

# MINUTES

## North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

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

Thursday, February 20, 2014

8:30 A.M.

Members Present: Ms. Joan Ehrhardt  
Mr. Howard Sage  
Mr. Mike Sandal  
Ms. Kim Wassim  
Mr. Thomas Trenbeath

Members Absent: Ms. Arvy Smith  
Chairman Strinden

Others Present: Mr. Sparb Collins, NDPERS  
Ms. Kim Humann, NDPERS  
Ms. Sharon Schiermeister, NDPERS  
Ms. Kathy Allen, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Ms. Rebecca Fricke, NDPERS  
Ms. MaryJo Steffes, NDPERS  
Ms. Jamie Kinsella, NDPERS  
Ms. Julie McCabe, NDPERS  
Ms. Jan Murtha, Attorney General's Office  
Mr. Kevin Schoenborn, BCBSND  
Mr. John Mongeon, Brady Martz  
Ms. Stacy DuToit, Brady Martz  
Mr. Bill Kalanek, AFPE

Via Videoconference: Ms. Jodi Crouse, BCBSND  
Ms. Onalee Sellheim, BCBSND  
Mr. Michael Potts, BCBSND  
Mr. Jim Wynstra, BCBSND

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

### MINUTES

Acting Chairman Sage called for any questions or comments regarding the minutes of the December 27, 2013 and January 22, 2014 Board meetings.

**MR. TRENBEATH MOVED APPROVAL OF THE DECEMBER 27, 2013 AND JANUARY 22, 2014 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MS. EHRHARDT. THE MINUTES WERE APPROVED.**

## **RETIREMENT**

### **Audit Report**

Mr. Collins reported to the Board that Mr. John Mongeon and Ms. Stacy Dutoit from Brady Martz were at the Board meeting to review highlights of the annual audit report and be available to answer any questions. Mr. Mongeon reviewed the audit report examination with the Board for the years ended June 30, 2013 and 2012. He reported it was a clean audit. Mr. Mongeon also reviewed the Management Letter with the Board which included seven recommendations with staff response. The Board had questions of Mr. Mongeon and staff. The Board thanked the staff for their hard work on this audit.

**MS. WASSIM MOVED APPROVAL OF THE AUDIT REPORT. THE MOTION WAS SECONDED BY MR. SANDAL.**

**Ayes:** Mr. Sage, Mr. Sandal, Mr. Trenbeath, and Ms. Wassim

**Nays:** None

**Absent:** Ms. Ehrhardt, Ms. Smith and Chairman Strinden

### **Retirement Consultant**

Mr. Collins reviewed with the Board the proposed renewal offer with Segal for actuarial valuation and consulting services which expire June 30, 2014. Mr. Collins indicated that the proposed blended hourly rates have increased to more than TFFR pays. He will check with Segal on this and bring this back to the March meeting for a decision. The Board concurred.

### **Retirement Legislation**

Mr. Collins reviewed the options for proposed legislation for the 2015 session. He explained that the retirement legislation must be submitted to the Legislative Employee Benefits Committee by the end of March. It was noted that since 2009 the goals for all the retirement plans have been to stop the downward trend in the funded status as a result of the market downturn, stabilize the plans and put them on a course back to 100% funded status. The Judges, Highway Patrol, Law Enforcement plans have all met the three goals and are on track for fully funded status. Regarding the National Guard retirement plan, the Board has the authority to address employer contributions, while the legislature has the authority to address the employee contributions. Mr. Collins also noted that as a result of the realignment of duties, other changes may occur with the National Guard plan which may result in them submitting legislation.

Currently, the Main retirement plan is at almost 80% funded status assuming the new DC option expires in 2017 or is funded as a permanent option. Mr. Collins reviewed three options for Main retirement legislation for 2015 with the Board. Option #1 would be to

submit the fourth year of the recovery plan for consideration this next session. It was noted that this would require additional contributions by the employers and employees. Option #2 would be to make changes in some ancillary provisions to the plan for new employees (interest rate, early retirement reduction factor, rule and years of service for final average salary) similar to those made by TFFR. This change would get the plan back to 100% but it would take about 10 years longer (AVA). The last option would be to not submit any legislation. The plan would not return to 100% until about 29 years longer than Option #1 and about 19 years longer than Option #2.

Mr. Collins also indicated that the Government Finance Committee had met and requested information from PERS relating to some additional long term projections. The Committee indicated that if the state changed to a defined contribution retirement plan it would be effective January 1, 2016. Mr. Collins indicated that Segal is preparing an analysis and it will be available for the March 13, Government Finance Committee. Mr. Collins indicated he will also share this information with the Board for their information as they consider the three options.

After detailed review and Board discussion on the various options, the Board concurred that Mr. Collins will provide additional information relating to the Main retirement plan for their review at the March meeting. The Board also felt it would be helpful to have a special meeting before the regular March meeting to discuss the three options in more detail.

### **Retiree Health Legislation**

Mr. Collins indicated that the Benefits Committee suggested moving back the effective date on the retiree health legislation from July 1, 2015 to July 1, 2017. The bill also makes the retiree health insurance credit portable. Moving back the effective date will allow more time to determine that the Affordable Care Act is a viable alternative for PERS pre-Medicare retirees. The Board discussed this and requested additional information which Mr. Collins indicated will be provided for further discussion at the special Board meeting.

### **Defined Contribution Plan Legislation**

Mr. Collins indicated there are several areas in the defined contribution plan when compared to the defined benefit plan that are not consistent. The Board discussed the options for legislation including: 1) If Option 1 is submitted for legislation for the Main plan, then Option 3 should be submitted for the DC plan which would be to increase employer/employee contributions both by 1%. If Option 2 for legislation in the Main plan is submitted, one recommendation would be to increase employee contributions by 2% in the defined contribution plan for all new employees; 2) Relating to limited disability benefit, a suggestion would be to provide disability insurance to members enrolled in the defined contribution plan; 3) It was also recommended to provide a spousal benefit upon the death of the member in the amount of \$50,000 to be paid by the employer (increased contributions) which would be effective July 2017; and 4) Recommend allowing members enrolled in the defined contribution plan up to 4 hours of paid leave annually to meet with the investment advisors.

The Board discussed these suggestions and by consensus did not support the idea of additional benefits for those in the defined contribution plan.

### **Halliburton Amicus Brief**

Ms. Murtha explained that an amicus brief is filed by an individual or group of persons that have an interest in litigation but aren't actually a party. The U.S. Supreme Court receives many of these amicus briefs on cases because they have nationwide impact, so they are looking for input from groups that might be affected. This month North Dakota joined, with the approval of the Attorney General, 20 other states and one territory in the amicus brief in the Halliburton case. The Halliburton case is a securities fraud action where there were misrepresentations made over a two year period of time which alleged to have artificially increased the stock prices. The issue before the U.S. Supreme Court at this time is whether to overrule a legal presumption that would affect the ability to certify class actions for applicable securities fraud cases. Ms. Murtha indicated that it could impact PERS since the State Investment Board is involved in passive litigation monitoring efforts where class actions are filed, then documentation is submitted with possible monetary compensation. The SIB has a service through its custodial agreement with Northern Trust to engage in this passive litigation and monitoring of class actions. Over the last 13 years, documentation has been filed in 675 actions resulting in the recovery of just over \$4 million. Ms. Murtha indicated she would keep the Board informed of the results of this case.

### **4<sup>th</sup> Quarter DC Investment Report**

Mr. Reinhardt reported that assets in the 401(a) plan increased to about \$31 million and the number of participants are about the same as when the plan began. Assets in the 457 Companion Plan increased to \$58.3 million with the number of participants increasing to 4,873. Mr. Reinhardt indicated that the NDPERS Investment Subcommittee met to review the 4<sup>th</sup> quarter plan and investment overview with TIAA-CREF. The Committee marked two funds as underperforming for the quarter and they recommended putting the Parnassus Small Cap fund (PARSX) on Formal Fund Review as it has been underperforming the last four quarters. Members will be notified by newsletter.

### **MR. TRENBEATH MOVED TO PUT PARNASSUS SMALL CAP FUND (PARSX) ON FORMAL FUND REVIEW. THE MOTION WAS SECONDED BY MS. WASSIM.**

**Ayes:** Mr. Sandal, Mr. Trenbeath, Ms. Wassim, Ms. Ehrhardt, and Mr. Sage

**Nays:** None

**Absent:** Ms. Smith and Chairman Strinden

**MOTION PASSED**

## **GROUP INSURANCE**

### **Political Subdivision Participation**

Mr. Collins reported that under the Affordable Care Act any non-grandfathered plans that are 50 or less employees must transition off the PERS plan at their anniversary date. He reviewed information provided by BCBS legal staff and Deloitte. He also indicated that this was anticipated during the last legislative session and NDCC 54-52.1 was modified to allow political subdivisions to leave the PERS health plan without penalty if it was required by ACA. Mr. Collins indicated this affects 13 political subdivisions with 37 contracts. Staff has reviewed this and concluded that the prudent decision would be to make it effective June 30, 2014.

**MR. TRENBEATH MOVED THAT THE NON-GRANDFATHERED POLITICAL SUBDIVISIONS WILL NEED TO LEAVE THE PERS HEALTH PLAN BY JUNE 30, 2015. THE MOTION WAS SECONDED BY MR. SANDAL.**

The Board further discussed the implications of moving the date back to 2015 with Mr. Potts, BCBSND. Mr. Potts indicated that BCBS is moving all non-grandfathered small groups to other products on a month by month basis in 2014. After further Board discussion and the concern that PERS does not want to jeopardize the PERS grandfathered plan, Mr. Trenbeath and Mr. Sandal withdrew the motion.

**MR. SANDAL MOVED THAT THE NON-GRANDFATHERED POLITICAL SUBDIVISIONS WILL NEED TO TRANSITION OFF THE PERS HEALTH PLAN BY JUNE 30, 2014. THE MOTION WAS SECONDED BY MS. EHRHARDT.**

**Ayes:** Mr. Trenbeath, Ms. Wassim, Ms. Ehrhardt, Mr. Sage, and Mr. Sandal

**Nays:** None

**Absent:** Ms. Smith and Chairman Strinden

## **MOTION PASSED**

### **Consultant**

Mr. Collins shared information relating to estimated rates provided by Deloitte Consulting for 2014 and 2015. The health consultant is an advisor that is needed for specific questions that arise during the course of the contract, with the exception of the health plan bid. The Board directed Mr. Collins to inquire of Deloitte if they would be willing to decrease their estimated hourly rates. Mr. Collins will bring this to the next meeting for further review.

### **Plan Placement**

Mr. Collins indicated to the Board that a decision has to be made in March or April whether to issue a request for proposal for both a fully insured and a self insured bid. The existing contract with BCBS expires June 2015. In 2011 and 2013 the bid was for two years for fully insured. Rates are trending at around 14% or higher for the biennium. Mr.

Collins reviewed implications of bidding fully insured only or fully insured/self insured with the Board. Deloitte Consulting provided estimated fees for project assistance in bidding the health plan. The options before the Board are either: 1) to go out to bid on both a fully insured/self insured basis or just fully insured; or 2) to not go out to bid and renew with BCBS for two years (2015-17 biennium). The Board directed staff to draft a request for proposal for a health consultant to assist with the renewal/bid of a group health insurance plan on both a fully insured and self insured basis. The Board concurred that this will be held over to the March meeting.

## **MISCELLANEOUS**

### **Technical Legislation**

Ms. Allen reviewed the proposed administrative changes to the Main, Highway Patrol, and Uniform Group Insurance Programs for consideration as legislation. The Board discussed the proposed technical changes to the North Dakota Century Code with staff. The Board concurred on suggestions to not propose changes to Sections 54-52-02.9 and 54-52.6-02(3) relating to eligibility of temporary employees to participate in both the Main and Defined Contribution plans, and under Group Health in Section 54-52.1-03.4, change the date to January 1, 2016.

### **Board Election**

Ms. Allen reported that the term of Board members Joan Ehrhardt and Howard Sage will expire on June 30, 2014. The Board must appoint a committee of three (one is to be the chairman). The Board discussed and decided that Ms. Wassim, Mr. Sandal, and Mr. Trenbeath will serve on the election committee with Mr. Sandal designated as chair.

### **Administrative Rules Update**

Mr. Collins updated the Board on the administrative rules. They were submitted to the Attorney General's office for review and found to be in compliance with all legal requirements. They were then submitted to the Legislative Council for review, and upon approval, will be submitted to the Legislative Rules Committee at the March 11 meeting.

### **Quarterly Consultant Fees**

The quarterly consultant report for fees paid for the quarter ending December 31, 2013 was provided for information.

**Audit Committee Minutes**

The approved August 21, 2013 audit committee minutes were shared with the Board.

Mr. Sandal called for any other business or comments. Hearing none, the meeting adjourned at 12:33 p.m.

Prepared by,

Cheryl Stockert  
Assistant to the Board