

# MINUTES

## North Dakota Public Employees Retirement System

Thursday, October 16, 2008, 2008  
WSI, Boardroom, Bismarck  
WSI Meeting Room, Fargo  
8:30 A.M.

Members Present: Mr. Levi Erdmann  
Mr. Ron Leingang  
Mr. Mike Sandal  
Ms. Arvy Smith  
Mr. Thomas Trenbeath

Member Absent: Ms. Joan Ehrhardt

Via Conference Call: Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS  
Ms. Cheryl Stockert, NDPERS  
Ms. Sharon Schiermeister, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Ms. Deb Knudsen, NDPERS  
Ms. Kathy Allen, NDPERS  
Ms. Rebecca Fricke, NDPERS  
Mr. Aaron Webb, Attorney Generals Office  
Mr. Steve Cochrane, RIO  
Mr. Paul Erlendson, Callan  
Mr. Brad Ramirez, Segal  
Mr. Curt Schneider, Segal  
Mr. Bill Kalanek, AFPE

Via Conference Call: Mr. Kevin Schoenborn, BCBSND  
Ms. Onalee Sellheim, BCBSND  
Mr. Jayme Steig, Frontier Pharmacy Services  
Representative Bette Grande, District 41

Chairman Strinden called the meeting to order at 8:35 a.m.

### MINUTES

Chairman Strinden called for any questions or comments regarding the minutes of the September 18, 2008 Board meeting.

**MS. SMITH MOVED APPROVAL OF THE SEPTEMBER 18, 2008 NDPERS BOARD MINUTES. MR. SANDAL SECONDED THE MOTION. THE MINUTES WERE APPROVED.**

Chairman Strinden called for any questions or comments regarding the minutes of the October 2, 2008 Board meeting.

**MR. LEINGANG MOVED APPROVAL OF THE OCTOBER 2, 2008 NDPERS BOARD MINUTES. MS. SMITH SECONDED THE MOTION. THE MINUTES WERE APPROVED.**

## **RETIREMENT**

### **Investment Update & Retiree Health Fund**

Mr. Cochrane reported to the Board that there are extreme adverse economic conditions affecting our financial markets today. Mr. Erlendson reviewed with the Board what has occurred in the market and what to plan for. He indicated that PERS and the investment board are in it for the long term and it is believed that risk spreads (both credit and equity) have reached extreme levels and that patient investors will be handsomely rewarded from recent price levels. Mr. Erlendson explained that prudent long term investors such as PERS and the Investment Board experience both investment rewards and volatility as a consequence of their participation in the capital markets. Successful investors should stick with their prudently developed investment policies and maintain their resolve.

Mr. Cochrane indicated the Investment Board will be looking at rebalancing the PERS and TFFR investment funds during these difficult times. Mr. Cochrane also reiterated that long term investment will bring success where short term investment will bring failure. An investment update will be presented to the Board at the December meeting.

Mr. Cochrane also reported to the Board on the current status of the Retiree Health Plan and our current investments with State Street.

### **Annual Actuarial Valuations**

Mr. Brad Ramirez and Mr. Curt Schneider with Segal reviewed with the Board the actuarial valuations as of June 30, 2008 for the main system, Judges, National Guard, Job Service, law enforcement with and without prior main service and the retiree health insurance credit fund. Overall, all the plans had a loss due to negative returns. Market returns for the current year as well as next year will have a significant affect on each plan's funded status. A copy of the report is available in the PERS office

### **Job Service COLA**

Mr. Collins indicated that the consumer price index was just received and there was not ample time for review. It was suggested that the Board defer its consideration of this topic to the November meeting.

## **GROUP INSURANCE**

### **BCBS Renewal**

Mr. Collins reported that since the Board's October 3 meeting, staff has relayed the decision to BCBS, reviewed and finalized all schedules (attached), and set up meetings with OMB and Legislative Council.

### **HB1433**

Mr. Steig, project manager for the implementation of HB1433 (diabetes management program), presented an update to the Board of what has occurred in the program since July 1, 2008. He presented a program overview and information relating to pharmacist-provider network, patient enrollment, current enrollment status, and web info (go to [www.aboutthepatient.net](http://www.aboutthepatient.net)). The Board had questions for Mr. Steig.

### **Surplus/Affordability Update**

Mr. Reinhardt presented the August surplus projection and affordability analysis for the NDPERS group medical plan to the Board. The PERS projection for the 2007-09 biennium shows a loss of \$3.57 million, BCBS believes the loss will be between 6-12 million. The plan is fully insured, so the June 30, 2009 NDPERS estimated gain is \$0.

### **Health Promotion**

Ms. Fricke reported that during the month of June PERS conducted a promotion through the wellness program for members and their eligible dependents age 18 or over to complete the health risk assessment survey available through Health Dialog website. Over 680 individuals completed the survey. A drawing was held to give away an iPod that was given by BCBS. The winner will be announced in the next active issue of *PERSpectives* Newsletter.

## **MISCELLANEOUS**

### **Legislation**

Mr. Collins reviewed with the Board the technical review, implementation issues and staff recommendations on the proposed legislation. The actuarial report relating to Bill 90111 indicates that allowing members to designate nonspouse beneficiaries has an actuarial effect on the Judges and the HP plans. This bill also allows the designation of a subsequent beneficiary. Staff recommends that this provision be withdrawn due to the actuarial cost. Staff also recommends withdrawing this provision for the PERS system to keep plans consistent. In addition, it is recommended that the subsequent beneficiary provision be withdrawn. Mr. Collins indicated this bill also includes the purchase of service credit up to 5 additional years. Given the current environment, it is recommended this provision be withdrawn.

**MR. LEINGANG MOVED STAFF RECOMMENDATION. THE MOTION WAS SECONDED BY MR. SANDAL.**

**Ayes:** Mr. Leingang, Mr. Sandal, Mr. Trenbeath, Mr. Erdmann, and Chairman Strinden

**Nays:** None

**Absent:** Ms. Ehrhardt and Ms. Smith

**MOTION PASSED**

Mr. Collins reviewed with the Board the technical review and implementation issues and staff recommendations relating to Bill 90112. Staff recommends that the following be withdrawn because of the actuarial costs associated with the legislation: the PEP enhancement provision; the increase in the normal form of benefit for the HP plan from 50% to J&S to 100%; amend the bill to add an appropriation for the increased employer contribution to support the 2% increase in retiree contributions; amend the bill to provide that retirees would be eligible to receive the increase would be those that had 3 years of employment with an employer that elects to pay the increased benefits instead of having retirees from an employer that elects to participate; amend the bill to add a late election opportunity; and amend the bill to clarify employer elections.

**MR. SANDAL MOVED STAFF RECOMMENDATION ON THE WITHDRAWAL AND AMENDMENT OF SECTIONS OF BILL 90112. THE MOTION WAS SECONDED BY MR. TRENBEATH.**

**Ayes:** Mr. Leingang, Mr. Sandal, Mr. Trenbeath, Mr. Erdmann, and Chairman Strinden

**Nays:** None

**Absent:** Ms. Ehrhardt and Ms. Smith

**MOTION PASSED**

Mr. Collins reviewed with the Board the technical review and implementation issues and staff recommendations relating to Bill 90113.. The Board previously indicated its preference to fund this bill from reserves and requested that up to \$2 million be used. As written, the bill would require about \$2.5 million. The Retiree Subcommittee met and staff recommendation is to propose a ratio of 130% (13% increase) for a two year period.

**MR. TRENBEATH MOVED STAFF RECOMMENDATION TO PROPOSE A 130 PERCENT RATIO OF PREMEDICARE PREMIUMS TO ACTIVE PREMIUMS. THE MOTION WAS SECONDED BY MR. ERDMANN.**

**Ayes:** Mr. Leingang, Mr. Sandal, Mr. Trenbeath, Mr. Erdmann, and Chairman Strinden

**Nays:** None

**Absent:** Ms. Ehrhardt and Ms. Smith

**MOTION PASSED**

Relating to Bill 90114, Mr. Collins stated we will need to wait for the Executive Budget to determine if we need to request an appropriation. Relating to Bill 90118, Mr. Collins

suggested and the Board agreed that the concerns be communicated to the legislative council. As discussed, PERS will remain neutral on Bills 90124, 90125, and 90206.

### **Quarterly Consultant Fees**

The report of consultant fees paid during the quarter ending September 30, 2008 was presented to the Board for their information

### **DEFERRED COMPENSATION**

#### **2<sup>nd</sup> Quarter 2008 Investment Report**

Mr. Reinhardt reviewed with the Board the 2<sup>nd</sup> quarter 2008 report for the 401(a) and 457 Companion Plan. Assets in the 401(a) plan increased to \$17 million and in the Companion Plan to about \$23.4 million.

#### **Financial Hardship Withdrawal**

Ms. Allen reported that a hardship withdrawal had previously been considered and denied for the participant at the August Board meeting. The participant has since provided additional information documenting the loss of income which the Board reviewed and discussed.

**MR. ERDMANN MOVED TO APPROVE THE HARDSHIP WITHDRAWAL. THE MOTION WAS SECONDED BY MR. LEINGANG.**

**Ayes:** Mr. Leingang, Mr. Sandal, Mr. Trenbeath, Mr. Erdmann, and Chairman Strinden

**Nays:** None

**Absent:** Ms. Ehrhardt and Ms. Smith

**MOTION PASSED**

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 11:20 a.m.

Prepared by,

Cheryl Stockert  
Secretary to the Board