

MINUTES

North Dakota Public Employees Retirement System

Thursday, September 18, 2008
ND Association of Counties, Bismarck
BCBS, 4510 13th Ave SW, Fargo
8:30 A.M.

Members Present: Ms. Joan Ehrhardt
Mr. Levi Erdmann
Mr. Ron Leingang
Mr. Mike Sandal
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. Rebecca Fricke, NDPERS
Ms. Sharmain Dschaak, NDPERS
Mr. Leon Heick NDPERS
Mr. Aaron Webb, Attorney Generals Office
Mr. Jerry Rueschhoff, Gallagher Benefit Services
Mr. Kevin Schoenborn, BCBSND
Mr. Brad Bartle, BCBSND
Mr. Don Schott, BCBSND
Mr. Bill Kalanek, AFPE
Ms. Jodi Buhr, NDPEA

Via Conference Call: Ms. Onalee Sellheim, 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 July 17, 2008 Board meeting.

MS. SMITH MOVED APPROVAL OF THE JULY 17, 2008 NDPERS BOARD MINUTES. MS. EHRHARDT SECONDED THE MOTION. THE MINUTES WERE APPROVED.

Chairman Strinden called for any questions or comments regarding the minutes of the August 26, 2008 Board meeting.

MR. LEINGANG MOVED APPROVAL OF THE AUGUST 26, 2008 NDPERS BOARD MINUTES. MS. SMITH SECONDED THE MOTION. THE MINUTES WERE APPROVED.

RETIREMENT

Segal Presentation

Mr. Collins stated that Ms. Cathie Eitelberg, Senior Vice President and National Director for the Public Sector Market, Segal Company, Washington, along with Ms. Melanie Walker, Vice President, Compliance Leader, with the Segal Denver office, who has been providing service to us on federal compliance for many years, would present information to the Board.

Ms. Eitelberg and Ms. Walker reviewed with the Board information from the IRS, who has recently stated its intent to significantly increase audits of governmental pension plans. The IRS expressed a strong desire to have all governmental plans obtain a favorable determination letter which provides assurance from the IRS that the form of the plan document complies with qualifications rules under IRC 401(a). All governmental plans are in the Cycle C category. Mr. Collins stated that PERS has never received a letter of determination from the IRS. After Board discussion, it was agreed to move towards a Cycle C review. Segal will conduct a compliance review of the NDPERS plan to be concluded at the end of December. If, after the review, it becomes necessary to amend PERS statutes, these amendments could be presented to the Legislature in January.

MR. SANDAL MOVED TO HAVE SEGAL CONDUCT A COMPLIANCE REVIEW OF THE NDPERS PLAN. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

MOTION PASSED

Ms. Eitelberg and Ms. Walker also presented information on national trends, federal legislation and activities in others states. It was decided that they should return to the November or December meeting to continue the presentation.

DEFERRED COMPENSATION

Workshops

Mr. Collins updated the Board with information relating to the defined contribution plan 401(a) and deferred compensation companion plan 457(b) educational workshops scheduled in October.

Single Fund Initiative

Mr. Collins updated the Board with information relating to the single fund campaign to educate participants on the advantages of diversification to be held in conjunction with National Save for Retirement Week (week of October 19).

MISCELLANEOUS

Board Election Petitions

Mr. Collins indicated to the Board that a question came up regarding when a member interested in running for a Board position could collect the required signatures, specifically if they could collect the signatures in advance. The Election Committee sought the advice of legal counsel and they concluded that there is nothing in the rules prohibiting the practice of collecting signatures in advance. The Board concurred.

Internal Audit Policy 101

Mr. Collins, based on recommendation of the Audit Committee, presented internal audit policy 101 with suggested revisions to the Board.

MR. LEINGANG MOVED TO APPROVE INTERNAL AUDIT POLICY 101. THE MOTION WAS SECONDED BY MR. TRENBEATH.

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

Nays: None

MOTION PASSED

Audit Committee Minutes

The May 21, 2008 PERS Audit Committee minutes were shared with the Board.

GROUP INSURANCE

BCBS Renewal

Mr. Collins stated that BCBS staff will review with the Board the renewal information and the answers to questions posed by PERS staff.

Mr. Schott, BCBS, reviewed with the Board PERS specific data on health care trends relating to inpatient, outpatient, professional and Rx drugs and claims volume.

Mr. Schoenborn, BCBS, reviewed with the Board trend and rate increase history information, and indicated to the Board that in February 2009 if the recalculated premiums decrease as a result of lower than expected claims experience, NDPERS will receive the lower premiums. Mr. Schoenborn indicated BCBS would roll over two wellness programs to the PERS group to keep them in line with other lines of business and the cost would come out of the BCBS administrative fee.

Mr. Bartle discussed with the Board the BCBS administrative fees. The Board further discussed the renewal with Mr. Bartle relating to the trend for the remainder of this biennium, the trend for 2009-2011, the proposed contingency of 1% and the conversion charge. Mr. Collins indicated that by October 6, the plan design and funding priorities will need to be submitted to OMB and the Governor's office. Mr. Collins reported he met with the State Employees Compensation Committee to review with them the health insurance options and they recommended to fund health insurance at the existing plan level. The Board agreed to defer the plan design and funding options to the October meeting.

Bid Document

Mr. Collins reviewed with the Board the timeline for the work effort relating to the bid document in the event we would have to go out for bid the middle of October. Gallagher Benefit Services is working on this document (refer to proposed timeline).

MR. TRENBEATH MOVED APPROVAL OF THE PROPOSED TIMELINE FOR THE HEALTH INSURANCE BID DOCUMENT. THE MOTION WAS SECONDED BY MR. ERDMANN.

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

Nays: None

MOTION PASSED

Medicare Part D Renewal

Mr. Collins suggested and the Board agreed to defer this renewal to the October Board meeting.

Industry, Business, and Labor Pharmacy Study

Information was presented to the Board relating to the study of the regulation and licensing of pharmacists and pharmacies in North Dakota being conducted by the interim IBL legislative committee.

Flu Shot Program

Information was presented to the Board relating to the annual flu shot program held through the UND Center for Family Medicine. PERS will distribute the information to agency contacts for dissemination to employees as well as post it to the PERS website home page for the duration of the program.

EXECUTIVE SESSION

MR. ERDMANN MOVED THAT THE BOARD GO INTO EXECUTIVE SESSION PURSUANT TO NDCC 44-04-19.2 TO DISCUSS NEGOTIATING STRATEGY RELATING TO THE BCBS RENEWAL. THE MOTION WAS SECONDED BY MR. SANDAL.

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

Nays: None

MOTION PASSED

All members named above were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 11:10 a.m.

MR. TRENBEATH MOVED THAT THE BOARD RETURN TO OPEN SESSION. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

MOTION PASSED

The Executive Session closed at 12:10 p.m. and the Board returned to open session.

Appeal for Premium Underpayment

Ms. Allen reported to the Board that an error was discovered during a recent audit which related to undercharging individuals that elected COBRA continuation of their health benefit at the time of retirement. The COBRA rate was effective for 18 months and once the 18 months ended, the members should have been changed to the higher non-Medicare rate which did not occur. Five members previously appealed and two more appeals have been received and the members are requesting to be released from liability for the repayment. Mr. Collins indicated there are four members who have not responded and PERS will send them another notice. Board questions and discussion followed. Board members who had previously voted against the appeals, indicated their intention to vote to approve these appeals to be consistent with previous Board action.

MR. ERDMANN MOVED TO APPROVE THE APPEALS OF EACH OF THE TWO INDIVIDUALS. THE MOTION WAS SECONDED BY MR. TRENBEATH.

Board discussion followed.

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

Nays: None

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MOTION PASSED

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 12:20 p.m.

Prepared by,

Cheryl Stockert
Secretary to the Board