

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13th Ave SW, Fargo

Thursday, March 19, 2009

8:30 A.M.

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

Via Videoconference: Chairman Jon Strinden

Members Absent: Mr. Thomas Trenbeath

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, 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. Srinivas Goluguri, NDPERS
Mr. Aaron Webb, Attorney Generals Office
Mr. Kevin Schoenborn, BCBSND
Mr. Stuart Savelkoul, NDPEA
Mr. Al Pertuz, BCBSND/Health Dialog
Ms. Brad LaPorte, BCBSND/Health Dialog
Mr. Bob Thomas, SEI

Via Videoconference: Ms. Jodi Crouse, BCBSND
Ms. Onalee Sellheim, BCBSND
Mr. Rob Schering, BCBSND
Ms. Linda Merck, BCBSND
Mr. Tim Huckle, BCBSND
Mr. Dennis Elbert, BCBSND

Via Conference Call: Ms. Jennifer Podder, SEI

Chairman Strinden called the meeting to order at 8:33 a.m.

MINUTES

Chairman Strinden called for any questions or comments regarding the minutes of the February 19, 2009 Board meeting.

MS. EHRHARDT MOVED APPROVAL OF THE FEBRUARY 19, 2009 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MR. SANDAL. THE MINUTES WERE APPROVED.

GROUP INSURANCE

BCBSND Information

Mr. Collins introduced Mr. Tim Huckle, Executive Vice President and interim CEO of BCBS, and Dr. Dennis Elbert, Chairman of the Board, who were available via conference call. Mr. Huckle indicated they are committed to PERS' customers and look forward to the future with ways to enhance services to meet customer needs. Mr. Elbert indicated the company is very solid with a great executive team and employees. Mr. Collins indicated that staff and the Board will develop some thoughts in letter form, including concerns from both the administrative and member levels and discuss with BCBS by late April. The Board concurred with this approach.

Health Dialog Report

Mr. Al Pertuz and Mr. Brad LaPorte, BCBSND/Health Dialog, reviewed with the Board the Year 3 MyHealthConnection program results including an executive summary, methodology review, total and per member per month savings, total return on fees, per contract per month savings trend, clinical quality indicators overview, and the 2009 member satisfaction survey key indicators. The Board had questions relating to this report which were answered.

Health Plan

Mr. Collins reviewed with the Board the active and pre-Medicare rates and the various options for the Medicare retiree rates. Staff from BCBS was available for questions and reported that the final rates must be to them for filing of the plan by April 1. Mr. Collins indicated that pre-notification letters will be sent to both the active and retired members regarding the health rates. The Board discussed the various options for the Medicare retiree rates at length.

MR. SANDAL MOVED TO ADOPT AS THE RETIREE RATE THE MEDICARE PLAN F LOOKALIKE WITH THE PREMIUMS BASED ON NUMBER OF CONTRACTS (PROGRESSIVE MEDICAL RATES), TO GRANDFATHER 14 CONTRACTS AND NEW RETIREE CONTRACTS WILL BE AT THE HIGHER RATES. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

Mr. Collins reviewed with the Board the schedules for active and pre-Medicare retirees.

MR. LEINGANG MOVED TO ADOPT THE ACTIVE AND PRE-MEDICARE RATE DISTRIBUTION FOR THE 2009-2011 BIENNIUM. THE MOTION WAS SECONDED BY MR. SANDAL.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

Wellness Program Subcommittee

Ms. Allen reported to the Board that PERS has reviewed the composition of this subcommittee and its role. Since the implementation of this program, the role of this subcommittee has become more of an administrative function rather than a policy function. It is recommended that a PERS staff person serve on the committee in lieu of a Board member, with any policy/procedure changes being brought to the full Board for review and approval. The proposed changes to the members on this committee will not affect our agreement with BCBS. The Board discussed this issue.

MR. SANDAL MOVED TO ELIMINATE THE PERS WELLNESS PROGRAM SUBCOMMITTEE AND IN THE FUTURE, ANY POLICY OR PROCEDURE CHANGES BE BROUGHT TO THE FULL BOARD FOR REVIEW AND APPROVAL. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

New COBRA Provision in Economic Stimulus Legislation

Mr. Collins reviewed with the Board the COBRA provision in the recently passed American Recovery and Reinvestment Act of 2009 as signed by the President. The provision provides for a 65% reduction in COBRA premiums for certain assistance eligible individuals for up to nine months. PERS will be issuing guidance to employers within the next couple of weeks and will also notify eligible members.

Surplus/Affordability Update

Mr. Reinhardt presented the January projections to the Board. At this time the projected gain for the 2007-09 biennium is \$0.

EAP Utilization

Mr. Reinhardt reviewed with the Board the self-reported 2008 EAP utilization. The overall utilization rate is 9% which it has been for approximately five years.

RETIREMENT

Asset Allocation Study

Mr. Collins introduced Mr. Thomas and Ms. Podder with SEI. SEI conducted an asset allocation study for the Retiree Health Credit Fund program and the Job Service Plan. Mr. Thomas and Ms. Podder reviewed the asset allocation studies with the Board and answered questions. The study has been reviewed with the Investment Subcommittee which offered recommendations to the Board to transition to the enhanced asset allocation for both the Retiree Health Credit fund and the Job Service plan. The committee also recommended that in the Job Service retirement plan, since the plan is 60% fixed income, to cut its Timberland exposure in half and reallocate the remaining funds pursuant to the new asset allocation. It is also recommended that the \$750,000 settlement relating to the retiree health fund be held in a fixed income account and invested when the new asset allocation for that fund is implemented. There was discussion relating to how to reallocate the Timberland exposure and it was decided that there will be further discussion with RIO and the Investment Subcommittee on how to handle the reduction in the Timberland exposure.

MR. ERDMANN MOVED TO TRANSITION TO THE ENHANCED ASSET ALLOCATION FOR THE RETIREE HEALTH CREDIT FUND AND THE JOB SERVICE PLAN, THE JOB SERVICE PLAN SHOULD CUT ITS TIMBERLAND EXPOSURE IN HALF AND REALLOCATE THE REMAINING FUNDS, AND THE SETTLEMENT RECEIVED PURSUANT TO THE NEW THE RETIREE HEALTH CREDIT FUND ASSET ALLOCATION. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

Graduated Benefit Option

Ms. Fricke reported that SB2153 provides for an actuarially equivalent benefit option with either a one percent or a two percent increase to be applied the first day of January of each year of retirement. Although the effective date of this option is March 1, 2011, staff must begin developing the rules for administration in the new business system. Staff recommends the following parameters for this option which, upon Board approval, will be

implemented in the new business system and added to the administrative rules: 1) limit the option to members retiring on or after their normal retirement date as set by statute; 2) exclude disability and early retirees, beneficiaries of deceased members, and level social security income option; 3) require that the option be a one-time, irrevocable election that is made at the time of the member's retirement; and 4) exclude the benefit in combination with a PLSO or DNRO benefit option.

MR. SANDAL MOVED TO APPROVE THE GRADUATED BENEFIT OPTION PARAMETERS AS OUTLINED BY PERS STAFF. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

Retirement Update

Mr. Collins provided the Board with an update on information provided by RIO relating to the year to date returns (PERS minus 34.33%, Job Service minus 25.34%, and Retiree Health minus 33.45%) and projected funding ratios. Segal has updated its projections and Mr. Collins reviewed that information. Mr. Collins indicated that he will be forwarding his same information to the Chair of the Legislative Employee Benefits committee. .

DEFERRED COMPENSATION

401(a) and 457 Companion Plan 4th Quarter Reports

Mr. Reinhardt reviewed with the Board the 4th quarter 2008 report for the 401(a) and 457 Companion Plan. Assets in the 401(a) plan decreased to \$12.6 million (or about 30% from the same period in 2007) and the Companion Plan decreased to \$18.4 million.

MISCELLANEOUS

Audit Committee Minutes

The November 19, 2008 PERS Audit Committee minutes was shared with the Board. No discussion.

Audit Committee Charter Activity Review

The Audit Committee charter review matrix was shared with the Board. No discussion.

2009 Business Plan

Mr. Collins reviewed with the Board the 2009 PERS business plan which is used to guide business processes throughout the year.

Legislative Update

Mr. Collins shared with the Board the update on bills affecting PERS. No discussion.

NCPERS Update

Mr. Collins reported that the National Council of Public Employees Retirement Systems will have their annual conference in about six weeks. In the past, the Board has approved one or two members to attend this meeting.

MS. SMITH MOVED TO APPROVE TWO TO ATTEND THE NCPERS ANNUAL CONFERENCE IN 2009. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 11:25 a.m.

Prepared by,

Cheryl Stockert
Secretary to the Board