

MINUTES

North Dakota Public Employees Retirement System

WSI Boardroom, Bismarck

WSI Meeting Room, Fargo

Thursday, November 19, 2009

8:30 A.M.

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

Members Absent: Mr. Mike Sandal
Mr. Thomas Trenbeath
Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. Sharmain Dschaak, NDPERS
Mr. Aaron Webb, Attorney Generals Office
Mr. Steve Cochrane, RIO
Ms. Connie Flanagan, RIO
Mr. Kevin Schoenborn, BCBSND
Mr. Rod St. Aubyn, BCBSND
Mr. Dan Ulmer, BCBSND
Mr. Michael Fix, ND Insurance Department
Ms. Rebecca Ternes, ND Insurance Department
Mr. Bill Kalanek, AFPE

Via Videoconference: Ms. Onalee Sellheim, BCBSND
Ms. Jodi Crouse, BCBSND

Mr. Sage called the meeting to order at 8:30 a.m.

MINUTES

Mr. Sage called for any questions or comments regarding the minutes of the October 22, 2009 Board meeting.

MS. EHRHARDT MOVED APPROVAL OF THE OCTOBER 22, 2009 NDPERS BOARD MINUTES AS AMENDED. THE MOTION WAS SECONDED BY MS. SMITH. THE MINUTES WERE APPROVED.

ANNUAL INVESTMENT REPORT

Mr. Cochrane and Ms. Flanagan from RIO presented a broad overview of the annual investment report including estimated year to date earnings on the funds through November 17, 2009, asset allocations, and cash flows since inception. More detailed information will be presented at a future Board meeting. The Board had questions of Mr. Cochrane and Ms. Flanagan which were answered and discussed. The Board made a request of Mr. Cochrane to be prepared to present information on what the greatest risks are going forward and what the PERS Board or SIB could do to deal with those risks.

GROUP INSURANCE

Sanford Health Plan representatives are scheduled to be at a future PERS Board meeting.

Insurance Department

Mr. Collins introduced representatives from the ND Insurance Department, Mr. Michael Fix and Ms. Rebecca Ternes. They presented an update on major federal health care legislation currently being discussed in Congress and provided information on ND House Bill 1577 which directs a Legislative Council study of factors impacting the cost of health insurance and health insurance company reserves. Representatives also provided the Board with a list of insurance companies approved by the Insurance Department to do business in North Dakota. The final issue related to the timeline of events on the BCBSND study. Ms. Ternes reported the Insurance Department is working very closely with BCBSND on the 2009 audit with positive results. BCBSND has been very cooperative in this effort. A regularly scheduled financial examination of Noridian and its subsidiaries will occur in 2010. The Board had questions on all topics presented that were answered by the Insurance Department representatives.

Mr. Ron St. Aubyn with BCBSND provided additional insight on federal health care legislation and other health care issues.

Group Insurance Consultant RFP

Mr. Collins reported that the Uniform Group Insurance Actuarial and Consulting Services RFP has been issued. Several dates have been extended – questions are due by December 4 and the proposals are due on December 10. A consultant will be hired in December or January.

Part D Contract

Mr. Collins indicated to the Board that the Part D contract was previously approved at the September meeting which included no premium increase and no benefit changes. The contract has been reviewed by legal counsel and is ready for approval by the Board.

MS. EHRHARDT MOVED TO APPROVE THE PART D CONTRACT FOR 2010. THE MOTION WAS SECONDED BY MS. SMITH.

Ayes: Mr. Sage, Ms. Ehrhardt, Ms. Smith, and Mr. Erdmann

Nays: None

Absent: Mr. Trenbeth, Mr. Sandal, Chairman Strinden

MOTION PASSED

Surplus/Affordability Update

Mr. Reinhardt presented the September projections to the Board. Projections for the 2007-2009 biennium show a loss of \$4.8 million. Since the plan is fully insured by BCBS, the NDPERS estimated gain/loss is \$0.

Prescription Drugs Update

Mr. Reinhardt reviewed with the Board prescription drug data for the latest year, including the top ten mail order and prescription drugs. The Board discussed this information.

RETIREMENT

Public Fund Survey Summary and Findings FY2008

Mr. Collins shared with the Board information relating to the key characteristics of the nation's largest retirement systems, including market value of assets, actuarial funding ratio, and other information which was sponsored by the National Association of State Retirement Administrators.

DEFERRED COMPENSATION

457 Training Report

Ms. Knudsen presented the 457 deferred compensation training information to the Board. Those who attended remotely using the GoToMeeting software were positive about this method of completing the training and staff recommended that training should continue to be offered in this format. The Board concurred with this recommendation.

Investment Options

Mr. Reinhardt reported to the Board that each year PERS develops a summary of investment options in the deferred compensation plan. The 2009-2010 summary is available on PERS website at http://www.nd.gov/ndpers/forms-and-publications/publications/investment-options.pdf#457_plan

Draft Request for Proposal

Mr. Collins reviewed with the Board the draft 457 and 401(a) Plans request for proposal that is being developed by Segal. The current timeline indicates that if Fidelity is not the successful vendor, the transition to a new vendor would occur between April to June with the new plan taking effect July 1, 2010. Mr. Collins noted the system replacement project

efforts will be moving to a new level and that PERS staffing requirements for the project are going to increase and several PERS staff who worked on the last transition of the 457 plan from Valic to Fidelity would not be able to work on any transition this summer. Staff believes that continuing to move forward with both efforts could result in our inability to meet one or both times frames successfully if either effort had a unanticipated situation arise. After considering this risk, Mr. Collins recommended that PERS move the 457/401(a) bid back by one year and that PERS conclude work on the current RFP with Segal, restart the bid efforts some time next year, and execute a one year renewal with Fidelity.

MS. SMITH MOVED TO DEFER THE 457 PLAN AND THE 401(a) PLAN EFFORTS BACK ONE YEAR AND EXECUTE A ONE YEAR RENEWAL WITH FIDELITY. THE MOTION WAS SECONDED BY MS. EHRHARDT.

Ayes: Mr. Sage, Ms. Ehrhardt, Ms. Smith, and Mr. Erdmann

Nays: None

Absent: Mr. Trenbeth, Mr. Sandal, Chairman Strinden

MOTION PASSED

MISCELLANEOUS

Member/Employer Education Update

Ms. Allen presented the Board with information relating to the educational services provided by NDPERS this past year.

Mr. Sage called for any other business or comments. Hearing none, the meeting adjourned at 11:30 a.m.

Prepared by,

Cheryl Stockert
Secretary to the Board