

# MINUTES

## North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13<sup>th</sup> Ave SW, Fargo

Thursday, September 16, 2010

8:30 A.M.

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

Via Videoconference: 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  
Mr. Aaron Webb, Office of Attorney General  
Ms. Onalee Sellheim, BCBSND  
Ms. Marissa Parmer, BCBSND  
Ms. Nancy Kopp, ND Optometric Association

Via Conference Call: Mr. Jim Schaefer, Gabriel Roeder Smith

Via Videoconference: Mr. Kevin Schoenborn, BCBSND  
Mr. Brad Bartle, BCBSND  
Mr. Jayme Steig, ND Pharmacy Services Corporation

Chairman Strinden called the meeting to order at 8:25 a.m.

### **MINUTES**

Chairman Strinden called for any questions or comments regarding the minutes of the August 26, 2010 Board meeting.

**MS. SMITH MOVED APPROVAL OF THE AUGUST 26, 2010 BOARD MINUTES. THE MOTION WAS SECONDED BY MS EHRHARDT. THE MINUTES WERE APPROVED.**

Chairman Strinden called for any questions or comments regarding the minutes of the September 8, 2010 Board meeting.

Board members noted some discrepancies in the minutes. The September 8, 2010 minutes will be corrected and brought before the Board at the next meeting for approval.

## **RETIREMENT**

### **State Investment Board Update**

Mr. Gilbertson gave an update to the Board relating to the recruitment efforts of the RIO Executive Director. He indicated that they will be reviewing the applications. Interviews will be conducted September 30 through October 1, where three or four candidates will be recommended to the full SIB for further interview. Mr. Gilbertson indicated he will be making a presentation to the legislature in October relating to the performance audit. The audit recommendations have been addressed and will be presented to the State Investment Board. There are some ideas relating to how to structure asset classes within the asset allocations. Mr. Gilbertson invited the PERS Board to the TFFR meeting on September 23. The financial audit was completed last week and there are no issues.

### **Defined Contribution Analysis Update**

Mr. Collins shared with the Board the updated DC Plan Analysis conducted by Segal. Overall, the DC plan benefits are on average 50% less than if they would have stayed in the DB plan. Proposed legislation does include an increase in the contribution rate for DC plan members. Segal noted that this increase will help those with less years of service, with more time to invest and receive a return their investment.

### **Legislation**

Mr. Collins reported to the Board that the Legislative Employee Benefits Committee will meet September 21 at which time they will review the technical and actuarial reviews of the PERS bills. He noted that in Bills 51 and 53 we did not include a contribution increase for the BCI employees which was intended to be done.

**MR. TRENBEATH MOVED TO ADD THE CONTRIBUTION INCREASE FOR BUREAU OF CRIMINAL INVESTIGATION (BCI) EMPLOYEES TO BILLS 51 AND 53. THE MOTION WAS SECONDED BY MR. SAGE.**

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

**Nays:** None

**MOTION PASSED**

In Bill 59, which is the administrative bill for PERS, the IRS has requested that we include in statute more specific wording as it relates to the IRS requirements. Segal and Mr. Webb have worked with the IRS on the specific wording to satisfy the requirements both for the PERS and Highway Patrol plans.

**MR. TRENBEATH MOVED TO AMEND BILL 59 TO INCLUDE MORE SPECIFIC LANGUAGE AS REQUIRED BY THE IRS. THE MOTION WAS SECONDED BY MS. EHRHARDT.**

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

**Nays:** None

### **MOTION PASSED**

Mr. Collins also suggested that we amend Bill 59 to remove the option for a new political subdivision to join the PERS retirement plan until the funding status improves. The Board discussed this issue. The consensus was to take no action on this recommendation.

Mr. Collins reviewed with the Board Bill 80 which was introduced by Representative Wald which puts new employees into a defined contribution plan and closes the defined benefit plan to new members. Mr. Collins indicated that an analysis of the comparability and equity issues on Bill 80 has been completed and suggested that this information be shared with the Legislative Employee Benefits Committee at their next meeting. The Board concurred that Mr. Collins share this evaluation with the Legislative Committee.

### **GROUP INSURANCE**

#### **Wellness Update**

Ms. Parmer with BCBSND presented a summary to the Board on wellness activities. Other information shared included the NDPERS Wellness Coordinator Newsletter and an update on the NDPERS Wellness Retiree Fair to be held in Bismarck on October 7. The Board had questions of Ms. Parmer.

#### **Diabetes Project Update**

Mr. Jayme Steig presented the Board with an update on the NDPERS Diabetes Management Program. Information included a program overview, the pharmacist provider network, program promotions, patient enrollment, patient incentives, program costs, data overview, clinical outcomes, and patient surveys. The Board had questions of Mr. Steig. Mr. Collins indicated that information on the UND Study will be discussed at the November meeting.

**Life Insurance Plan**

Mr. Collins reported staff will be developing a life insurance request for proposal for services starting on July 1, 2011. Concerning the existing life insurance plan, Mr. Collins shared the Prudential plan and performance report with the Board.

**Health Plan**

Mr. Collins reviewed with the Board their previous action in awarding the health insurance bid to BCBS for a two year period. Mr. Collins discussed with the Board the buy down options and implications. The Board discussed this issue and had questions of staff.

**MR. SAGE MOVED THAT PERS NOT HAVE BCBSND REPROJECT THE RATES IN FEBRUARY OF 2011. THE MOTION WAS SECONDED BY MS. EHRHARDT.**

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

**Nays:** Mr. Sandal and Chairman Strinden

**Absent:** Mr. Trenbeath

**MOTION PASSED**

**MR. SANDAL MOVED TO APPLY ANY BUY DOWN TO THOSE GROUPS OR MEMBERS ON THE PLAN AS OF SEPTEMBER 2010. THE MOTION WAS SECONDED BY MR. SAGE.**

The Board further discussed this issue.

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

**Nays:** None

**Absent:** Mr. Trenbeath

**MOTION PASSED**

**Vision Plan**

Mr. Jim Schaefer from Gabriel Roeder Smith reviewed responses from Superior Vision on their benefits, business system capabilities, network expansion strategy network guarantees, and enrollment processes. Mr. Schaefer also reviewed with the Board a detailed comparison of the proposed plan of benefits for Superior and Ameritas. The Board had questions of Mr. Schaefer and discussed the proposals.

**MR. SAGE MOVED TO APPROVE SUPERIOR VISION SERVICES AS THE VISION VENDOR FOR NDPERS. THE MOTION WAS SECONDED BY MR. SANDAL.**

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**

The Board discussed the transition process for existing members from Ameritas to Superior at the end of the year. The Board also discussed the proposed rate scale for Superior. It was observed that the proposed scaling of rates resulted in one category being slightly higher while all the others were lower when compared to the existing rates. It was further observed that if the rates were slightly rescaled without altering the total premium, it could provide for a more even flow with all rates taking on the same characteristic when compared to the existing rates.

**MR. SAGE MOVED THAT NDPERS TRANSFER THE EXISTING VISION MEMBERS TO THE NEW COVERAGE AND TO RESCALE THE RATES. 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**

#### **2009 Active Health Report**

Mr. Reinhardt reviewed with the Board the active health report for 2009 which included both average charge and average paid amounts which increased only slightly from 2008. Generic drug use is up from the previous year and the drug trend has leveled off. A similar report is produced for each active group with over 100 employees and sent to the director and wellness coordinator.

#### **Part D Renewal**

Mr. Collins reviewed with the Board the Medicare Part D Renewal for 2011. The increase for pharmacy coverage is 9.1% from \$63.70 to \$69.70 based on the annual trend factor, CMS payments and the estimated drug rebates for 2011.

**MR. ERDMANN MOVED APPROVAL OF THE MEDICARE PART D RENEWAL. THE MOTION WAS SECONDED BY MS. EHRHARDT.**

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

**Nays:** None

**Absent:** Mr. Trenbeath

## **MOTION PASSED**

### **Legislation**

Mr. Collins reviewed with the Board the technical reviews of the bills relating to group health insurance. Mr. Collins indicated that we are trying to preserve our grandfathered status and Deloitte has provided guidance. While Deloitte has indicated that political subdivisions that join the plan will not jeopardize this status, they have also indicated that if any PERS employer, including political subdivisions, changes the employer contribution to these plans by more than 5%, they could endanger the grandfathered status of the entire plan according to federal law. Mr. Collins indicated that in order for PERS to maintain our grandfathered status we need to consider a new provision which would limit political subdivisions from changing their participation by more than would be allowed by the federal law. Also, Mr. Collins indicated that if a political subdivision did make such a change, PERS should work with BCBS to establish a non-grandfathered plan for such entities. Mr. Webb noted that this could be accomplished pursuant to NDCC 54-52.1-08.2. The Board discussed this issue.

### **MR. SANDAL MOVED THAT STAFF MOVE FORWARD PURSUANT TO NDCC 54-52.1-08.2. THE MOTION WAS SECONDED BY MR. SAGE.**

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**

### **Early Retiree Subsidy Application**

Mr. Collins reported that Health and Human Services has approved PERS application for this subsidy. Based on the Board's decision several months ago, PERS is informing members that these funds will be used to help reduce future premium increases.

## **DEFERRED COMPENSATION**

### **457 Companion Plan & 401(a) Plan 2<sup>nd</sup> Quarter Report**

Mr. Reinhardt reviewed with the Board the 2<sup>nd</sup> quarter 2010 report for the 401(a) and 457 Companion Plan. Assets in the 401(a) plan decreased to \$16.5 million and the Companion Plan assets decreased to \$27.6 million.

## **FLEX COMP**

### **Flex Payments**

Ms. Allen provided the Board with an update regarding the progress made in correcting the error discovered in May 2009 due to an upgrade to the PeopleSoft flex comp claims processing system. Three accounts remain unresolved. The Board previously approved writing off these accounts and issuing new W-2's. OMB was consulted relating to the efforts necessary to amend the W-2 forms. As a result of this discussion and small amounts, staff is recommending that OMB not recalculate taxable earnings and re-issue the W-2's to these individuals. The Board discussed this issue.

**MR. SAGE MOVED THAT THE THREE ACCOUNTS BE WRITTEN OFF AND NOT REQUEST OMB TO RECALCULATE TAXABLE EARNINGS.THE MOTION WAS SECONDED BY MR. ERDMANN.**

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

**Nays:** Mr. Sandal

**Absent:** Mr. Trenbeath

### **MOTION PASSED**

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 11:50 a.m.

Prepared by,

Cheryl Stockert  
Secretary to the Board