

MINUTES

North Dakota Public Employees Retirement System

Thursday, May 15, 2008
ND Association of Counties, Bismarck
BCBS, 4510 13th Ave SW, Fargo
8:30 A.M.

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

Members Absent: Ms. Arvy Smith
Mr. Thomas Trenbeath

Via Conference Call: Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Sharmain Dschaak, NDPERS
Ms. Diane Heck, NDPERS
Ms. Rebecca Fricke, NDPERS
Mr. Aaron Webb, Attorney Generals Office
Mr. Michael Fix, ND Insurance Department
Ms. Rebecca Ternes, ND Insurance Department
Mr. Kevin Schoenborn, BCBSND
Ms. Onalee Sellheim, BCBSND
Mr. Bill Kalanek, AFPE
Mr. David Peske, ND Medical Association
Ms. Jodee Buhr, NDPEA

Via Conference Call: Mr. Larry Brooks, BCBSND
Mr. Rob Scheiring, BCBSND
Ms. Rhonda Peterson, BCBSND
Ms. Peg Dickelman, BCBSND
Mr. Steve Lindemann, BCBSND
Ms. Angie Kacans, BCBSND
Mr. Brent Solseng, BCBSND
Mr. Mike Potts, BCBSND
Mr. Don Schott, 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 April 17, 2008 Board meeting.

MR. LEINGANG MOVED APPROVAL OF THE APRIL 17, 2008 NDPERS BOARD MINUTES. MR. SANDAL SECONDED THE MOTION. THE MINUTES WERE APPROVED.

RETIREMENT

FICA UPDATE

Mr. Collins indicated to the Board the handling of FICA taxes on employee contributions “picked up” by the employer has been an ongoing issue. There have been recent IRS determinations issued. Mr. Webb, Assistant Attorney General, and Ms. Carol Calhoun, a Washington, D.C. attorney, have reviewed this issue to determine if any of the more recent items had any affect on our previous interpretation of this statute. Currently, North Dakota law (which mirrors the federal position) allows the employer to fund pickups of employee contributions to the PERS plan through 3 methods: (1) salary reduction to the employee, (2) offset against future salary increases to the employee, and (3) a combination of one and two. NDPERS has created an employer payment model and instructions. PERS and TFFR held the position that the pickups were not subject to FICA taxation of 414(h)(d) contributions. Ms. Calhoun answered questions of the Board and staff and reported to the Board that NDPERS may continue to instruct employers to maintain the current employer payment models.

NEW FEDERAL SPECIAL TAX NOTICE

Ms. Fricke reviewed with the Board the information relating to the revisions to the federal special tax notice regarding plan payments which will impact the NDPERS defined benefit plan. She reported that changes have been made to the tax notice and the older version will be replaced. Ms. Fricke reviewed with the Board the short-term and long-term implementation concepts relating to the automatic rollover to an IRA of any accounts being forced out that are greater than \$1,000. In the long term, it was recommended to update state law to address the \$1,000 threshold for non-vested members so that automatic rollovers would not be required. The Board suggested this legislation could be presented during the next legislative session, if feasible.

MR. LEINGANG MOVED TO APPROVE STAFF RECOMMENDATIONS RELATING TO THE SHORT-TERM AND LONG-TERM IMPLEMENTATION STEPS FOR AUTOMATIC ROLLOVERS. THE MOTION WAS SECONDED BY MR. SANDAL.

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

Nays: None

Absent: Ms. Smith and Mr. Trenbeath

MOTION PASSED

GROUP INSURANCE

NORTH DAKOTA INSURANCE DEPARTMENT

Mr. Fix with the ND Insurance Department presented information to the Board relating to the Partnership Program (long term care insurance policies initiative) and shared trends, issues and developments regarding health insurance in North Dakota. The Long Term Care Partnership Program was established by Congress between the public sector and the insurance industry to increase the asset limit for Medicaid. There are currently 15 companies certified as eligible in the Partnership Program. The program stresses that the consumer must have a need for long term care insurance.

Mr. Collins stated that PERS current long term care carrier, UNUM, does not presently qualify for this Partnership Program and he was seeking Board approval to move forward with going out to bid for a new long term care product. Mr. Collins also stated that there are currently 50 or less enrolled in the UNUM plan. Board consensus was to have staff review the present product and share the information with the Board, with the goal of rebidding in the future.

Mr. Fix informed the Board that their department continues to receive calls from concerned citizens regarding the issue of the uninsured as well as the underinsured in North Dakota, the level of rate increases, cancer policies, and Medicare Advantage (Part D). Average premium increases for major medical has been around the 15-20% range. He stated that companies need a provider network to be viable in the state, they need to determine if the state is a good place to do business, is there quality and is it easy to do business.

ADVANCE MEMBER NOTICE

Mr. Brooks reported that BCBS is developing a process for advance member notice. It will be used when a member requests services potentially not covered by BCBSND due to lack of medical necessity and for the provider to bill BCBS in order that the member receives the explanation of benefits for use in flexible spending program or other purposes. Implementing the advance member notice policy will allow BCBS to more closely monitor these services, determine medical necessity, and allow for members to get explanations of benefits showing their liability. Implementation may be included in the 2009 rewrite.

RX COSTS

Mr. Brooks from BCBS indicated that at last month's Board meeting, it was requested to have BCBS review generic utilization in more detail. Mr. Solseng from BCBS reviewed

with the Board what has been occurring in the generic drug market, with generic utilization being at 65%. He also reviewed generic terminology including generic substitution (generic equivalent) and therapeutic substitution (generic alternative). Mr. Collins concluded by directing BCBS implement their program "Prime Talk About Generics Toolkit" to continue to educate members on the use of generic drugs. The Board concurred.

HEALTH CLUB CREDIT PROGRAM

Mr. Collins shared with the Board information (comments from members) relating to the health club credit program. Ms. Allen indicated that a standard response was developed in cooperation with BCBS in order to be consistent. In the response they thanked the individual for their input and indicated it would be taken under consideration. It also indicated their plan of benefits for the current biennium was already in place and at this time PERS is unable to add or decrease benefits. Mr. Collins added that a general more detailed email was sent to the wellness coordinators, who sent this information out to their employees.

GALLAGHER BENEFIT SERVICES RENEWAL

Mr. Collins reported to the Board this is the last of the renewals with Gallagher Benefit Services. Gallagher has indicated they will keep their existing time charges for the next contract year which begins July 1, 2008. The review team will be supplemented with a new individual, Mr. Jerry Rueschhoff, who is an actuary in the health area.

MR. SANDAL MOVED TO RENEW THE HEALTH CONSULTANT AND ACTUARY SERVICES WITH GALLAGHER BENEFIT SERVICES. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

Absent: Ms. Smith and Mr. Trenbeath

MOTION PASSED

DEFERRED COMPENSATION

PROVIDER TRAINING COMPLIANCE

Ms. Allen informed the Board that at their February 21, 2008 meeting they were notified that Chase and Symetra were out of compliance with training requirements. The Board approved a recommendation to issue both providers a notice of intent to suspend participation in the deferred compensation program. Both companies were sent a certified letter and no response was received from Chase. A response was received from Symetra and staff requested additional information, but has received nothing. Mr. Collins added that, in terms of the Board's fiduciary responsibilities, there has been no indication that either of these companies is mishandling the funds, or they are in violation of Securities

and Exchange Commission issues, and there is no violation of state laws or procedures. The Board discussed this issue.

MR. LEINGANG MOVED TO APPLY A LOSS OF ACTIVE PROVIDER STATUS TO CHASE AND SYMETRA. THE MOTION WAS SECONDED BY MR. SANDAL.

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

Nays: None

Absent: Ms. Smith and Mr. Trenbeath

MOTION PASSED

MISCELLANEOUS

PERSLINK

Ms. Schiermeister presented the first quarter 2008 PERSLink status report to the Board for their information. This report was filed with the ITD Large Project Oversight Committee. Ms. Schiermeister explained that during the system design sessions, there were two issues that needed to be brought before the Board for action. One related to the individual insurance billing policy for delinquent accounts. Individual billings are for those individuals who are retired and are carrying PERS insurance. Our current system has some limitations, but with the new system, we will have the capability of changing our billing cycles. The goal would be to change our billing system in PERSLink to pattern it after BCBS. If approved, this will be implemented in October 2010. Another issue relates to the interest on member accounts. The new system will allow the capability to automate the calculation and awarding of interest on adjustments for the month they are effective. This would also be implemented with the new PERSLink system in October 2010.

The Board discussed these two changes.

MR. LEINGANG MOVED TO RECOMMEND STAFF MAKE THE CHANGES TO THE INDIVIDUAL INSURANCE BILLING FOR DELINQUENT ACCOUNTS AND INTEREST ON MEMBER ACCOUNTS PROCESSES IN THE NEW PERSLINK SYSTEM TO BE EFFECTIVE OCTOBER 1, 2010. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

Absent: Ms. Smith and Mr. Trenbeath

MOTION PASSED

LEGISLATION

Mr. Collins shared with the Board information on bills that have been submitted in addition to the PERS bills. Two are from Senator Mathern, relating to opening up PERS to the

general public and also a healthy North Dakota bill. Another bill was submitted by Senator O'Connell for health insurance coverage for prosthetics. Senator Lyson submitted a bill to expand the law enforcement plan. Representative Potter submitted a bill for colorectal cancer screenings. The committee will be meeting in late July and at that time there will be technical evaluations of the bills ready for review.

BOARD ELECTION

Mr. Allen reported to the Board that there are three candidates running for the PERS Board. Results of the Board election will be presented to the Board at their June 19 meeting.

FLEX COMP

FLEX COMP APPEAL

Ms. Allen reviewed with the Board detailed information regarding a participant appeal of denial of payment from their 2007 medical spending account to cover expenses incurred during the grace period. The Board discussed this appeal.

MS. EHRHARDT MOVED TO DENY THE APPEAL. THE MOTION WAS SECONDED BY MR. SANDAL.

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

Nays: None

Absent: Ms. Smith and Mr. Trenbeath

MOTION PASSED

The State Investment Board agenda and approved minutes were shared with the Board.

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 10:55 a.m.

Prepared by,

Cheryl Stockert
Secretary to the Board