement and all recommended changes have been incorporated. The fees for the new biennium are consistent with what the Board approved for the PERS budget last June.

MS. SMITH MOVED APPROVAL OF THE SAGITEC MAINTENANCE AND SUPPORT AGREEMENT FOR THE PERIOD JULY 1, 2013 THROUGH JUNE 30, 2015. THE MOTION WAS SECONDED BY MR. SANDAL.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

IFEBP

Mr. Collins reported that the International Foundation of Employee Benefit Plans annual conference is in October. In the past the Board has approved several members' attendance at this conference. Mr. Sandal has expressed an interest in attending.

MR. SAGE MOVED APPROVAL OF TWO BOARD MEMBERS' ATTENDANCE AT THE IFEBP CONFERENCE. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

PERS Audit Committee Minutes

The approved February 20, 2013 PERS Audit Committee minutes were shared with the Board.

PERS Events

Mr. Collins shared with the Board information relating to several events that PERS has been involved with during the last few months. Mr. Sandal reported that several of his staff attended the Payroll Conference and they indicated that it was a top quality conference, very informational and the presentations by staff were relevant and of high quality. Good work staff.

Executive Director Review

Chairman Strinden reported that all Board members had completed a performance evaluation of Mr. Collins. Based on a favorable performance evaluation, the review committee of Mr. Sandal, Ms. Smith, and Chairman Strinden recommended a 3% salary increase effective July 1, 2013.

MR. SAGE MOVED TO GRANT MR. COLLINS A SALARY ADJUSTMENT OF 3% EFFECTIVE JULY 1, 2013. THE MOTION WAS SECONDED BY MR. SANDAL.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

Chairman Strinden thanked Mr. Collins for his service and excellent work.

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 11:20 a.m.

Prepared by,

Cheryl Stockert
Assistant to the Board