

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

WSI Meeting Room, Fargo

Thursday, March 25, 2010

8:30 A.M.

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

Via Videoconference: Chairman Jon Strinden

Member 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
Mr. Srinivas Goluguri, NDPERS
Ms. Barbara Dammen, NDPERS
Mr. Aaron Webb, Attorney Generals Office
Ms. Onalee Sellheim, BCBSND
Mr. Pat Pechacek, Deloitte Consulting LLP
Mr. Peter Roverud, Deloitte Consulting, LLP
Mr. Stuart Savelkoul, NDPEA
Mr. Bill Kalanek, AFPE
Mr. Josh Askvig, NDEA
Mr. Patrick Brown, Brady Martz & Associates
Mr. John Mongeon, Brady Martz & Associates
Ms. Robyn Goven, Brady Martz & Associates

Via Videoconference: Mr. Kevin Schoenborn, BCBSND
Ms. Jodi Crouse, BCBSND
Mr. Michael Carlson, BCBSND
Ms. Sandie Salisbury, BCBSND
Mr. Jim Wynstra, BCBSND
Ms. Marissa Parmer, 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 February 25, 2010 Board meeting.

MS. SMITH MOVED APPROVAL OF THE FEBRUARY 25, 2010 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MS. EHRHARDT. THE MINUTES WERE APPROVED.

LEGISLATION

Retirement/Administrative

Mr. Collins reviewed with the Board the final drafts of the proposed legislation. Three bills are proposed with each providing for an 8% increase in contributions phased in over four years beginning 2012. The bills differ who the contribution will apply to, with one assessing it to the employer, the other employee and the third having it split between the employer and employee. These bills offer three options for returning the plans to 100% funded status. The fourth bill is an administrative bill. Since the last meeting, PERS staff met with the law enforcement employees and these systems will also need an increase of 4%. The PERS Board has the authority to increase the employer contribution for the law enforcement plan. The Board discussed these bills and had questions that were answered by staff.

MS. EHRHARDT MOVED TO SUBMIT THE FOUR BILLS TO THE LEGISLATIVE EMPLOYEE BENEFITS COMMITTEE. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

Group Insurance

Mr. Collins reported to the Board that the pre-Medicare retirees insurance has risen dramatically, with a family policy costing \$1200 per month. At a previous Board meeting it was discussed to allow the Board to authorize offering a second policy to the pre-Medicare retirees. The goal is to find a less costly policy for the retirees where they can use their retiree health insurance credit. This would require statutory authorization and staff would have to develop a bill to be submitted to the Legislative Employee Benefits Committee for consideration and further study.

Mr. Collins reviewed with the Board two questions in preparing the legislation: 1) would the current enrollment apply to the additional product, or could there be an open enrollment period, and 2) should a statement be included in the proposed statute stating that any additional product offering should not increase the liability? The Board discussed these questions.

MR. SAGE MOVED THAT A BILL BE DRAFTED TO OFFER PRE-MEDICARE RETIREES THE OPTION OF AN ADDITIONAL PLAN WITH AN OPEN ENROLLMENT PERIOD AND THAT THE ADDITIONAL PLAN SHOULD NOT INCREASE THE OPEB LIABILITY. THE MOTION WAS SECONDED BY MR. ERDMANN.

The Board discussed the motion.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

AUDIT REPORT

Mr. Brown and Mr. Mongeon from Brady, Martz and Associates reviewed the 2009 NDPERS audit report with the Board. Mr. Brown reported that it is a clean opinion this year. He thanked the staff at NDPERS for their cooperation during the audit. Mr. Collins reported that the audit report was shared with the Legislative Audit Committee.

DEFERRED COMPENSATION

Provider Training Compliance

Ms. Allen provided the Board an update since the February 25 meeting. Chase, Symetra, and The Hartford were sent letters. The Hartford has since contacted PERS to verify its intent to remain an active provider and will take the necessary action to comply with the training requirements. Therefore, The Hartford is now in compliance. An update will be provided to the Board at its April 29 meeting relating to Chase and Symetra.

457 and 401(a) 4th Quarter 2009 Reports

Mr. Reinhardt reviewed with the Board the 4th quarter 2009 report for the 401(a) and 457 Companion Plan. Assets in the 401(a) plan increased to \$16.9 million and the Companion Plan assets increased to \$27.2 million.

RETIREMENT

Investment Update

Mr. Collins reported that at the Board planning meeting it was decided that on a quarterly basis the investment committee members on the SIB would report on any actions taken.

Board members reported they are in the process of developing a reporting process and will present this at the next quarter.

Segal

Mr. Collins reviewed with the Board the Segal cost analysis of changing the interest rate on employee account balances. The current interest is 7.50% per annum compounded monthly. Segal calculated a 4% rate that would reduce the actuarial contribution rate by .29%. Mr. Collins also reviewed with the Board the summary of the amortization policy with several alternative policies that may be considered by the Board for future actuarial valuations. He indicated that Segal will review these options in more detail at the next meeting. The Board requested that Mr. Webb review the legal implications of reducing/adjusting the employee contribution interest rate.

GROUP INSURANCE

Preferred One

Mr. Collins reported that Preferred One representatives would not be attending the meeting today, and would be rescheduled for April 7.

Health Care Reform

Mr. Collins appeared before the Industry, Business and Labor Committee on March 17 to discuss the implications of health care reform on PERS and shared this information with the Board. There are many details that need to be sorted out.

BCBS

Quarterly Report

Mr. Schoenborn, Mr. Wynstra, and Ms. Crouse with BCBS presented a quarterly Executive Summary to the Board. Information included a financial/trend analysis; health utilization summary for actives, early retirees, and Medicare retirees; and claims and inquiry timeliness. The quarterly trend analysis shows a 2.1% trend which is below the BCBS overall trend of 7%.

Tobacco Program Update

Ms. Salisbury with BCBS reviewed with the Board the 2005-2009 outcomes of the NDPERS Tobacco Cessation Program. Information included data such as demographics of members participating in this program and expenditures incurred. Mr. Schoenborn reported that quit rate data was very limited at this time and will be working with the Department of Health to determine if this data should continue to be collected.

Wellness Program and Benefits Update

Mr. Carlson the Wellness Director with BCBS, reviewed with the Board the wellness program activities including the health club credit program and MyHealthCenter program. NDPERS participation in both programs is higher than the BCBS plan average. Mr. Collins requested that in the future it would be beneficial to have information on the retiree participation in wellness activities. The Board had questions relating to the wellness

program that was responded to by Mr. Carlson. Mr. Carlson introduced Ms. Marissa Parmer to the Board who is the NDPERS wellness specialist. Ms. Parmer has been on staff for five weeks and presented an update on her activities.

BCBS Update

Mr. Collins reviewed with the Board the March 3, 2010 follow-up letter from Mr. von Ebers responding to the incentive issue, specifically BCBS executive compensation philosophy and processes. Mr. Collins also shared with the Board that Mr. von Ebers welcomes the opportunity to meet with the PERS Board, and that the PERS Board chair and Executive Director would be welcome to attend one of the BCBS Board meetings. Mr. Collins discussed these options with the Board. The Board concurred that the idea of PERS meeting with their Board and BCBS meeting with the PERS Board was a good idea. The Board believed it would be best to wait until the health care reform legislation becomes clearer within the next 30 to 60 days. In May PERS will be releasing the health insurance bid document and it will continue through September. However, the Board concurred that meeting with BCBS Board should not occur during the bid review process and to wait until we know more about how health care reform will impact PERS. Mr. Collins and the Board believed that the best date to meet with the BCBS Board would be at the April 29 meeting which is prior to the bid review process which begins in July.

Mr. Sage reported to the Board that there are two consumer seats up for election to the BCBS Board. BCBS policies provide that if the current office holder is eligible for another term and decides to run again then additional nominations will not be sought. The Board discussed this and concurred they would like to see BCBS open this election process up to the membership and directed Mr. Collins to send correspondence to BCBS with the request that the election be an open process and nominations for other candidates in addition to the incumbents should be sought. Mr. Collins indicated he would send a letter to the BCBS Nominating and Governance Committee prior to their March 29 meeting.

Quarterly Health Graphs

Mr. Reinhardt reviewed the quarterly health graphs through September 2009 with the Board. The trend has dropped from 7.5% and is now almost flat. The Board had questions relating to this information.

BCBS Claims Review

Mr. Reinhardt reported that he conducted a yearly claims review to check the accuracy of BCBS claims processing. A select sample from specific areas was reviewed. There were fewer errors in this review than in previous reviews. The Board had questions relating to the claims review.

2009 EAP Utilization

Mr. Reinhardt reviewed with the Board the self-reported EAP utilization for 2009. Overall utilization rate is 9% which is consistent with previous years. The Board had questions relating to this information.

PPO Update

Mr. Reinhardt reviewed with the Board the 2009 PPO participation and discounts. The total PPO discount for last year for the professional providers was \$2.93 million.

MISCELLANEOUS

IRS Letter Ruling

Mr. Collins shared information with the Board relating to the IRS letter on the PERS main system and the follow-up that was sent in response to that request.

Audit Committee

The August 2009 Audit Committee minutes and Charter Activity Review were shared with the Board. The Board had questions relating to this information.

SIB Agenda and Board Meeting Schedule

Mr. Collins reminded the Board about the two meetings scheduled in April (April 7 and April 29).

HEALTH BID

Mr. Collins indicated to the Board that representatives from Deloitte were in attendance and recommended that the Board go into executive session to discuss strategy relating to the health bid.

EXECUTIVE SESSION

MR. ERDMANN MOVED THAT THE BOARD GO INTO EXECUTIVE SESSION PURSUANT TO NDCC §44-04-19.1(9) TO DISCUSS STRATEGY WITH DELOITTE ON THE HEALTH BID. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

Absent: Mr. Trenbeath, Ms. Smith, and Mr. Sandal

MOTION PASSED

All members named above were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 10:45 a.m.

Chairman Strinden directed the Board to return to open session. The Executive Session closed at 11:55 a.m. and the Board returned to open session.

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Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 11:58 a.m.

Prepared by,

Cheryl Stockert
Secretary to the Board