

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

Friday, March 14, 2014

10:00 a.m.

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

Via Conference Call: Chairman Strinden

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Kathy Allen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Rebecca Fricke, NDPERS

Via Conference Call: Ms. Jan Murtha, Attorney General's Office

Chairman Strinden called the meeting to order at 10:00 a.m.

LEGISLATIVE CONSIDERATIONS

Mr. Collins indicated this meeting is in follow-up to the February meeting regarding to the proposed legislation relating to retirement, retiree health, defined contribution, and the technical legislation. As had previously been discussed, all plans but the Main plan are on track to 100% funded status and the Board concurred there would be no legislation submitted on those plans.

Retirement Plan Legislation: Mr. Collins reviewed the retirement plans with the Board. All plans are on a course to 100% funded status except for the Main plan. Mr. Collins reported that the Government Finance Committee met on March 13 and is reviewing the state's liability on the Main plan. Mr. Collins shared information that Segal had prepared for the Committee based on their request . The Committee indicated they will be hiring another actuary to review the Segal information.

Mr. Collins reported that all employee-related bills must go through the Employee Benefits Committee and the date for submitting our legislation to them is the end of March. The Board had a full discussion relating to how to proceed with proposed legislation, maintaining they have a fiduciary responsibility to ensure the plan is funded appropriately and as quickly as possible.

MR. SAGE MOVED TO SUBMIT ONE BILL THAT INCLUDES IMPLEMENTING THE FOURTH YEAR OF THE RECOVERY PLAN FOR ALL EMPLOYEES (A ONE PERCENT EMPLOYEE AND ONE PERCENT EMPLOYER CONTRIBUTION), AND FOR NEW EMPLOYEES, IMPLEMENT CHANGES IN THE RETIREMENT BENEFITS TO INCLUDE: 1) CHANGING THE EARLY RETIREMENT REDUCTION FROM 6% PER YEAR TO 9% PER YEAR, 2) CHANGING THE FINAL AVERAGE SALARY FROM THE HIGH THREE YEARS TO THE HIGH FIVE YEARS, AND 3) CHANGING THE RULE OF 85 TO 90 WITH A MINIMUM AGE OF 62. THE MOTION WAS SECONDED BY MS. EHRHARDT.

The Board discussed this motion in detail, indicating these two options would bring the Main plan to fully funded status sooner than other options would.

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

Nays: Ms. Ehrhardt, Mr. Sandal, Mr. Trenbeath, Ms. Wassim

MOTION FAILED

The Board further discussed retirement legislation options.

MR. TRENBEATH MOVED TO SUBMIT LEGISLATION THAT INCLUDES IMPLEMENTING THE FOURTH YEAR OF THE RECOVERY PLAN (A ONE PERCENT EMPLOYEE AND A ONE PERCENT EMPLOYER CONTRIBUTION). THE MOTION WAS SECONDED BY MS. WASSIM.

The Board discussed the motion, indicating that in submitting a bill with one option would not complicate matters for the legislature and bring the Main plan to fully funded status.

Ayes: Mr. Trenbeath, Ms. Wassim, and Chairman Strinden

Nays: Ms. Smith, Mr. Sage, Ms. Ehrhardt, Mr. Sandal

MOTION FAILED

MS. WASSIM MOVED TO SUBMIT ONE BILL THAT INCLUDES IMPLEMENTING THE FOURTH YEAR OF THE RECOVERY PLAN FOR ALL EMPLOYEES (A ONE PERCENT EMPLOYEE AND ONE PERCENT EMPLOYER CONTRIBUTION), AND FOR NEW EMPLOYEES, IMPLEMENT CHANGES IN THE RETIREMENT BENEFITS TO INCLUDE: 1) CHANGING THE EARLY RETIREMENT REDUCTION FROM 6% PER YEAR TO 8% PER YEAR, 2) CHANGING THE FINAL AVERAGE SALARY FROM THE HIGH THREE YEARS TO THE HIGH FIVE YEARS, AND 3) CHANGING THE RULE OF 85 TO 90 WITH A MINIMUM AGE OF 60. THE MOTION WAS SECONDED BY MR. SANDAL.

The Board discussed this motion and believed that it exemplified the fiduciary responsibilities of the Board. It recognizes the fact that the legislature, during the past session, supported and funded the changes and timeline recommended by the TFFR Board. It was suggested that this motion achieves two results – one is maintaining the Board's fiduciary responsibility in getting to fully funded status sooner, and second is maintaining PERS responsibility to provide a benefits plan which supports the ability to recruit and retain employees.

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

Nays: Mr. Trenbeath

MOTION PASSED

Pre-Medicare Retiree Health Legislation: Mr. Collins indicated this relates to whether legislation should be considered to extend the effective date back from 2015 to 2017. Previous discussion related to the fact that with the health care exchanges being established, there would not be a need to extend the effective date. The Board discussed and concurred that no legislation will be submitted.

Defined Contribution Plan Legislation: Mr. Collins noted that the recovery plan included the defined contribution plan and so no additional action would be needed for funding. The Board discussed and concurred that no legislation will be submitted.

Technical Legislation: Mr. Collins indicated that since the February meeting, there were two clarifications made to the technical legislation (refer to draft bill). Ms. Fricke explained the clarifications which relate to uniform group insurance.

MR. TRENBEATH MOVED APPROVAL OF THE NDPERS TECHNICAL BILL. THE MOTION WAS SECONDED BY MR. SAGE.

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

Nays: None

Absent: Ms. Ehrhardt

MOTION PASSED

GROUP CONSULTANTS

Mr. Collins shared information with the Board relating to a request that was made for health and retirement consulting costs for the last four years. This information is reported to the Board every quarter.

Retirement Consultant: Mr. Collins indicated that the Board decided to seek a renewal offer from Segal for two more years and requested that lower pricing be negotiated. Mr. Collins received proposed renewal fees which were lowered with no increase in the fee

for service for the next year. PERS has not gone out to bid on this effort since renewing in 2010. It was noted that this would be a difficult time to change since much of the work Segal has done relating to the defined contribution plan alternative continues to be applicable and the implementation of the new GASB requirements. In addition, if changed at this time, it could make the work of the Government Finance Committee more difficult. The Board discussed.

MR. SAGE MOVED TO RENEW WITH SEGAL FOR ONE YEAR (JULY 1, 2014 THROUGH JUNE 30, 2015) AND TO GO OUT TO BID THE NEXT YEAR. THE MOTION WAS SECONDED BY MR. TRENBEATH.

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

Nays: None

MOTION PASSED

Health Consultant: Mr. Collins reported that at the previous meeting the Board requested staff to negotiate lower pricing from Deloitte, the current health consultant for general consulting support. They indicated they would drop their request for a fee increase and not change their proposed fees for 2014-2015. Mr. Collins understood that the Board indicated that PERS should go to bid on a consultant for the group health plan bid which staff has drafted a request for proposal.

MR. SAGE MOVED THAT PERS RETAIN DELOITTE FOR GENERAL HEALTH CONSULTING. THE MOTION WAS SECONDED BY MR. SANDAL.

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

Nays: None

MOTION PASSED

Mr. Collins indicated that a draft Request for Proposal has been prepared for the group health plan consulting and actuarial services on both a fully insured and self insured basis. He indicated it may be necessary to move the regularly scheduled Board meeting scheduled for April 17 to a later date in April in order to review the proposals. The Board concurred and the April meeting will be rescheduled.

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 12:30 p.m.

Prepared by,

Cheryl Stockert
Assistant to the Board