

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13th Ave SW, Fargo

Thursday, May 20, 2010

8:30 A.M.

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

Via Videoconference: Chairman Jon Strinden

Members Absent: Ms. Arvy Smith
Mr. Thomas Trenbeath

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Sharon Schiermeister, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Diane Heck, NDPERS
Mr. Srinivas Goluguri, NDPERS
Ms. Rebecca Fricke, NDPERS
Mr. Aaron Webb, Attorney Generals Office
Mr. Kevin Schoenborn, BCBSND
Ms. Onalee Sellheim, BCBSND
Ms. Nancy Kopp, ND Optometric Assn.
Ms. Joan Enderle, American Heart Association
Ms. June Herman, American Heart Association
Mr. David Zentner

Via Videoconference: Ms. Jodi Crouse, BCBSND
Mr. Pat Pechacek, Deloitte
Mr. Pete Roverud, Deloitte

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 29, 2010 Board meeting.

MR. SANDAL MOVED APPROVAL OF THE APRIL 29, 2010 BOARD MINUTES. THE MOTION WAS SECONDED BY MS. EHRHARDT. THE MINUTES WERE APPROVED.

Mr. Collins introduced the interim CIO and CEO of the Retirement and Investment Office, Mr. Leroy Gilbertson, to the Board. Mr. Gilbertson addressed the Board and indicated he had met with the PERS investment subcommittee. Mr. Gilbertson indicated he has committed to the Lt. Governor to serve as acting CIO as long as necessary and until a new CEO/CIO is on board. He is willing to meet with the PERS Board at request. Chairman Strinden welcomed Mr. Gilbertson to this interim position and indicated we look forward to working with him.

GROUP INSURANCE

The MediQHome and Accordant Update will be held over to the June agenda.

Vision Plan RFP

Ms. Allen reported to the Board that staff has reviewed the draft request for proposal as developed by its consultant, Gabriel, Roeder & Smith (GRS). Proposers will be required to submit a bid based on the current plan design and may propose two alternative plan designs on a fully insured basis. Ms. Allen reviewed with the Board the key dates for the proposal process. Staff is seeking Board approval to move forward with this request for proposal. The Board had questions relating to the vision plan RFP.

MS. EHRHARDT MOVED APPROVAL OF THE VISION PLAN REQUEST FOR PROPOSAL AND DIRECTED STAFF TO MOVE FORWARD WITH ITS ISSUANCE, CONTINGENT ON REVIEW BY LEGAL COUNSEL AND THE CONSULTANT. THE MOTION WAS SECONDED BY MR. ERDMANN.

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

Nays: None

Absent: Ms. Smith and Mr. Trenbeath

MOTION PASSED

Go Red Program

Ms. Fricke introduced staff from the Go Red for Women initiative, who PERS has partnered with over the past three years to provide educational programs on cardiovascular disease and promote healthy lifestyles. Ms. Joan Enderle with the American Heart Association and Director of the Go Red for Women program presented the Board with an update on the efforts in this area and discussed the results of the special services made available to three of the PERS employer groups in this three year project. Ms. Enderle also reviewed the Go Red ND Vision for the Future.

Health Care Reform

Mr. Collins indicated to the Board there were two issues relating to the recent health care reform bill which are the extension of coverage to dependents to age 26 and the pre-

Medicare retiree reinsurance provision. Mr. Collins reviewed with the Board the extension of dependent coverage to age 26 which included a letter from BCBS. According to the federal statute, NDPERS is required to implement these changes on July 1, 2011 biennium renewal. If adopted early, the increase in claims for the remainder of the 2009-2011 biennium is estimated to be \$600,000. The Board discussed this issue and had questions of staff and BCBS.

MR. SAGE MOVED TO IMPLEMENT THIS PROVISION JULY 1, 2011. THE MOTION WAS SECONDED BY MR. ERDMANN.

Board discussion followed on the motion.

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

Nays: Mr. Sandal and Ms. Ehrhardt

Absent: Ms. Smith and Mr. Trenbeath

MOTION PASSED

Mr. Collins reviewed with the Board the pre-Medicare retiree reinsurance provision of the federal health care reform legislation. He indicated it will be difficult to determine how many employers will submit for this initially, how many individuals will be eligible, and what the criteria will be. Staff was seeking Board direction on whether PERS should submit an application for the reinsurance subsidy and determine how the dollars be allocated. The Board discussed this issue and had questions of staff.

MR. SANDAL MOVED THAT PERS APPLY FOR THE RETIREE REINSURANCE SUBSIDY IMMEDIATELY, AND ANY MONIES RECEIVED WILL BE USED TO HELP REDUCE HEALTH CARE COSTS FOR PERS MEMBERS. THE MOTION WAS SECONDED BY MR. ERDMANN.

Board discussion followed on the motion.

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

Nays: None

Absent: Ms. Smith and Mr. Trenbeath

MOTION PASSED

BCBS Update

Mr. Collins included in the Board book an update from BCBS on changes to their election process bylaws.

RETIREMENT

State Investment Board Update

Mr. Erdmann gave an update on the SIB executive committee that is in the process of searching for a permanent executive director and chief investment officer. Mr. Sandal reported that the search committee will be moving forward to identify candidates the full board can review for final consideration. The search committee has issued a request for proposal to hire an executive recruitment service; the RFP was issued May 11, with proposals due back to the search committee on May 27. The goal is to review the RFP's and issue a contract on June 25. The RFP is on the state procurement website if Board members wish to review the scope and other details.

The audit committee will look at the process to conduct the audit prior to hiring a new executive director. The SIB has asked the audit committee to do an audit prior to a new executive director coming on board. The audit committee met and issued an RFP on April 30. Proposals were due back on May 14 and 5 proposals were received. The intent is to have a contract signed on May 25. Recent issues were raised by the Legislative Audit and Fiscal Review Committee as well as the State Auditor's office dealing with the scope of the audit identified in the original RFP. The audit committee will meet to discuss the issues and decide whether or not to continue with the RFP as initially solicited or do a new RFP. Mr. Sandal will provide updates to the Board as they become available.

Asset Allocation Study

Mr. Collins reported that the PERS Investment Subcommittee met since the last PERS Board meeting. Given the situation with the State Investment Board, it is the recommendation of the Investment Subcommittee to delay the initiation of an asset allocation study until a later date.

MR. SANDAL MOVED TO ACCEPT THE RECOMMENDATIONS OF THE PERS INVESTMENT SUBCOMMITTEE AND DELAY THE ASSET ALLOCATION STUDY. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

Absent: Ms. Smith and Mr. Trenbeath

MOTION PASSED

FLEX COMP

Plan Amendment

Ms. Allen informed the Board that under the current plan, individuals that terminate employment have the option to elect to continue contributions to the flex comp plan medical spending account through the end of the plan year on an after tax basis. The IRC Section 125 regulations also permit these payments to be made on a pre-tax basis as a

lump sum deduction from the participant's final paycheck. Staff is recommending that the PERS plan be amended to include this provision.

MS. EHRHARDT MOVED TO APPROVE THE FLEX COMP PLAN AMENDMENT. THE MOTION WAS SECONDED BY MR. SAGE.

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

Nays: None

Absent: Ms. Smith and Mr. Trenbeath

MOTION PASSED

MISCELLANEOUS

PERS Budget

Mr. Collins indicated to the Board that state agencies received the Governor's executive budget guidelines. Agencies are being required to submit a budget with no additional FTE's. Staff sought Board direction relating to 1) health care reform; 2) ongoing maintenance and support of the new PERSLink business system; and 3) PERS staffing. Mr. Webb, assistant attorney general, has reviewed the PERS budget relating to consulting services. Specifically staff recommended that we not request any additional appropriation for health care reform efforts and as costs arise in 2011-2013 we draw from our contingency line item. Second, staff recommended that we add the maintenance and support costs for the new business system into our budget and have the consulting costs paid through our continuing appropriation. Third, that we not request any additional staff and that in the 2011-13 biennium, we do a study of staffing levels after implementing the new business system.

Mr. Collins indicated we will bring the budget to the Board in June for final approval. The Board had questions of staff relating to the budget.

MS. EHRHARDT MOVED THAT PERS CONTINUE TO DEVELOP THE BUDGET FOR 2011-13 BASED ON STAFF RECOMMENDATION. THE MOTION WAS SECONDED BY MR. ERDMANN.

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

Nays: None

Absent: Ms. Smith and Mr. Trenbeath

MOTION PASSED

DEFERRED COMPENSATION

Hardship Withdrawal

Ms. Allen presented detailed information to the Board relating to a member requesting hardship withdrawal because of expenses incurred by the member for the unforeseeable

illness of an immediate family member. The Board discussed this hardship withdrawal case.

MR. SANDAL MOVED TO APPROVE THE HARDSHIP WITHDRAWAL. THE MOTION WAS SECONDED BY MR. SAGE.

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

Nays: None

Absent: Ms. Smith and Mr. Trenbeath

MOTION PASSED

Hardship Withdrawal

Ms. Allen presented detailed information to the Board relating to a member requesting hardship withdrawal because of repossession of a vehicle. The Board discussed this hardship withdrawal case.

MR. SAGE MOVED TO DENY THE HARDSHIP WITHDRAWAL. THE MOTION WAS SECONDED BY MR. ERDMANN.

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

Nays: None

Absent: Ms. Smith and Mr. Trenbeath

MOTION PASSED

HEALTH BID

Mr. Collins indicated to the Board that representatives from Deloitte were in attendance via videoconference 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 ENTER 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. Sandal, Mr. Sage, Ms. Ehrhardt, Mr. Erdmann, and Chairman Strinden

Nays: None

Absent: Ms. Smith and Mr. Trenbeath

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 11:10 a.m. and the Board returned to open session.

MR. SANDAL MOVED TO APPROVE A TWO YEAR BID FOR GROUP INSURANCE BASED UPON THE EXISTING PROVISIONS IN OUR CURRENT CONTRACT WITH BCBSND (FULLY INSURED). HE FURTHER MOVED THAT THE EXECUTIVE DIRECTOR BE GIVEN THE AUTHORITY TO MOVE FORWARD WITH THE LEGISLATIVE EMPLOYEE BENEFITS COMMITTEE TO SEEK LEGISLATIVE RELIEF FOR THE CONTINGENCY RESERVE PROVISION FOR A SELF-FUNDED PLAN, AND THE ISSUE RELATING TO Rx SERVICES ; ALSO THAT PERS USE THE SERVICES OF DELOITTE TO COMMUNICATE THE REASONS AND JUSTIFICATIONS FOR OUR DECISION TO THOSE VENDORS WHO HAVE EXPRESSED INTEREST IN THIS BID PROCESS AND THAT STAFF WOULD BE INVOLVED IN THAT COMMUNICATION. THE MOTION WAS SECONDED BY MS. EHRHARDT.

The Board had questions of staff.

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

Nays: None

Absent: Ms. Smith and 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