

MINUTES

North Dakota Public Employees Retirement System

Thursday, September 20, 2007
ND Association of Counties, Bismarck
BCBS, 4510 13th Ave SW, Fargo
8:30 A.M.

Members Present: Mr. Howard Sage
Mr. Mike Sandal
Mr. Thomas Trenbeath

Via Conference Call: Ms. Arvy Smith
Chairman Jon Strinden

Member Absent: Ms. Joan Ehrhardt
Mr. Ron Leingang

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Sharmain Dschaak, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. Barbara Dammen, NDPERS
Mr. Kevin Schoenborn, BCBSND
Ms. Onalee Sellheim, BCBSND
Ms. Bethany Pfister, Prime Therapeutics
Mr. Michael Schwab, ND Pharmacists Association
Mr. Dave Zentner

Via Conference Call: Mr. Larry Brooks, BCBSND
Mr. Tom Christensen, BCBSND
Mr. Brent Solseng, BCBSND
Dr. Jon Rice, BCBSND

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 August 16, 2007 Board meeting.

MR. TRENBEATH MOVED APPROVAL OF THE AUGUST 16, 2007 NDPERS BOARD MINUTES. MR. SAGE SECONDED THE MOTION. THE MINUTES WERE APPROVED.

RETIREMENT

COST OF LIVING ADJUSTMENT INFORMATION

Mr. Collins reviewed with the Board material relating to a survey done by the Public Pension Coordinating Council regarding how 48 states manage retirement increases.

ANNUAL INVESTMENT REPORT

Mr. Cochrane presented the 2007 Annual Report of the ND State Investment Board to the Board. A copy of the complete annual report is available at the PERS office. Mr. Cochrane indicated to the Board that the asset allocation is fairly well grounded and the portfolio is well diversified and he responded to Board questions. PERS total return for the fiscal year ending June 30, 2007 was 18.93%.

SUPPLEMENTAL RETIREE PAYMENT

Mr. Collins reported that Senate Bill 2044 authorizes supplemental retiree payment for PERS members, except for judges, if the rate of return is 9.06% or more as of June 30. This supplemental payment is 75% of the members retirement check. Mr. Cochrane reported that there is an 18.93% return for the year end.

MR. SAGE MOVED TO GRANT THE SUPPLEMENTAL RETIREE PAYMENT IN THE AMOUNT OF 75% OF THE MEMBER'S JANUARY RETIREMENT ALLOWANCE. THE MOTION WAS SECONDED BY MR. SANDAL.

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

Nays: None

Absent: Ms. Ehrhardt, Mr. Leingang

MOTION PASSED

ON-SITE BENEFIT COUNSELING SERVICE

Ms. Allen reported that the business strategy for 2007 was to develop an on-site benefit counseling service and pilot it during the second half of 2007. The purpose of this program is to allow members to receive private pre-retirement counseling from a PERS representative without having to travel to Bismarck. Ms. Allen stated that the response from participating employers has been good. Numerous agencies have requested this service and will be scheduled in the next few months.

GROUP INSURANCE

DIABETES PROGRAM

Mr. Collins stated that the ND Pharmacists Association is in the process of developing the diabetes program pursuant to HB 1433. Mr. Michael Schwab presented an update to the Board, explaining how it will be patterned after the Asheville Project. The major goal of

this project is to improve the health of the participants, to reduce health care costs, to reduce the short and long term complications of diabetes, accomplish medication utilization, and educate and consult with the participants. In November a detailed proposal will be presented to the Board for approval.

CLINICAL PHARMACY UPDATE

Ms. Bethany Pfister, Clinical Pharmacy Program Manager, with Prime Therapeutics, presented information to the Board relating to drug trends, recap of pharmacy costs, significant drug classes, utilization management tools, formulary management, generic opportunities, the focus on medication compliance and adherence. The presentation included the next steps to managing drug spending for 2007/2008 including formulary management, increasing generic utilization, and appropriate brand utilization. Ms. Pfister responded to Board member questions. Mr. Brent Solseng, BCBSND Pharmacy Department, also provided information relating to provider podcasts, medication adherence, and compliance.

MEDICARE PART D RENEWAL

Mr. Collins reviewed with the Board possible options available for the Part D renewal. The Retiree Committee met with PERS staff and BCBSND staff to discuss this issue. The Committee recommended implementing a new formulary for its MedicareBlue Rx lines of business which would result in a 6.15% decrease in member premium (premiums would decrease from \$60.14 to \$56.44). This formulary is used by all MedicareBlue plans. Changing to this new formulary will affect approximately 555 individuals who are now taking a drug that is on our current formulary that would not be on the new formulary. Mr. Zentner informed the Board that this new formulary includes an appeal process for those individuals who would be on a nonformulary drug if the new formulary were approved. Without the change in formulary the renewal premium would have increased from \$60.14 to \$71.79 or about 19%.

MR. SAGE MOVED TO ACCEPT THE RETIREE RECOMMENDATION TO IMPLEMENT THE NEW FORMULARY TO REDUCE MEMBER PREMIUMS BY 6.15% AND RENEW THE PLAN FOR 2008. THE MOTION WAS SECONDED BY MR. TRENBEATH.

Ayes: Mr. Sage, Mr. Trenbeath, Mr. Sandal, and Chairman Strinden

Nays: None

Absent: Ms. Ehrhardt, Mr. Leingang, and Ms. Smith

MOTION PASSED

TEMPORARY/PART TIME EMPLOYEE PARTICIPATION

Ms. Dschaak presented information to the Board relating to Senate Bill 2045, passed by the last legislature, which modifies the eligibility requirements for temporary/part-time employees employed on or after August 1, 2007. She informed the Board that testimony presented to the legislature explained that for those temporary employees that work at least 20 hours per week for at least 20 weeks per year, the purpose of the amendment

was to reduce the possibility of adverse selection against the plan. The question has arisen regarding temporary/part-time employees working less than 20/20 prior to August 1, 2007 who had been terminated prior to August 1, 2007, are now on COBRA and being rehired by their employer as a temporary individual. Staff recommends that for temporary/part-time employees who are terminated each year by their employer then rehired be considered employed prior to August 1, 2007 if they meet the following 3 conditions: enrolled and participating in the group health and life plans prior to August 1, 2007; continued their participation either through the employer billing or on COBRA during the months they were not working; and returned to employment within 12 months.

MR. TRENBEATH MOVED TO ACCEPT THE STAFF RECOMMENDATION TO ADOPT THE POLICY RELATING TO THE TEMPORARY/PART-TIME EMPLOYEES, WITH THE INTENTION THAT THIS POLICY MAY NEED TO BE AMENDED IN THE FUTURE. THE MOTION WAS SECONDED BY MR. SANDAL.

Further Board discussion followed. Mr. Collins indicated PERS would advise participating employers regarding this policy.

Ayes: Mr. Sage, Mr. Trenbeath, Mr. Sandal, and Chairman Strinden.

Nays: None

Absent: Ms. Ehrhardt, Mr. Leingang, and Ms. Smith

MOTION PASSED

EMPLOYER BASED WELLNESS & WELLNESS BENEFIT PROGRAM

Ms. Fricke reported to the Board that staff has been working to coordinate the Employer Based Wellness Program and the Wellness Benefit Program. To better coordinate these two programs, staff is recommending a change to require that requests for the wellness benefit application be submitted at the same time as employers submit the 1% premium discount application effective with the 2008-2009 wellness plan year. If the Board approves this change, this information will be presented to the wellness coordinators at the Wellness Forum scheduled for November 14.

MR. SAGE MOVED TO APPROVE THE CHANGE TO REQUIRE REQUESTS FOR THE WELLNESS BENEFIT APPLICATION BE SUBMITTED AT THE SAME TIME AS EMPLOYERS SUBMIT THE 1% PREMIUM DISCOUNT APPLICATION. THE MOTION WAS SECONDED BY MR. SANDAL.

Ayes: Mr. Sage, Mr. Trenbeath, Mr. Sandal, and Chairman Strinden

Nays: None

Absent: Ms. Ehrhardt, Mr. Leingang, and Ms. Smith

MOTION PASSED

FLU SHOT PROGRAM

Ms. Allen presented information to the Board relating to the annual flu shot program in Bismarck and reported that PERS was notified by UND Center for Family Medicine that

they will provide flu shots to state employees at a cost of \$15. Employees will also have the choice to receive the FluMist® nasal spray.

SURPLUS/AFFORDABILITY UPDATE

Mr. Collins provided the July surplus projection and affordability analysis for the NDPERS group medical plan.

DEFERRED COMPENSATION

457 AND 401(A) PLANS 2ND QUARTER 2007 REPORTS

Mr. Collins provided a report relating to the assets in the 401(a) plan and the 457 Companion Plan.

LASR

MONTHLY UPDATE

Mr. Collins reported that we PERS will be starting the implementation phase of the project in October. Ms. Knudsen had been the project manager for the initial phases and Ms. Schiermeister will be the project manager during the implementation phase.

PROJECT CHARTER

Ms. Schiermeister reviewed with the Board the Project Charter for the integrated benefits administration system. The Board agreed that a quarterly report on this project would be acceptable.

SAGITEC ADDENDUM

Mr. Collins reviewed with the Board the contract addendum relating to the performance bond with Sagitec that provides the option to go forward with a performance bond that is renewed by the underwriter each year with the addition of a letter of credit option should the bond not be renewed. This contract addendum, as approved by the Attorney General's office, guarantees PERS the continuity of coverage for the duration of the project.

MR. TRENBEATH MOVED TO DEEM A YEARLY PERFORMANCE BOND WITH YEARLY RENEWALS UNACCEPTABLE, AND TO ACCEPT A ONE YEAR PERFORMANCE BOND WITH YEARLY RENEWAL OPTION UNDERWRITTEN BY A FIRM IN THE FORM OF A LETTER OF CREDIT. THE MOTION WAS SECONDED BY MR. SAGE.

Ayes: Mr. Sage, Mr. Trenbeath, Mr. Sandal, and Chairman Strinden

Nays: None

Absent: Ms. Ehrhardt, Mr. Leingang, and Ms. Smith

MOTION PASSED

WECHSLER CONTRACT

Mr. Collins stated that at the last meeting, the Board approved retaining LRWL to provide oversight project management and quality assurance. Mr. Collins reviewed the proposed contract with the Board.

MR. SANDAL MOVED TO APPROVE THE CONTRACT WITH LRWL (WECHSLER) FOR OVERSIGHT PROJECT MANAGEMENT AND QUALITY ASSURANCE SERVICES. THE MOTION WAS SECONDED BY MR. SAGE.

Ayes: Mr. Sage, Mr. Trenbeath, Mr. Sandal, and Chairman Strinden

Nays: None

Absent: Ms. Ehrhardt, Mr. Leingang, and Ms. Smith

MOTION PASSED

MISCELLANEOUS

ADMINISTRATIVE RULES

Mr. Collins stated the proposed administrative rules will need final approval by the Board to begin the hearing process. The rules are in response to recent legislation. A public hearing has been scheduled for November 21, 2007.

MR. SAGE MOVED TO APPROVE THE PROPOSED ADMINISTRATIVE RULES TO GO OUT FOR PUBLIC HEARING. THE MOTION WAS SECONDED BY MR. TRENBEATH.

Ayes: Mr. Sage, Mr. Trenbeath, Mr. Sandal, and Chairman Strinden

Nays: None

Absent: Ms. Ehrhardt, Mr. Leingang, and Ms. Smith

MOTION PASSED

BOARD PLANNING MEETING

Mr. Collins stated that the Board Planning Meeting will be held on Monday, December 3, 2007 and suggested this meeting could be in lieu of the December Board meeting. The Board concurred.

NDPERS BENEFITS COMMITTEE

The September 4, 2007 minutes were shared with the Board.

NDPERS AUDIT COMMITTEE

The May 23, 2007 minutes were shared with the Board.

FLEX COMP APPEAL

Ms. Allen presented detailed information to the Board relating to a participant appealing a denial of payment from their 2006 medical spending account to cover expenses incurred

during the grace period from January 1 through March 15, 2007. The Board discussed this flex comp appeal case.

MR. TRENBEATH MOVED TO ACCEPT THE FLEX COMP APPEAL AND REPROCESS THE CLAIMS. IT WAS ALSO MOVED BY MR. TRENBEATH TO REVIEW THIS POLICY AT THE NEXT BOARD MEETING. THE MOTION WAS SECONDED BY MR. SAGE.

Ayes: Mr. Sage, Mr. Trenbeath, Mr. Sandal, and Chairman Strinden

Nays: None

Absent: Ms. Ehrhardt, Mr. Leingang, and Ms. Smith

MOTION PASSED

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 11:27 a.m.

Prepared by,

Cheryl Stockert
Secretary to the Board