

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13th Ave S, Fargo

Thursday, October 23, 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 Videoconference: 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
Ms. Jan Murtha, Attorney General's Office
Mr. David Hunter, NDRIO and SIB
Mr. Kevin Schoenborn, BCBSND
Mr. Lynn Hart, HRMS
Mr. Brad Ramirez, Segal
Ms. Tammy Dixon, Segal

Via Videoconference: Ms. Onalee Sellheim, BCBSND
Ms. Stacy Duncan, BCBSND
Ms. Sonja Nyhof, BCBSND

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

MINUTES

Chairman Strinden called for any questions or comments regarding the minutes of the September 12, 2014 special Board meeting.

MR. SANDAL MOVED APPROVAL OF THE SEPTEMBER 12, 2014 NDPERS SPECIAL BOARD MEETING MINUTES. THE MOTION WAS SECONDED BY MR. TRENBEATH AND CARRIED BY VOICE VOTE. THE MINUTES WERE APPROVED.

Chairman Strinden called for any questions or comments regarding the minutes of the September 19, 2014 Board meeting.

MR. TRENBEATH MOVED APPROVAL OF THE SEPTEMBER 19, 2014 NDPERS BOARD MEETING MINUTES. THE MOTION WAS SECONDED BY MS. WASSIM AND CARRIED BY VOICE VOTE. THE MINUTES WERE APPROVED.

Chairman Strinden called for any questions or comments regarding the minutes of the October 13, 2014 special Board meeting.

MS. A. SMITH MOVED APPROVAL OF THE OCTOBER 13, 2014 NDPERS SPECIAL BOARD MEETING MINUTES. THE MOTION WAS SECONDED BY MS. Y. SMITH AND CARRIED BY VOICE VOTE. THE MINUTES WERE APPROVED.

RETIREMENT

Investment Update

Mr. Hunter, Executive Director and Chief Investment Officer for the State Investment Board, provided an executive summary of the investment performance for the year ended June 30, 2014 to the Board. Mr. Hunter provided a risk update, reviewed the client level reporting, and provided a fee update. PERS net investment returns have exceeded the 8% actuarial rate of return assumptions during the last 1, 3, 5, 20 and 30 year periods.

The Board and staff had questions and discussed them with Mr. Hunter.

Investment Policies

Mr. Hunter reviewed the NDPERS Investment Policy Statements recommended changes with the Board which related to the Main plan, Job Service plan, group insurance account, retiree health insurance credit fund. The Board suggested changes to the retiree health insurance credit fund 5.c. to clarify one sentence.

MR. TRENBEATH MOVED APPROVAL OF THE CHANGES TO THE INVESTMENT POLICY STATEMENTS WITH THE MODIFICATION AS DISCUSSED. THE MOTION WAS SECONDED BY MS. WASSIM.

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

Nays: None

MOTION PASSED

Exchange Traded Funds

Mr. Reinhardt reported that the Investment Subcommittee recommended adding Exchange Traded Funds (ETF's) to the Mutual Fund Window for the defined contribution 401(a) plan and the deferred compensation 457 Companion plan. TIAA-CREF indicated they can add these funds with little effort and no additional cost to the plan.

The Board had questions relating to ETF's. Upon Board request, Mr. Hunter further explained these funds.

MR. SANDAL MOVED APPROVAL TO ADD EXCHANGE TRADED FUNDS IN THE MUTUAL FUND WINDOW FOR THE 401(a) AND 457 COMPANION PLANS. THE MOTION WAS SECONDED BY MR. TRENBEATH.

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

Nays: None

MOTION PASSED

Actuarial Valuations

Mr. Ramirez and Ms. Dixon, Segal, reviewed the annual valuation results and projections as of July 1, 2014 with the Board. They presented a summary of valuation highlights, membership and demographics, and valuation results and projections. They explained the actuarial methods used in the valuations. The Board had questions and discussed the valuations.

Actuarial Audit

Mr. Collins reported that it has been the policy of NDPERS to conduct an actuarial audit of the main plan every ten years. The purpose of this audit is to have an outside actuarial firm review the work of the existing actuary (Segal) to verify the integrity of the valuation. At the last meeting Gallagher Benefit Services reviewed with the Board the actuarial valuation work they had done for the Legislative Government Finance Committee. They indicated it would be considered an actuarial audit because they did a complete replication of the last valuation of the main retirement plan. Mr. Ramirez indicated that the Gallagher review could be considered an actuarial audit since it was handled like an audit, all necessary processes were completed, and good information was received as a result.

MR. TRENBEATH MOVED TO ADOPT THE GALLAGHER BENEFIT SERVICES ACTUARIAL VALUATION AS A TEN YEAR ACTUARIAL AUDIT OF THE MAIN RETIREMENT PLAN. THE MOTION WAS SECONDED BY MS. A. SMITH.

Ayes: Ms. Goodhouse, Mr. Sandal, Ms. A. Smith, Ms. Y. Smith, Mr. Trenbeath, Ms. Wassim, and Chairman Strinden
Nays: None

MOTION PASSED

Job Service COLA

Ms. Allen informed the Board that the Department of Labor publicized the cost of living adjustment index for the federal civil service plan at 1.7%. The Board is authorized under Article VII (3) of the Job Service Plan document to give an increase to Job Service annuitants based on what is provided to federal employees. The last increase for annuitants in this system was 1.5% effective December 1, 2013. It was also noted that this increase is less than the actuarially assumed increase and it represents a gain to the system.

MR. SANDAL MOVED APPROVAL OF A 1.7% COST OF LIVING ADJUSTMENT FOR JOB SERVICE ANNUITANTS EFFECTIVE DECEMBER 1, 2014. THE MOTION WAS SECONDED BY MS. WASSIM.

Ayes: Ms. Goodhouse, Mr. Sandal, Ms. A. Smith, Ms. Y. Smith, Mr. Trenbeath, Ms. Wassim, and Chairman Strinden
Nays: None

MOTION PASSED

Judges Retirement Plan

Mr. Collins indicated confidential member information will be discussed. Ms. Murtha explained that no motion was necessary to go into Executive Session to discuss confidential member information. All members named above were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 10:50 a.m. After discussion, Chairman Strinden determined that the Board could return to open session. The Executive Session closed at 11:10 a.m. and the Board returned to open session.

MR. SANDAL MOVED THAT LEGAL COUNSEL DRAFT AN AMENDMENT TO THE DEFINED CONTRIBUTION PLAN DOCUMENT FOR FUTURE CONSIDERATION BY THE BOARD. THE MOTION WAS SECONDED BY MS. A. SMITH.

Ayes: Ms. Goodhouse, Mr. Sandal, Ms. A. Smith, Ms. Y. Smith, Mr. Trenbeath, Ms. Wassim, and Chairman Strinden
Nays: None

MOTION PASSED

GROUP INSURANCE

Retiree Health Insurance Credit (RHIC) Portability Request for Proposal

Ms. Allen reported that at the August meeting, the Board directed staff to go out to bid and obtain a vendor for a two-year period to administer the RHIC program, and during the interim staff is to develop a proposal to incorporate the administration of this program into the PERSLink business system. Staff developed a request for proposal to solicit bids for this service. Ms. Murtha reviewed the contract section in this request for proposal, stating that it is technically correct per the Attorney General's Office contract manual. She reviewed the contract provisions that could be enhanced by incorporating slight modifications.

MR. TRENBEATH MOVED APPROVAL OF THE RETIREE HEALTH INSURANCE CREDIT REQUEST FOR PROPOSAL AND INCORPORATING CHANGES AS RECOMMENDED BY LEGAL COUNSEL. THE MOTION WAS SECONDED BY MS. WASSIM.

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

Nays: None

MOTION PASSED

Affordable Care Act Update

Mr. Collins provided the Board with an update on the activities associated with the Affordable Care Act provisions that affect employers.

State Employees Compensation Commission

Mr. Collins provided the Board with information relating to the State Employees Compensation Commission recommendations relating to state employee salary increases and fully funded family health insurance. He reported there was no recommendation by the Commission to fund an increase in retirement contributions.

Health Bid Update

Mr. Collins indicated that Deloitte will be available to update the Board on the bids that were received on the fully insured group health insurance plan.

MR. TRENBEATH MOVED THAT THE BOARD ENTER INTO EXECUTIVE SESSION PURSUANT TO 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 MS. A. SMITH.

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 11:25 a.m.

The Board reconvened and returned to open session at 12:00 p.m.

MR. TRENBEATH MOVED TO REJECT THE FULLY INSURED GROUP HEALTH PLAN PROPOSALS AND DIRECTED STAFF TO ISSUE A NEW REQUEST FOR PROPOSAL INCORPORATING THE RECOMMENDED CHANGES AND TO DEVELOP A NEW TIMELINE. 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

Mr. Collins indicated that, based on Board action, the vendor interviews scheduled for November 3 will be cancelled.

MISCELLANEOUS

Legislation Update

Mr. Collins informed the Board that the Government Finance Committee met on October 8 and considered three bills relating to: closing the DB plan, establishing a PERS stabilization fund, and a constitutional amendment relating to the foundation aid stabilization fund. The bills were passed out of the committee. The next step is to go to legislative management for approval. At some point in the early part of November, these bills will come before the Employee Benefits Committee, then be referred to the actuary for detailed analysis.

One of the issues highlighted in the testimony is the Segal and Gallagher studies looked at what would be the required one time payment into the retirement fund in January of 2016 to satisfy the unfunded liability that would be created. Segal indicated it would be around \$162.8 million and Gallagher indicated it would be around \$300 million. In the bill they put \$200 million. We suggested that the 8% return assumption is too strong given a closed retirement plan. The return assumption is very sensitive. For example, if it drops to a 7% return assumption, it goes to \$400 million, if it drops to 6%, it goes to \$800 million.

That is going to be an issue that will have to be addressed in the technical review. Mr. Hunter agreed that PERS should review this with Callan.

Mr. Collins was seeking Board concurrence to have Callan review and prepare technical comments on the bill. The Board discussed and concurred that Callan should assist with the technical comments on this bill.

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 12:05 p.m.

Prepared by,

Cheryl Stockert
Assistant to the Board