

MINUTES

North Dakota Public Employees Retirement System

Thursday, June 29, 2006
ND Association of Counties, Bismarck
BCBS, 4510 13th Ave SW, Fargo
1:30 P.M.

Members Present: Ms. Joan Ehrhardt
Mr. Ron Leingang
Mr. Howard Sage
Ms. Arvy Smith
Ms. Sandi Tabor

Via Video Conference: Ms. Rosey Sand
Chairman Jon Strinden

Others Present: Mr. Sparb Collins, Executive Director, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Sharon Schiermeister, NDPERS
Mr. Ron Gilliam, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Cheryle Masset-Martz, NDPERS
Ms. Sharmain Dschaak, NDPERS
Ms. Lori Laschkewitsch, OMB
Mr. Leon Wechsler, LRWL
Mr. Andy Flewelling, LRWL
Mr. Ron McCartney, LRWL
Ms. Patricia Hill, ND Pharmacists Association
Mr. David Peske, ND Medical Association
Ms. Nancy Kopp, ND Optometric Association
Mr. Kevin Schoenborn, BCBS
Mr. Al Pertuz, Health Dialog
Mr. Brad LaPorte, Health Dialog
Ms. Chesley Chen, Health Dialog
Mr. Weldee Baetsch

Via Video Conference: Mr. Larry Brooks, BCBSND
Ms. Susan Trosen, BCBSND
Mr. Gary Dauenhauer, BCBSND
Ms. Shari Koenig, BCBSND

Chairman Jon Strinden called the meeting to order at 1:30 p.m.

MINUTES

Chairman Strinden called for any comments or corrections to the May 18, 2006 Board meeting minutes.

THERE BEING NONE, MR. LEINGANG MOVED APPROVAL OF THE MAY 18, 2006 BOARD MEETING MINUTES. MS. SMITH SECONDED THE MOTION. THE MINUTES WERE APPROVED.

MONTHLY TOPICS

Business System Replacement Project

Mr. Collins introduced Mr. Leon Wechsler of L. R. Wechsler, Ltd, the PERS business system replacement project consultant. LRWL was contracted to examine the current strengths and weaknesses of the legacy system and determine whether the current system will sustain NDPERS into the future or an alternative solution should be pursued. LRWL has provided similar analysis for approximately 24 other public employee retirements systems across the country. Mr. Wechsler presented the business issues and challenges regarding the current system which is approximately 30 years old. As a result of discussions with PERS management and staff, the required operating environment was identified. LRWL presented three possible options: continued enhancement of the system, build a system, or buy a system. LRWL recommendation is to elect the buy approach to obtain an integrated proven state of the industry system and to phase it over a 30-36 month time frame. The remainder of this biennium should be used to develop the RFP with the system phase in starting July of 2007. Mr. Collins indicated staff is in agreement with the Wechsler recommendation to buy and that if the Board elects to move forward, staff will present a funding plan and budget to the Board at the July meeting.

The Legacy Application System Review (LASR) Project Feasibility Study report is available at the PERS office.

MR. LEINGANG MOVED TO APPROVE STAFF RECOMMENDATION TO BUY A BUSINESS REPLACEMENT SYSTEM. THE MOTION WAS SECONDED BY MS. SMITH.

Ayes: Leingang, Sage, Sand, Smith, Tabor, Ehrhardt, and Chairman Strinden.

Nays: None

PASSED

Project Charter

Mr. Collins indicated that since the Board has approved moving ahead with the business system replacement project, the next phase of the project would fall under the "large project" guidelines of ITD. The project charter included in the board book is for the next phase of the project which is development of a Request for Proposal (RFP) for the Legacy Application System Replacement (LASR) project. It is for the period July 1, 2006 through June 30, 2007.

MS. TABOR MOVED TO APPROVE THE PROJECT CHARTER FOR THE LEGACY APPLICATION SYSTEM REPLACEMENT PROJECT. THE MOTION WAS SECONDED BY MS. EHRHARDT.

Ayes: Leingang, Sage, Sand, Smith, Tabor, Ehrhardt, and Chairman Strinden.

Nays: None

PASSED

GROUP INSURANCE

BCBSND Health Dialog Update

Mr. Collins introduced representatives from Health Dialog to present an update. The Health Dialog program began last October through BCBSND and is a disease management program at a cost of \$2.98 per contract. Representatives from Health Dialog indicated that the total estimated savings for year one was \$1,077,240. The Health Dialog program summary report is available at NDPERS office.

Coordination of Benefits

Mr. Collins reviewed the Board's previous discussions on the banking issue from the last two meetings. He also reviewed new information from BCBS which showed that if the Board maintained the existing COB process it would cost \$17,000. Mr. Collins also reviewed the information from BCBSND relating to benefit provisions that are a part of other BCBS plans but not PERS and that could be provided to members at a cost comparable to the cost of the banking provision. Finally, Mr. Collins reviewed with the Board information from BCBS stating that the savings from not continuing the COB would be not subject to the financial closeout procedures at the end of the contract period.

MS. SAND MOVED TO DISCONTINUE COORDINATION OF BENEFITS BANKING AND NOT ADD ADDITIONAL BENEFITS. THE MOTION WAS SECONDED BY MS. TABOR.

Ayes: Leingang, Sage, Sand, Smith, Tabor, Ehrhardt, and Chairman Strinden.

Nays: None

PASSED

Health Plan Renewal

Mr. Collins stated the Benefits Committee met in May to discuss the health plan. The general consensus of the Benefits Committee was that the existing plan design should be maintained for the 2007-09 biennium. As done in the past, the committee is offering several lower cost alternative designs so there is a clear concept of the effect on benefits/premiums that occurs as a result of a lower level of funding. The Benefits Committee is not recommending these alternative plan designs; these are just to show the range of additional options and give a perspective of what the costs of these options would be.

MS. SAND MOVED TO PROCEED WITH THE HEALTH PLAN RENEWAL PER STAFF RECOMMENDATION. THE MOTION WAS SECONDED BY MS. TABOR.

Ayes: Leingang, Sage, Sand, Smith, Tabor, Ehrhardt, and Chairman Strinden.

Nays: None

PASSED

Wellness Benefit Program

Mr. Collins indicated that the Wellness Benefits Program has experienced an increase in applicants requesting funding to conduct on-site wellness programs. Two issues have resulted: one relates to requests for reimbursement for incentive prizes/food and the other relates to inquiries from larger employer groups regarding the reimbursement schedule limits. The Wellness Committee met on June 14, 2006 to develop guidelines regarding these requests and to review the current reimbursement schedule. The Board discussed the committee's recommendation and requested clarification and additional information and will make a decision at the next meeting regarding the reimbursement schedule.

MS. SAND MOVED TO APPROVE THE WELLNESS COMMITTEE'S RECOMMENDATION TO EXCLUDE FUNDING FOR WELLNESS PROGRAM INCENTIVE PRIZES AND FOOD AND NOT ALLOW WELLNESS FUNDS TO EMPLOYER GROUPS NOT PARTICIPATING IN THE EMPLOYER BASED WELLNESS PROGRAM. ACTION WAS DEFERRED ON THE PROPOSED

REIMBURSEMENT SCHEDULE UNTIL THE NEXT MEETING. THE MOTION WAS SECONDED BY MS. TABOR.

Ayes: Leingang, Sage, Sand, Smith, Tabor, Ehrhardt, and Chairman Strinden.
Nays: None

PASSED

Vision Plan Renewal

Mr. Collins reported that Ameritas has submitted a renewal rate notification and no increase in rates is being proposed for the January 1, 2007 through December 31, 2008 contract period. Ameritas is also offering an increased the benefit for an annual eye exam from \$35 to \$40 effective January 1, 2007.

MS. TABOR MOVED TO ACCEPT STAFF RECOMMENDATION TO ACCEPT THE AMERITAS PROPOSAL FOR THE BENEFIT PERIOD JANUARY 1, 2007 THROUGH DECEMBER 31, 2008. THE MOTION WAS SECONDED BY MR. LEINGANG.

Ayes: Leingang, Sage, Sand, Smith, Tabor, Ehrhardt, and Chairman Strinden.
Nays:

PASSED

Group Medical Plan Surplus/Affordability Update

Mr. Reinhardt presented the May surplus projection and affordability analysis for the NDPERS group medical plan. The projection for the 2003-05 biennium shows an ending balance of \$15.6 million; the targeted amount for the 2005-07 buydown is \$14.3 million. The early projection for the 2005-07 biennium shows an ending balance of \$1.75 million.

HIPAA Security Update

Mr. Reinhardt reported that NDPERS continues to maintain compliance with HIPAA security through staff training. HIPAA policies and procedures are evaluated and updated as necessary.

Dental/LTC Insurance Update

Mr. Collins indicated the bid is out to market. Proposals are due July 6, then Gallagher Benefit Services will begin their analysis, and the Board will meet in August to interview companies.

DEFERRED COMPENSATION

Ameriprise

Mr. Collins indicated Scott Miller has been in contact with Ameriprise relating to a misplaced laptop computer from their company. He has negotiated credit monitoring services at no charge for affected PERS members and that members will receive a letter from Ameriprise. Ms. Tabor indicated that Consumer Protection in the Attorney General's Office can offer assistance if needed.

First Quarter 2006 Investment Report

Mr. Reinhardt presented information relating to the 401(a) and 457 Companion Plan. Assets in the 401(a) plan increased to over \$15.0 million as of March 31, 2006 with 294 participants. Assets in the 457 Companion Plan increased to about \$17.7 million as of March 31, 2006 (up from \$12.1 million on 12-31-03 which is a 46% increase) and has 1,212 participants.

MISCELLANEOUS

Board Meeting Schedule

Mr. Collins stated we will need to discuss the schedule for August to convene two special meetings, one relating to the health plan renewal and the other for interviews of dental/long term care voluntary insurance providers. The Board decided to meet on August 24 beginning at 1:30 p.m. and August 29 beginning at 8:30 a.m.

IT Strategic Plan

Mr. Collins indicated that the IT Strategic Plan for the 2007-09 biennium must be submitted by July 15, 2006. A draft plan was submitted to the Board for review.

Board Website Information

Mr. Collins reported the Board reference website has been developed and activated. To go to this site, click on the PERS logo to access state statutes, administrative rules, plan documents, PERS Board materials, as well as legislative employee benefits committee information. Much of the information on this reference website is also available on the main PERS website.

Audit Committee Charter

Mr. Collins stated the revised Audit Committee Charter includes addition of a third member, the member being from outside the organization. An internal auditor from MDU would be interested in serving on our Audit Committee.

MS. TABOR MOVED TO ADOPT THE REVISED AUDIT COMMITTEE CHARTER. THE MOTION WAS SECONDED BY MS. SMITH.

Ayes: Leingang, Sage, Sand, Smith, Tabor, Ehrhardt, and Chairman Strinden.
Nays: None

PASSED

Audit Committee and Internal Audit Activity for the Year 2005

Information included in Board book. No further questions or comments.

Audit Committee Minutes of February 15, 2006

Minutes included in Board book. No further questions or comments.

Retiree Conference

Mr. Collins indicated that the Retiree Conference is scheduled for Medora. Brochure and registration information included in Board book.

SIB Minutes

SIB Minutes of April 21, 2006 and May 19, 2006 included in Board book.

NAGDCA Conference

Conference brochure included in Board book.

The meeting adjourned at 3:55 p.m.

Prepared by,

Cheryl Stockert
Secretary to the NDPERS Board