

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13th Ave S, Fargo

Thursday, November 20, 2014

8:30 A.M.

Members Present: Ms. Casey Goodhouse
Mr. Mike Sandal
Ms. Arvy Smith
Ms. Yvonne Smith
Mr. Thomas Trenbeath
Ms. Kim Wassim

Via Teleconference: Chairman Strinden

Others Present: Mr. Sparb Collins, NDPERS
Ms. Kim Humann, 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
Mr. Kevin Schoenborn, BCBSND
Ms. Onalee Sellheim, BCBSND
Mr. Ronald Leingang

Via Teleconference: Mr. Michael Carlson, BCBSND
Ms. Stacy Duncan, BCBSND
Ms. Sonja Nyhof, BCBSND
Mr. Brent Solseng, BCBSND
Mr. Josh Johnson, Deloitte

Mr. Sandal called the meeting to order at 8:35 a.m.

MINUTES

Mr. Sandal called for any questions or comments regarding the minutes of the October 23, 2014 Board meeting.

MS. A. SMITH MOVED APPROVAL OF THE OCTOBER 23, 2014 NDPERS BOARD MEETING MINUTES. THE MOTION WAS SECONDED BY MS. WASSIM AND CARRIED BY VOICE VOTE. THE MINUTES WERE APPROVED.

RETIREMENT

Experience Study Request for Proposal

Mr. Collins indicated that an experience study is required to be done every five years which ended with the 2014 valuations. This was discussed previously and the Board directed staff to prepare a request for proposal. Mr. Collins reviewed the proposed RFP and timelines with the Board.

MR. TRENBEATH MOVED APPROVAL OF THE EXPERIENCE STUDY REQUEST FOR PROPOSAL EXCLUDING THE RETIREE HEALTH INSURANCE CREDIT PROGRAM. THE MOTION WAS SECONDED BY MS. A. SMITH.

Ayes: Ms. Goodhouse, Mr. Sandal, Ms. A. Smith, Ms. Y. Smith, Mr. Trenbeath, and Ms. Wassim

Nays: None

Absent: Chairman Strinden

MOTION PASSED

Defined Contribution Plan Document

Mr. Collins indicated that at the last meeting the Board reviewed information relating to participation by judges in the defined contribution plan and the Board determined that the plan document needed to be changed. Ms. Murtha developed the changes to the plan document to make it consistent with the summary plan description.

MR. TRENBEATH MOVED APPROVAL OF THE UPDATED DEFINED CONTRIBUTION PLAN DOCUMENT. THE MOTION WAS SECONDED BY MS. WASSIM.

Ayes: Mr. Sandal, Ms. Y. Smith, Ms. A. Smith, Mr. Trenbeath, Ms. Wassim and Ms. Goodhouse

Nays: None

Absent: Chairman Strinden

MOTION PASSED

Defined Contribution Legislation

Mr. Collins reviewed the final defined contribution retirement plan bill from the Government Finance Committee with the Board. Also included was the bill summary as prepared by Legislative Council. The Legislative Employee Benefits Committee has

assumed jurisdiction of this bill and has referred it on to the actuaries for technical and actuarial review. That committee will be meeting on December 2 to hear the results of this review. As originally estimated to put new employees into the defined contribution plan, a \$162.8 million one time contribution to the retirement fund in December 2015 is necessary in order to make this a cost neutral situation if the plan was to earn 8% each year. In the final stages, another provision was added to allow existing employees the opportunity to leave the system. Also, this estimate was based upon the 2013 valuation and will be updated to the 2014 valuation. These two items were not a part of the original estimate. As a result, the contribution cost of this bill will change. Chairman Strinden joined the meeting. The Board discussed this bill.

Job Service Retirement Plan

Ms. Steffes reported that during an internal audit, it was discovered that there were inconsistencies in administering the plan. Three situations were presented.

1. Ms. Steffes reported that there was an inconsistency in calculating how a qualified domestic relations order was calculated and a calculation from 2002 (prior to NDPERS taking over the plan) was compared to a calculation from 2006 (after NDPERS took over the plan). Ms. Steffes reviewed the detail of the miscalculation and presented various options to the Board. The Board discussed this situation.

MR. TRENBEATH MOVED THAT STAFF SEND NOTICE OF OVERPAYMENT, WAIVE RECOVERY, AND REDUCE FUTURE BENEFITS EFFECTIVE JANUARY 1, 2015. THE MOTION WAS SECONDED BY MS. Y. SMITH.

The Board further discussed this situation.

Ayes: Mr. Trenbeath, Ms. Wassim, Ms. Goodhouse, Mr. Sandal, Ms. A. Smith, Ms. Y. Smith, and Chairman Strinden

Nays: None

MOTION PASSED

2. Ms. Steffes explained that during development of the PERSLink business system, the Job Service benefit calculation worksheet was reworked to make it more efficient and a formula error occurred. Those individuals that retired after October 1, 2010 with the straight life or term certain benefit options were calculated incorrectly. This affected eight members, with two members being underpaid and six members being overpaid.

MR. SANDAL MOVED THAT STAFF SEND NOTICE OF OVERPAYMENT, WAIVE RECOVERY AND REDUCE FUTURE BENEFITS EFFECTIVE JANUARY 1, 2015. THE MOTION WAS SECONDED BY MS. WASSIM.

Ayes: Ms. Wassim, Ms. Goodhouse, Mr. Sandal, Ms. A. Smith, Ms. Y. Smith, Mr. Trenbeath, and Chairman Strinden

Nays: None

MOTION PASSED

The Board further discussed this situation noting that NDPERS is obligated to pay any underpayment amounts.

3. Ms. Steffes reported that when the formula for straight life and term certain was found to be incorrect, the joint and survivor formula was reviewed for accuracy. It was found that when there is more than 10 years age difference between the retiree and the contingent annuitant, an additional reduction factor is used in the calculation of the benefits. There is one benefit that was calculated incorrectly resulting in an overpayment. Going forward, calculating benefits in these situations will be done manually.

MR. TRENBEATH MOVED TWO OPTIONS, (1) THAT STAFF SEND NOTICE OF OVERPAYMENT, WAIVE RECOVERY, AND REDUCE FUTURE BENEFITS OR (2) GIVE THE MEMBER THE OPTION TO CHANGE THEIR INITIAL ELECTION AND WAIVE RECOVERY EFFECTIVE JANUARY 1, 2015. THE MOTION WAS SECONDED BY MS. WASSIM.

The Board discussed this situation, further noting that if the member elects to change their initial option, this decision would be irrevocable.

Ayes: Ms. Goodhouse, Mr. Sandal, Ms. A. Smith, Ms. Y. Smith, Mr. Trenbeath, Ms. Wassim, and Chairman Strinden

Nays: None

MOTION PASSED

Defined Contribution Plan 401(a) Reporting

Mr. Reinhardt reviewed the defined contribution report through October 2014 with the Board. Since October 2013, 22 members out of 1350 have elected the defined contribution retirement plan option.

Quarterly Investment Report

Mr. Reinhardt reviewed the second quarter 2014 investment report for the 401(a) and 457 Companion Plan with the Board. The number of participants in the 401(a) is up from 232 to 293 and 68% of assets are in the TIAA-CREF Lifecycle funds. Assets in this fund increased to \$33.2 million as of June 30, 2014. The number of participants in the 457

Companion Plan increased from 3,973 to 5,144. Assets in this fund increased to \$64.2 million as of June 30, 2014.

401(a) and 457 Companion Plan Investment Funds

Mr. Reinhardt reported that the Investment Subcommittee met last week and reviewed the fund lineup. It was determined that the Wells Fargo Advantage Growth Admin Fund (SGRKX) was underperforming for the quarter. The PIMCO Total Return Bond Fund (PTRAX) went through a management change with high outflows of investments in the fund. The Investment Subcommittee recommended putting these two funds on Formal Fund Review.

MR. SANDAL MOVED TO PUT WELLS FARGO ADVANTAGE GROWTH ADMIN FUND AND PIMCO TOTAL RETURN BOND FUND ON FORMAL FUND REVIEW. THE MOTION WAS SECONDED BY MS. WASSIM.

Ayes: Mr. Sandal, Ms. A. Smith, Ms. Y. Smith, Mr. Trenbeath, Ms. Wassim, Ms. Goodhouse, and Chairman Strinden

Nays: None

MOTION PASSED

GROUP INSURANCE

Group Health Insurance Bid Update
Pharmacy Benefits Manager Report

Mr. Collins indicated that it was necessary to update the Board on the bids that were received for group health insurance and to discuss the pharmacy benefit manager review.

MR. TRENBEATH MOVED THAT THE BOARD ENTER INTO EXECUTIVE SESSION PURSUANT NDCC 44-04-19.1(9) and 44-04-19.2 TO DISCUSS NEGOTIATING STRATEGY OR PROVIDE NEGOTIATING INSTRUCTIONS TO ITS ATTORNEY OR OTHER NEGOTIATOR. THE MOTION WAS SECONDED BY MR. SANDAL.

Ayes: Ms. Goodhouse, Mr. Sandal, Ms. A. Smith, Ms. Y. Smith, Mr. Trenbeath, Ms. Wassim, 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 10:30 a.m.

The Board reconvened and returned to open session at 11:15 a.m.

Silver Sneakers Program

Ms. Fricke indicated that at the September meeting a member requested that the Board add the Silver Sneakers Program to the retiree health plan (Medicare). The Board had directed staff to develop a survey of the retiree membership to determine if there is interest in adding this program and if they are willing to pay the additional premium. Ms. Fricke shared the draft survey with the Board and indicated it would be mailed on December or January. Staff will provide the results of this survey either in January or February.

Pre-Medicare Retiree Communication and Implementation

Ms. Fricke provided an update to the Board relating to the ongoing communication plan for the upcoming changes for pre-Medicare retiree health insurance and the retiree health insurance credit portability. She indicated there are very good questions coming from the members.

Medicare Part D Program

Ms. Allen indicated that the September meeting, the Board accepted the BCBS MedicareBlue Rx Part D rate increase which will be effective January 1, 2015. The letter notifying members of this increase was shared with the Board.

Medicare Part D Program Contract

Ms. Allen shared the Medicare Part D prescription drug plan contract effective January 1, 2015 with the Board. She indicated there were revisions and staff is working with BCBS on these issues. The issues should be resolved and a final contract presented to the Board at the December meeting.

MISCELLANEOUS

Legislation: Retirement/Health

Mr. Collins reported that the Legislative Employee Benefits Committee met in October and reviewed the actuarial reports and final review of the bills relating to PERS. The technical bill received a favorable recommendation. The retirement contribution increase bill received no recommendation. Relating to coverage for cancer medications (bill 117), that bill was referred for additional study. The bill relating to telemedicine (79) was given a favorable recommendation. The bill allowing existing employees to rejoin the defined benefit retirement plan (bill 43) received no recommendation. The last bill combining the law enforcement plans and National Guard plans (bill 139) received a favorable recommendation.

Mr. Collins suggested taking a neutral position on bill 43; on bill 139 take a favorable position; and on bills 117 and 79 take a neutral position based on actuarial reports.

Mr. Collins suggested waiting to take action on the retirement increase bill until after the Governor's executive recommendation is received and also until new numbers on the

defined contribution plan are received. A special meeting will be scheduled on December 4 for this decision. The Board discussed this information.

MR. SANDAL MOVED APPROVAL OF STAFF RECOMMENDATION RELATING TO THE POSITIONS TAKEN ON THE BILLS AND TO CONDUCT A SPECIAL BOARD MEETING. THE MOTION WAS SECONDED BY MR. TRENBEATH.

Ayes: Ms. Y. Smith, Mr. Trenbeath, Ms. Wassim, Ms. Goodhouse, Mr. Sandal, Ms. A. Smith, and Chairman Strinden

Nays: None

MOTION PASSED

Web Site Request for Proposal

Mr. Collins reviewed the web site request for proposal and timelines with the Board. This effort has been included in the PERS budget for the next biennium. The goal is to get this request for proposal out to market to be able to confirm cost estimates. The Board had questions relating to the time lines.

MR. TRENBEATH MOVED APPORVAL TO ISSUE THE WEB DEVELOPMENT AND SOCIAL MEDIA DEPLOYMENT REQUEST FOR PROPOSAL. THE MOTION WAS SECONDED BY MS. WASSIM.

Ayes: Mr. Trenbeath, Ms. Wassim, Ms. Goodhouse, Mr. Sandal, Ms. A. Smith, Ms. Y. Smith, and Chairman Strinden

Nays: None

MOTION PASSED

2015 Board Meeting Schedule

Mr. Collins presented the proposed 2015 meeting schedule with the Board. It will be filed with the Secretary of State and added to calendars.

Plan Documents (Deferred Compensation and Flex Comp)

Ms. Allen indicated that staff is proposing to restate the Plan Documents for the Flex Comp Plan, Deferred Compensation, and Companion Plan. Flex Comp Plan Document was last restated January 1, 2003 and the Deferred Compensation and Companion Plan Plan Documents were last restated January 1, 2007. Segal has proposed to restate the Flex Comp Plan Document at actual time charges not to exceed \$12,000 and the 457 Plan Documents at actual time charges not to exceed \$6,000 for each plan (\$12,000 for both plans). Segal also proposed to revamp the style of these Plan Documents, using the IRS model for governmental 457 plans and to use the simpler model for the Flex Comp Plan Document. Staff recommends updating all Plan Documents using Segal's models to

ensure compliance with federal regulations while maintaining the unique policies of these plans. The Board had questions and discussed with staff.

MS. A. SMITH MOVED APPROVAL TO HAVE SEGAL RESTATE THE PLAN DOCUMENTS AND TO UTILIZE THEIR RECOMMENDED MODELS FOR THE FLEX COMP, DEFERRED COMPENSATION AND COMPANION PLAN. THE MOTION WAS SECONDED BY MS. Y. SMITH.

Ayes: Ms. Goodhouse, Mr. Sandal, Ms. A. Smith, Ms. Y. Smith, Mr. Trenbeath, Ms. Wassim, and Chairman Strinden

Nays: None

MOTION PASSED

Quarterly Consultant Fees

The quarterly consultant report for fees paid for the quarter ending September 2014 was provided for information. Mr. Collins indicated to the Board that these fees will increase in the future due to the Governmental Accounting Standards Board requirements and the actuarial work on the defined contribution plan. The Board discussed further.

FLEX COMP

Comparison of Forfeitures

Ms. Allen reviewed the forfeitures for the medical spending accounts and dependent care accounts with the Board for plan years 2009-2013. ADP has been the plan administrator since 2013. The Board had questions relating to the forfeitures.

Flex Comp Annual Limit

Ms. Allen reported that on October 30, 2014 the Internal Revenue Service announced annual inflation adjustments for 2015. Included in this announcement was notice that the annual limit for the health care medical spending account increased from \$2,500 to \$2,550 for 2015.

Segal indicated that the IRS limit changes are not released until the end of October or early November, which means the information will never be available to coincide with the release of PERS annual enrollment processing. The Board does have the discretion to increase plan limits. The Board discussed this information.

MR. SANDAL MOVED TO MAINTAIN THE CURRENT MEDICAL SPENDING MAXIMUM AMOUNT AT \$2,500, AND CONSIDER ANY OPPORTUNITY TO INCREASE THE MAXIMUM AMOUNT FOR FUTURE ANNUAL ENROLLMENTS. THE MOTION WAS SECONDED BY MS. WASSIM.

The Board further discussed the motion.

Ayes: Mr. Sandal, Ms. A. Smith, Ms. Y. Smith, Mr. Trenbeath, Ms. Wassim, Ms. Goodhouse, and Chairman Strinden

Nays: None

MOTION PASSED

DEFERRED COMPENSATION

Investment Options Summary Booklet

Mr. Reinhardt informed the Board that the updated Investment Options Summary document for the 457 deferred compensation plan is available and is posted on the website.

Ms. Wassim thanked the Board for allowing her to attend the International Foundation of Employee Benefit Plans conference.

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 11:17 a.m.

Prepared by,

Cheryl Stockert
Assistant to the Board