

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13th Ave S, Fargo

Thursday, May 22, 2014

1:30 P.M.

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

Via Videoconference: Chairman Strinden

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Kathy Allen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. MaryJo Steffes, NDPERS
Ms. Mary Kae Kelsch, Attorney General's Office
Mr. Kevin Schoenborn, BCBSND
Mr. Paul Hovelsrud, TIAA-CREF
Mr. Bill Thorne, TIAA-CREF
Mr. Dirk Huggett, State ITD
Mr. Alan Person

Via Teleconference: Mr. Tim Huckle, BCBSND

Via Videoconference: Mr. Michael Carlson, BCBSND
Ms. Jodi Crouse, BCBSND
Ms. Stacy Duncan, BCBSND
Mr. Jim Wynstra, BCBSND
Ms. Onalee Sellheim, BCBSND
Mr. Brent Solseng, BCBSND
Ms. Sonja Nyhof, 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 April 29, 2014 Board meeting.

MR. SANDAL MOVED APPROVAL OF THE APRIL 29, 2014 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MR. TRENBEATH. THE MINUTES WERE APPROVED.

GROUP INSURANCE

BCBS Update

Mr. Tim Huckle, Interim BCBSND Chief Executive Officer, spoke with the Board assuring them that the recent events and internal changes will not affect their relationship with NDPERS, and indicating to them that NDPERS is their largest group and they will continue to service customers. He indicated that the financial situation at BCBSND will not create any issues for the NDPERS account and that they remain committed to NDPERS. A question was raised regarding the reduction in BCBSND rating and because of this they were on watch with the national BCBS Association. Mr. Huckle explained that BCBSND was put on an early warning status because there were changes in financial levels or a drop in financial reserves. He anticipates that, after the BCBSND quarterly reporting, they will be removed from that status. There were no questions or concerns expressed by the Board.

BCBS Quarterly Executive Summary

Mr. Schoenborn began the review of the summary report with the Board and explained that BCBSND staff was available to review the report in detail and answer any questions.

Mr. Wynstra, BCBSND, reviewed financial information including biennium comparison and the quarterly trend analysis paid through March 31, 2014. The rolling trend for actives through December 2013 is 4.7%.

Ms. Crouse, BCBSND, reviewed the following with the Board: membership demographics, claims paid per member per month trend and paid by claims type, and high dollar cases for actives and early retirees.

Mr. Solseng, BCBSND, reviewed the pharmacy management program with the Board including information relating to generic utilization rate, quarterly drug spending and payment trend, and a comparison of percentage of specialty claims and specialty dollars showing that specialty spend continues to increase.

Ms. Crouse, BCBSND, reviewed health management including information on the MediQHome outcome measures, AccordantCare participation (rate and complex disease management) and preventive cancer screening information.

Ms. Duncan, BCBSND, presented wellness program information to the Board which included information on the HealthyBlue, Health Club Credit programs, member engagement and wellness specialist efforts.

Ms. Crouse, BCBSND, then reviewed the performance standards and guarantees as well as ongoing activities with the Board. She introduced Ms. Sonja Nyhof who will be assisting in the NDPERS program management.

The Board and staff discussed this report with BCBS staff and questions were answered.

Part D Vendor Change

Mr. Collins reported that BCBS informed NDPERS that effective January 1, 2015 the Part D vendor will change from Prime Therapeutics to CVS Caremark. Mr. Solseng reviewed the member communication plans with the Board. He explained that this should be a seamless transition, with no benefit changes and the customer service phone number and address will remain the same. The Board had further questions.

BCBS ACA Amendment

Mr. Collins reported that at the last meeting, the Board decided to pay the ACA fees on an actual incurred billed basis. Consequently, the Administrative Service Agreement with BCBSND had to be amended to reflect this decision.

MR. SANDAL MOVED APPROVAL OF THE BCBSND ADMINISTRATIVE SERVICE AGREEMENT. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

MOTION PASSED

Health Insurance Bid

Mr. Collins reviewed two Deloitte contracts with the Board. At the March meeting, the Board approved Deloitte as the group insurance consultant for the next year. At the April meeting, the Board selected Deloitte to conduct the group health insurance bid for NDPERS. Legal counsel has been negotiating the contracts with Deloitte which have now been finalized.

MR. TRENEATH MOVED APPROVAL OF THE TWO DELOITTE CONTRACTS. THE MOTION WAS SECONDED BY MS. WASSIM.

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

Nays: None

MOTION PASSED

Since the contract negotiations took longer than anticipated, Mr. Collins indicated that the work to begin a group health insurance bid has been delayed. An alternative timeline was proposed to issue the bid for fully insured by the end of June. The self-insured bid would be issued by the end of July to be reviewed at the July meeting. The Board concurred on the proposed changes to the timeline for the group insurance bids.

BCBS Claims Audit

Mr. Reinhardt reported that each year a claims audit is conducted at BCBS to determine claims processing accuracy. A sample of 100 NDPERS claims was reviewed on March 6 at the office in Fargo. When compared to recent reviews, there were a greater number of claims errors found in the 2013 audit. Mr. Reinhardt shared the response from BCBS explaining the procedures that the NDPERS service unit follows to audit their claims processing. The Board had questions relating to the audit and suggested that since there were more errors noted, staff may want to conduct another audit. In response to Board questions, Mr. Schoenborn, BCBSND, explained their internal process for auditing the claims processing function. Mr. Reinhardt indicated that staff would be conducting another audit this fall prior to the next bid.

Delta Dental Rate Renewal

Ms. Allen indicated that at the April meeting, the Board asked staff to go back to Delta Dental to propose a 1% increase for the two year period instead of the 2% increase proposed. Delta Dental has agreed to a 1% premium increase for the period January 1, 2015 through December 31, 2016.

MR. SANDAL MOVED APPROVAL OF THE DELTA DENTAL RATE RENEWAL FOR THE PERIOD JANUARY 1, 2015 THROUGH DECEMBER 31, 2016. THE MOTION WAS SECONDED BY MR. SAGE.

The Board discussed the motion.

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

Nays: None

MOTION PASSED

RETIREMENT

TIAA-CREF Update

Mr. Collins indicated that TIAA-CREF representatives would be discussing their action plan to address member concerns and present a general plan update.

Mr. Hovelsrud and Mr. Thorne, TIAA-CREF, gave an update to the Board which included a review of program goals for 2014 and information on their education and advice program. It was reported that they are conducting targeted communications, education, workshops, and one on one counseling. Mr. Thorne indicated that Ms. Denise Bares has been hired as a financial consultant in the Bismarck area and will begin consulting in July.

Disability Consultant

Ms. Allen reported that the contract with Mid Dakota Clinic for disability consulting services is scheduled to expire June 30, 2014. Mid Dakota has indicated they wish to continue to perform these services for NDPERS at the rate of \$200 per hour for the Period July 1, 2014 through June 30, 2015. This is the same hourly rate for the seventh year and staff is satisfied with their services. The Board had questions relating to this service and the renewal.

MR. SANDAL MOVED APPROVAL TO CONTRACT WITH MID DAKOTA CLINIC FOR DISABILITY CONSULTING SERVICES FOR THE PERIOD JULY 1, 2014 THROUGH JUNE 30, 2015. THE MOTION WAS SECONDED BY MS. WASSIM.

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

Nays: None

Absent: Ms. Ehrhardt

MOTION PASSED

Investment Committee Fund Recommendation

Mr. Reinhardt reported that at the February meeting, the Board placed the Parnassus Small Cap fund on formal fund review. TIAA-CREF included this information on their website and NDPERS placed this information in the newsletters and investment reports. At the May 14 Investment Subcommittee meeting, it was recommended that this fund be removed from the investment options, to select a new fund replacing it with the DFA U.S. Small Cap Blend, and move existing accounts to the new fund.

MR. SAGE MOVED THAT THE PARNASSUS SMALL CAP FUND BE REMOVED FROM THE CORE FUND LINEUP AND REPLACED WITH THE DFA U.S. SMALL CAP BLEND. THE MOTION WAS SECONDED BY MR. TRENBEATH.

The Board discussed the motion and Mr. Reinhardt explained that the new funds will be mapped as had been done in the past.

Ayes: Mr. Sage, Ms. Smith, Ms. Ehrhardt, Mr. Trenbeath, Ms. Wassim, Mr. Sandal, and Chairman Strinden
Nays: None

MOTION PASSED

Job Service Retirement Plan

Mr. Collins reported that at the last meeting the Board requested staff to move forward with administering the Job Service retirement plan using the current methodology and adjusting those level social security benefit accounts as appropriate. Staff requested an extension from June 1, 2014 to July 1, 2014 to insure that all calculations have been fully reviewed. The Audit Committee met on May 21 and concurred on the July 1 extension.

MS. WASSIM MOVED APPROVAL TO EXTEND IMPLEMENTATION TO JULY 1, 2014. THE MOTION WAS SECONDED BY MS. SMITH.

Ayes: Ms. Ehrhardt, Mr. Sage, Mr. Sandal, Ms. Smith, Mr. Trenbeath, Ms. Wassim, and Chairman Strinden
Nays: None

MOTION PASSED

FLEX COMP

ADP Renewal

Ms. Allen reported that the contract with ADP expires December 31, 2014. ADP has submitted a rate renewal increase of 5% for a period of three years from January 1, 2015 through December 31, 2017. The Board discussed this renewal.

MS. SMITH MOVED TO HAVE STAFF SUBMIT A COUNTERPROPOSAL TO ADP WHICH INCLUDED YEAR ONE AT THE CURRENT RATE WITH THE OPTION TO RENEW FOR THE NEXT TWO YEARS AT A FIVE PERCENT INCREASE. THE MOTION WAS SECONDED BY MR. TRENBEATH.

Ayes: Mr. Sage, Ms. Ehrhardt, Ms. Smith, Mr. Trenbeath, Mr. Sandal, Ms. Wassim, and Chairman Strinden
Nays: None

MOTION PASSED

MISCELLANEOUS

NDPERS Update

Ms. Allen provided the Board with an update on outreach activities provided by NDPERS staff and vendors.

Board Election

Ms. Allen reported that the Election Committee met on May 9, 2014 to review the validity of a candidate's petitions which were received after the filing deadline and to review and validate the nomination petitions received in compliance with the filing guidelines for the active and retiree openings on the Board. It was determined one of the petitions was not submitted by the deadline and should not be considered.

PERSLink

Mr. Collins indicated that Mr. Huggett from state Information Technology Department (ITD), who was the PERSLink business system oversight project manager, was at the meeting. Ms. Schiermeister reported that at the March meeting the Board was apprised of the challenges of the PERSLink business system. Staff was seeking approval to put additional resources to work on the system. Mr. Huggett stated that the PERSLink system is a major information technology investment and all systems have issues after deployment. He indicated that if the system is doing the job, then it is the right decision to invest in it. He further indicated that the PERS project is an example of a successful project that he references to others in the state. Ms. Schiermeister reviewed with the Board the specific efforts that need to be completed on the system.

MR. SAGE MOVED APPROVAL TO MOVE FORWARD WITH THE PERSLINK BUSINESS SYSTEM REFINEMENTS AFTER THE EMPLOYER SELF SERVICE REDESIGN IS COMPLETED AND TO ALLOCATE \$200,000 FOR THIS EFFORT. THE MOTION WAS SECONDED BY MS. SMITH.

The Board discussed the motion.

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

Nays: None

MOTION PASSED

Budget Guidelines

Ms. Schiermeister reported that state agencies have received budget guidelines from the Governor and OMB for the 2015-17 biennium and they have requested that agencies submit a hold-even budget. Any budget increases or requests for additional staff must be submitted as optional packages. Mr. Collins reviewed the optional packages with the suggested priority. The Board discussed this information and requested that staff develop optional budget packages for final consideration at the June meeting.

Other

Mr. Collins indicated that the International Foundation of Employee Benefits Plans annual conference is in October in Boston. He explained that in the past, up to two Board members have been approved to attend this conference, and one member has expressed an interest in attending.

MS. SMITH MOVED APPROVAL FOR TWO BOARD MEMBERS TO ATTEND THIS CONFERENCE. THE MOTION WAS SECONDED BY MS. WASSIM.

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

Nays: None

MOTION PASSED

Mr. Collins reported that he has been elected to serve on the Executive Board of the International Foundation (which he has served on for the past three years). Mr. Collins indicated that the Foundation pays for all expenses associated with their board. The Board concurred on Mr. Collins involvement.

Mr. Collins reviewed the updated Personal Service Contract relating to the independent actuarial audit to be conducted by the Legislative Council with the Board. Gallagher Benefit Services had been awarded the contract. Mr. Collins indicated that the confidentiality provisions have been enhanced. An agreement has been reached that Gallagher can keep the records and/or data, it must be kept confidential, similar language as in HIPAA agreements relating to a breach of information has been included, and NDPERS will be informed when records and/or data is destroyed. NDPERS will have more active oversight of what happens with the records and/or data. The Board discussed this contract in detail with staff and legal counsel with concerns relating to the length of time Gallagher keeps the records and/or data and maintaining member confidentiality. After Board discussion, they determined that staff will contact Gallagher to negotiate the ability that NDPERS will destroy the data upon request and that no confidential data such as names or social security numbers would be included in the records and/or data. Chairman Strinden indicated that, because the Board was not comfortable with the contract as currently written, a special Board meeting will need to be scheduled to review and approve the contract. Mr. Collins indicated he would go back to Legislative Council and Gallagher to request that no names or social security numbers are to be included in the data.

APPEALS

Flex Comp Appeal Case #199

Mr. Collins indicated to the Board that there was a need to go into Executive Session to discuss this appeal to protect member confidentiality. The member was in attendance at the meeting to discuss the appeal with the Board.

MR. TRENBEATH MOVED THAT THE BOARD ENTER INTO EXECUTIVE SESSION PURSUANT TO NORTH DAKOTA CENTURY CODE §44-04-19.2(1), 44-04-19.2(2) AND 54-52-26 TO DISCUSS CONFIDENTIAL MEMBER INFORMATION. THE MOTION WAS SECONDED BY MR SANDAL.

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

Nays: None

MOTION PASSED AND THE BOARD WENT INTO EXECUTIVE SESSION TO DISCUSS CONFIDENTIAL MEMBER INFORMATION OR RECORDS.

All Board members named above and the NDPERS member were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 10:20 a.m. The Executive Session closed at 10:45 a.m. and the Board returned to open session.

MR. SANDAL MOVED TO DENY THE FLEX COMP APPEAL. THE MOTION WAS SECONDED BY MR. TRENBEATH.

The Board further discussed the motion.

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

Nays: Ms. Wassim

MOTION PASSED

Retirement Appeal Case #200

Mr. Collins indicated to the Board that there was a need to go into Executive Session to discuss this appeal to protect member confidentiality. The member was in attendance at the meeting to discuss the appeal with the Board.

MR. TRENBEATH MOVED THAT THE BOARD ENTER INTO EXECUTIVE SESSION PURSUANT TO NORTH DAKOTA CENTURY CODE §44-04-19.2(1), 44-04-19.2(2) AND 54-52-26 TO DISCUSS CONFIDENTIAL MEMBER INFORMATION. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

MOTION PASSED AND THE BOARD WENT INTO EXECUTIVE SESSION TO DISCUSS CONFIDENTIAL MEMBER INFORMATION OR RECORDS.

All Board members named above and the NDPERS member were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 10:50 a.m. The Executive Session closed at 11:00 a.m. and the Board returned to open session.

MR. TRENBEATH MOVED TO DENY THE APPEAL AS THE BOARD DETERMINED IT WAS NOT REVIEWABLE UNDER NORTH DAKOTA STATE LAW. THE MOTION WAS SECONDED BY MR. SAGE.

The Board discussed the motion and determined the specific reference to the North Dakota Century Code was at Section 54-52.6-02(1).

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

Nays: None

MOTION PASSED

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 12:45 p.m.

Prepared by,

Cheryl Stockert
Assistant to the Board