

NDPERS BOARD MEETING

Agenda

Bismarck Location:
ND Association of Counties
1661 Capitol Way
Fargo Location:
BCBS, 4510 13th Ave SW

July 19, 2012

Time: 8:30 AM

I. MINUTES

- A. June 14, 2012

II. DEFERRED COMPENSATION

- A. TIAA-CREF Update (RIA) – (Board Action)
- B. ** Hartford Update - Sparb

III. GROUP INSURANCE

- A. Dental RFP – Sparb (Board Action) *
- B. Health Legislation – Sparb (Information)
- C. 2011 EAP Summary – Bryan (Information)
- D. BCBS Member Services Survey – (Information)

IV. RETIREMENT

- A. Legal Status of Retirement Benefits – Jan (Information)
- B. Law Enforcement Plans – Sparb (Board Action)
- C. Job Service Liability Driven Investment Study – Sparb (Board Action)

V. FLEX COMP

- A. Flex Comp Data – Kathy and Bryan (Information)

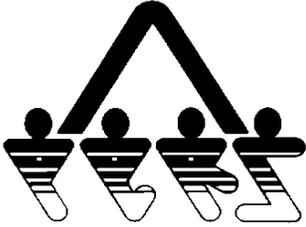
VI. MISCELLANEOUS

- A. SIB Agenda
- B. Retirement and Investment Office – Sparb (Information)
- C. Deferred Compensation Hardship Case #76 – Kathy (Board Action)

* Executive Session Pursuant to North Dakota Century Code §44-04-19.1 (9) and §44-04-19.2, to discuss negotiating strategy relating to the dental bid.

** Executive session pursuant to North Dakota Century Code §44-04-19.1(2) and §44-04-19.2, for attorney consultation.

Any individual requiring an auxiliary aid or service must contact the NDPERS ADA Coordinator at 328-3900, at least 5 business days before the scheduled meeting.



**North Dakota
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400 East Broadway, Suite 505 • Box 1657
Bismarck, North Dakota 58502-1657

Sparb Collins
Executive Director
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FAX: (701) 328-3920 • EMAIL: NDPERS-info@nd.gov • www.nd.gov/ndpers

Memorandum

TO: PERS Board
FROM: Sparb
DATE: July 11, 2012
SUBJECT: TIAA-CREF Update

Rob Rickey from TIAA-CREF will be at the next meeting. Attached is the presentation he will be going over with the Board. This is in follow-up to our May meeting when Rod Crane presented information on the Registered Investment Advisor program option. This option was offered to PERS in the TIAA-CREF proposal:

REGISTERED INVESTMENT ADVISORS

Another aspect of our proposal that can significantly encourage increased participation in North Dakota PERS' plans is the Registered Investment Advisor option. As described earlier, we know that participants often have ongoing relationships with local investment advisors, and may prefer to maintain those partnerships. The RIA option can provide employees with an additional level of comfort by giving them the choice to work with local advisors who are thoroughly familiar with their employer's program and community members who share a special interest in its success.

After the May presentation the Board adopted the following motion:

MR. SANDAL MOVED TO AUTHORIZE STAFF TO CONTINUE WITH THE IMPLEMENTATION PLAN TO OFFER THE REGISTERED INVESTMENT ADVISORS OPTION WITH TIAA-CREF, WITH FINAL APPROVAL BY THE BOARD PRIOR TO IMPLEMENTATION. THE MOTION WAS SECONDED BY MR. ERDMANN.

This presentation is the next step in the process. Please note two slides in particular. The first (slide 4) is the various implementation options (participant choice, participant choice plus network or network only) and second (slide 10) is the implementation time line slide.

Concerning the various implementation options, staff is recommending that we select the “participant choice” option for the following reasons:

1. This provides the members the broadest choice on who to select.
2. With this option the Board is not limiting or making any selections relating to investment advisors which would occur with the network option.
3. There are no fees for the brokers relating to this option.
4. If we later decide that we want to have a network we can implement it at that time

Secondly, staff is seeking your approval to move forward based upon the timeline in the attached slide 10 which would include meetings with the 457 provider advisors to update them on your considerations, seek their input and then bring that back to you at the September or October meeting for your final action on whether to move forward with implementation.

Board Action Requested

Approve the “participant choice option” and the implementation timeline including provider meetings on the RIA option.



Financial Services

TIAA
CREF

TIAA-CREF ADVISOR SERVICES: NDPERS 457 COMPANION PLAN AND AN INDEPENDENT FIDUCIARY ADVICE MODEL

Robert Rickey, CFP[®], AIF[®]
July 19, 2012



AGENDA

1. How TIAA-CREF works with Advisors
2. Fiduciary Advice Model
3. Introduce the TIAA-CREF Advisor Network and our Partners
4. How to Implement a Fiduciary Advice Model
5. Appendix

TIAA-CREF ADVISOR SERVICES



TIAA-CREF Advisor Database Includes 23,000+ Advisors

- Authorized on more than 79,000 participants
- Total advisor-controlled assets of over \$15.8 billion

Work with 700+ Supported Advisors

- Authorized on more than 17,900 participants
- Transfers in exceeded \$525 million over four years
- Authorized on more than \$4.5 billion in assets

TIAA-CREF ADVISOR SERVICES

Providing operational, product and practice management support to Registered Investment Advisors since 2000

Services Offered to Supported Advisors Include:

- Dedicated team of 28 professionals who understand Advisor business
- Access to institutional investment knowledge and retirement experience
- Concierge-level services to assist with transfers in and bulk trading
- Secure Advisor website to manage participant accounts
- Automated fee billing service

INDEPENDENT FIDUCIARY ADVICE MODEL

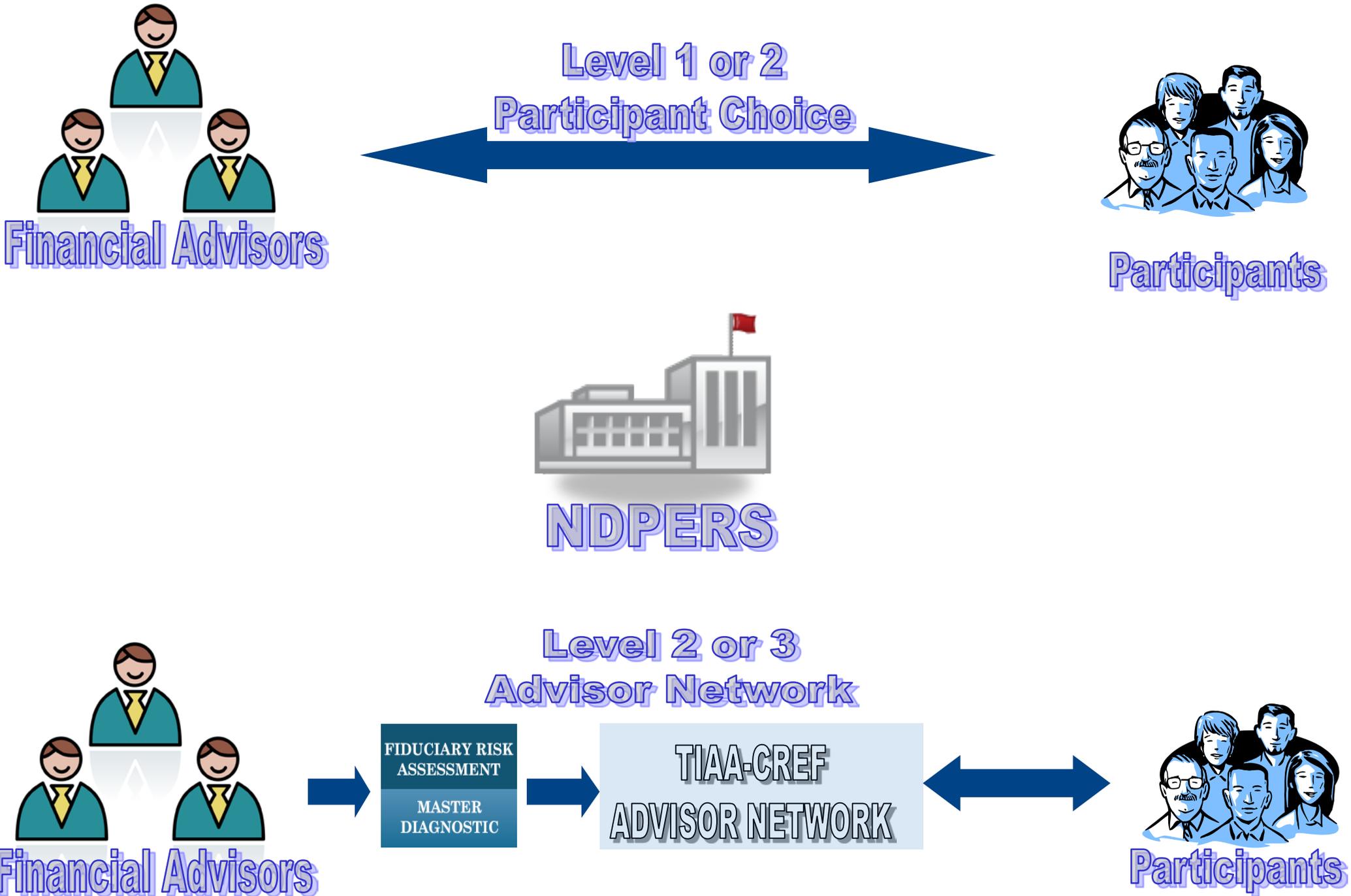
Three levels of services offer flexibility and choice to access to local independent Registered Investment Advisors

Level 1 PARTICIPANT CHOICE	Level 2 PARTICIPANT CHOICE PLUS NETWORK	Level 3 NETWORK ONLY
<ul style="list-style-type: none">• Participants can work with any Advisor that meets the following requirements: Local Advisor must be affiliated with an SEC or State RIA. RIA firm must be operational on TIAA-CREF platform• Plan must allow for Advisor fees to be paid directly from retirement accumulations• Maximum Advisor fee is 2%, but plan can set a lower limit for all Advisors.• Only participants working with an Advisor pay for their services	<ul style="list-style-type: none">• Participant Choice supplemented with pre-screened list of local Advisors.• Advisors vetted against minimum standards by independent third party.• Advisor must pay an annual fee of \$1.750 to participate in Network.• Network Advisors receive a Network Profile and are added to web-based search tool.• Network Advisors are required to limit fees to no more than 1.25%.• Plan Sponsor can choose to offer plan level C&E through a Network Advisor.• Plan level fees can be paid to Network Advisor for C&E	<ul style="list-style-type: none">• All of Level 2 Network applies plus• Only Network Advisors can deduct fees directly from retirement accumulations.
 Participant Level Advice Services	 Participant Level Advice Services  Plan Level C&E Services	 Participant Level Advice Services  Plan Level C&E Services

Participants can always choose to work with TIAA-CREF directly or with an Advisor outside the plan.....

INDEPENDENT FIDUCIARY ADVICE OFFERING

Connecting Participants and Network Advisors



Considerations for NDPERS:



NDPERS

Fee deduction services must be added to plan.

Plan can set fee ceiling to control/limit advisor fees.

TIAA-CREF can control access to fee billing based on Network participation.

Recordkeeping agreement updated to reflect services.

No on going administration of Network required by Plan Sponsor.

No additional cost to Plan Sponsor for Advisor Network.

What it means for your Participants:



Access to advice delivered by fiduciaries.

Multiple layers of disclosure up front through ADV part 2, investment advisory agreement, and TIAA-CREF agreements.

Standardized Network Profile can be used to compare advisors. (With Network option)

Only those participants that choose the service pay for it.

All fees are fully transparent through confirmations and quarterly statements.

Participant can terminate advisor relationship at anytime.

THE TIAA-CREF ADVISOR NETWORK

Defining the Advisor Network

The TIAA-CREF Advisor Network is a network of pre-screened registered investment advisor firms and Investment Advisor representatives that have met a minimum standard developed by the CFDD, Fiduciary Risk Assessment, and TIAA-CREF for providing communication, education, and participant level advisory services.

The Network is provided to assist Plan Sponsors and Participants in the self-selection of an independent qualified advisor by setting minimum standards and providing a standardized Network profile.

**THE CENTER FOR
DUE DILIGENCE**

**FIDUCIARY RISK
ASSESSMENT**
**MASTER
DIAGNOSTIC**



A prudent process for screening Network advisors:

TIAA-CREF goes to market seeking advisors interested in supporting your plan.

First the Registered Investment Advisor is screened and interviewed by TIAA-CREF.

Only advisors affiliated with RIA Firms pre-screened can participate in the Network.

Independent third party completes advisor minimum standard review.

Approved advisors must accept Network code of business conduct and sign network agreement.

Advisor profile is created and activated in the Network.

Annual review process must be completed with Independent third party.

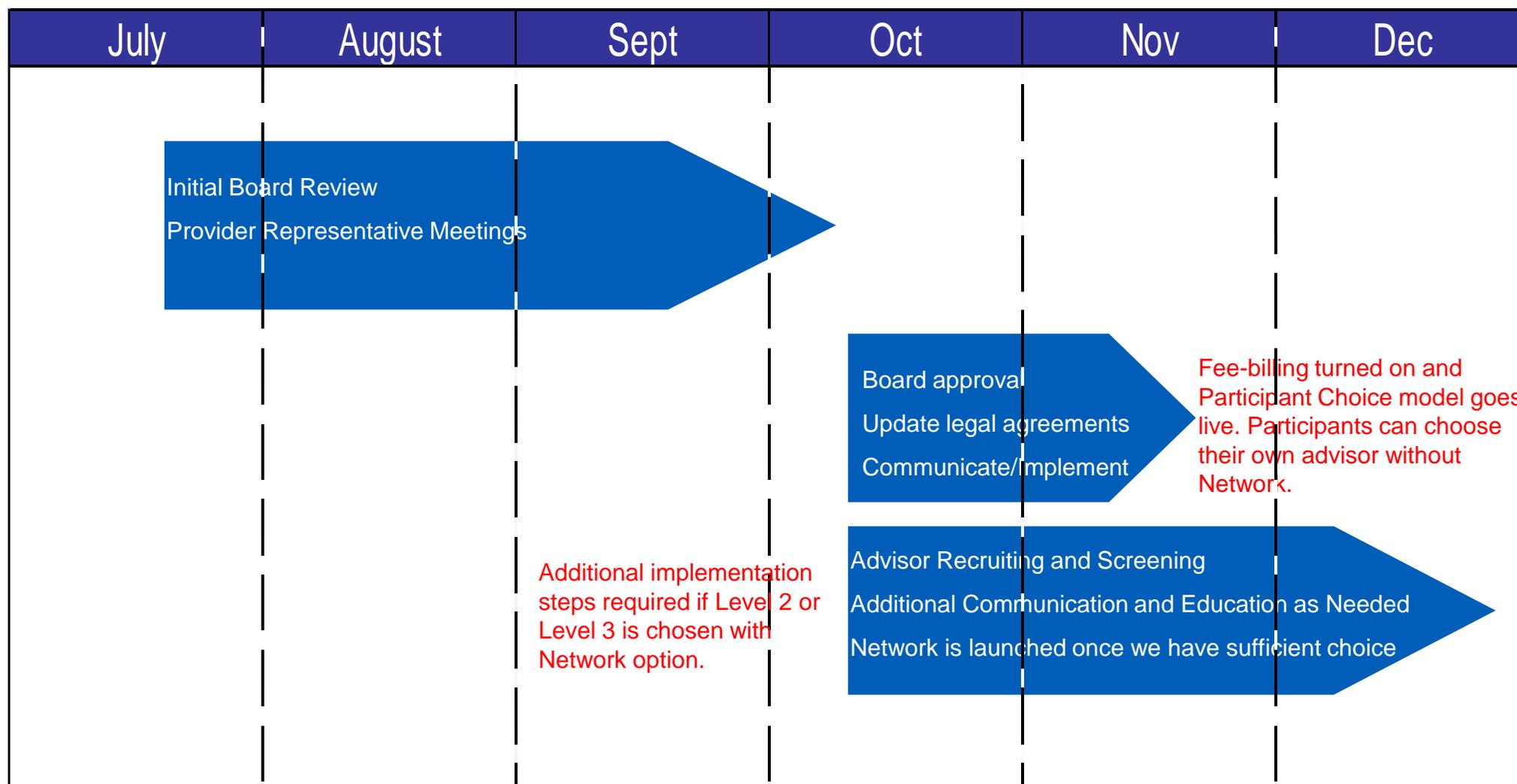


INDEPENDENT FIDUCIARY ADVICE OFFERING

Develop a Timeline to Launch

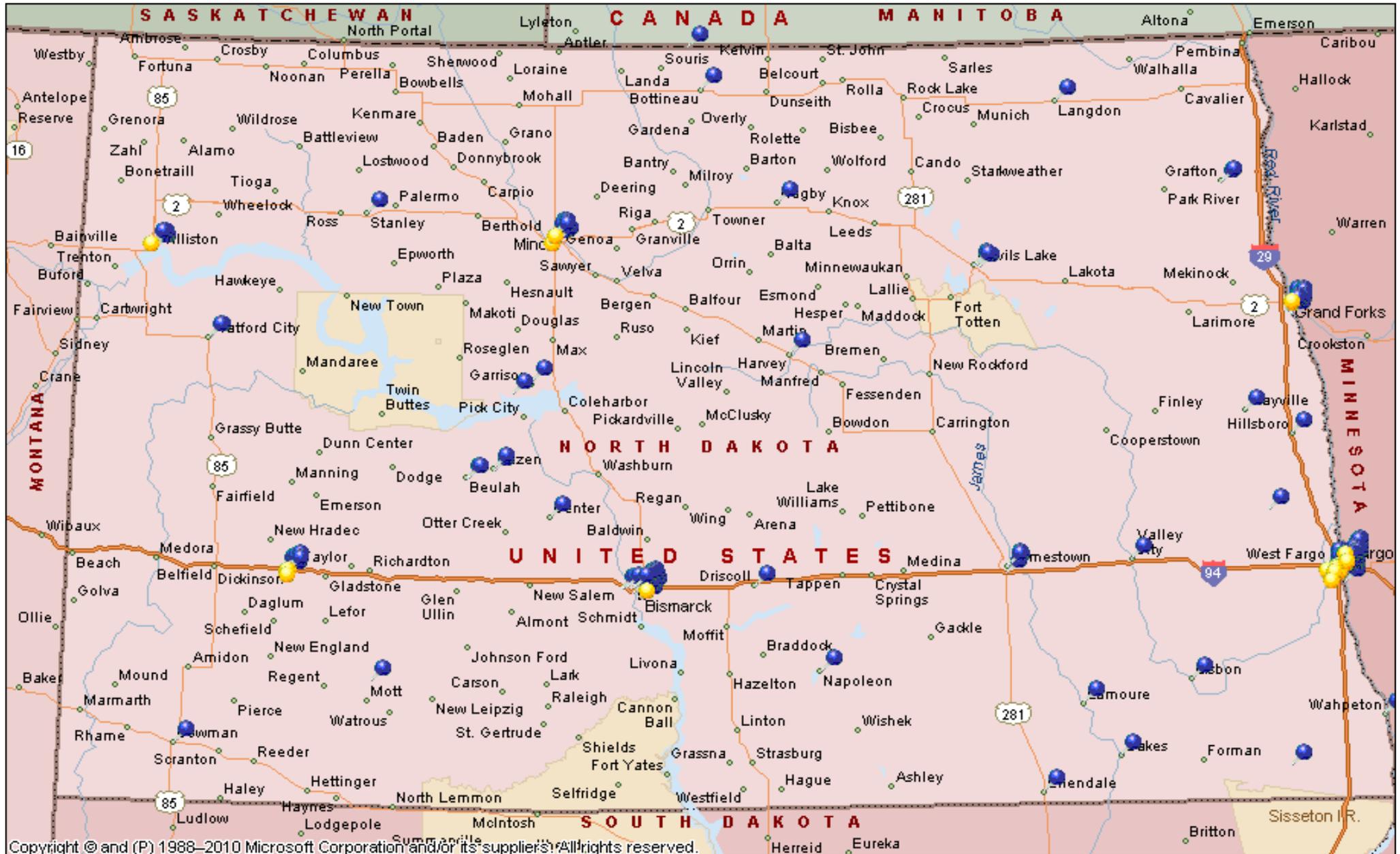


NDPERS Implementation and Launch Plan



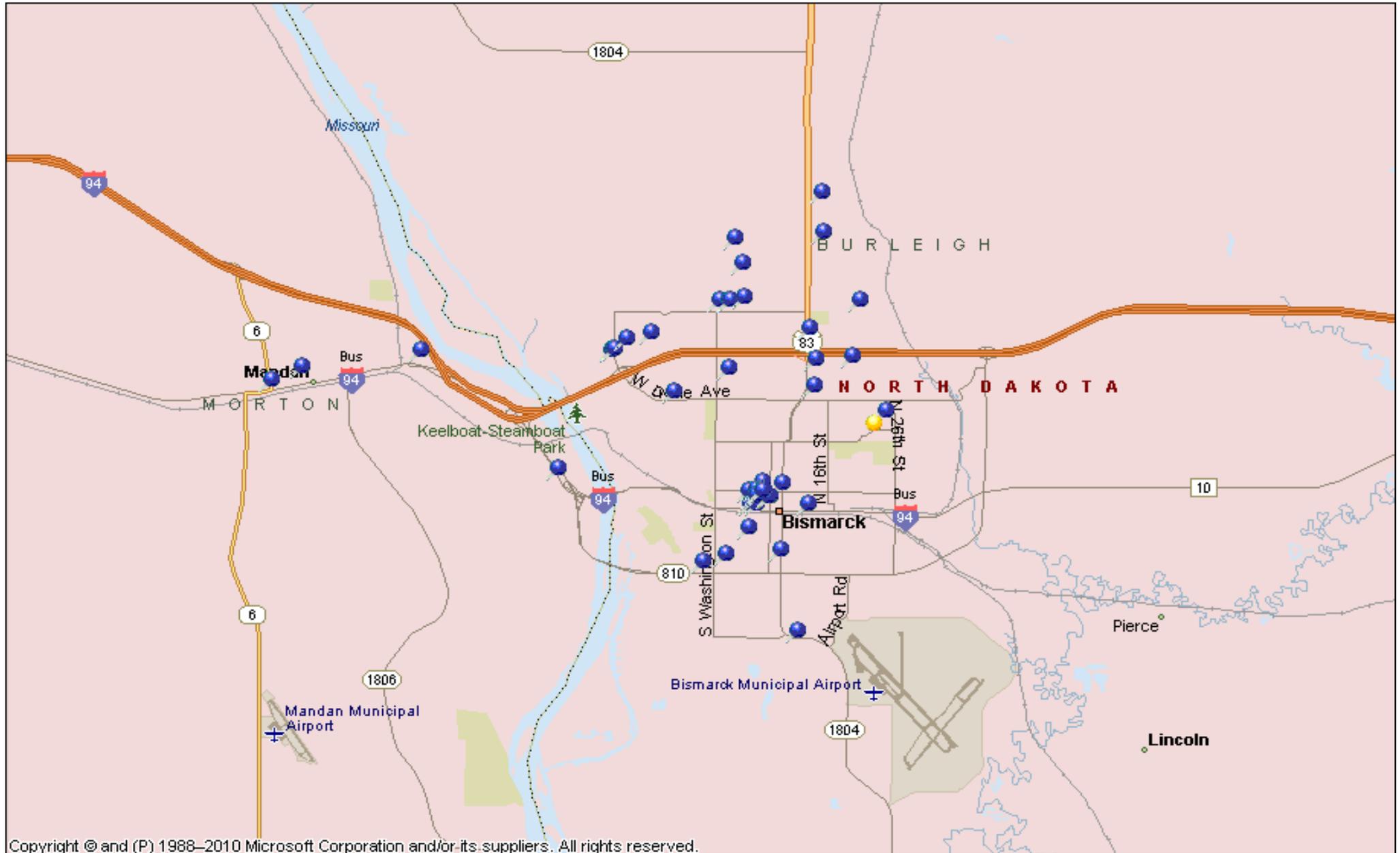
1. RIA and IAR Coverage Maps
 - a. North Dakota
 - b. Bismarck
 - c. Fargo
 - d. Grand Forks
 - e. Minot
 - f. Williston
2. What Defines an Expert
3. RIA and IAR Due Diligence Process
4. Early Results

North Dakota Registered Investment Advisor and Investment Advisor Representative Coverage



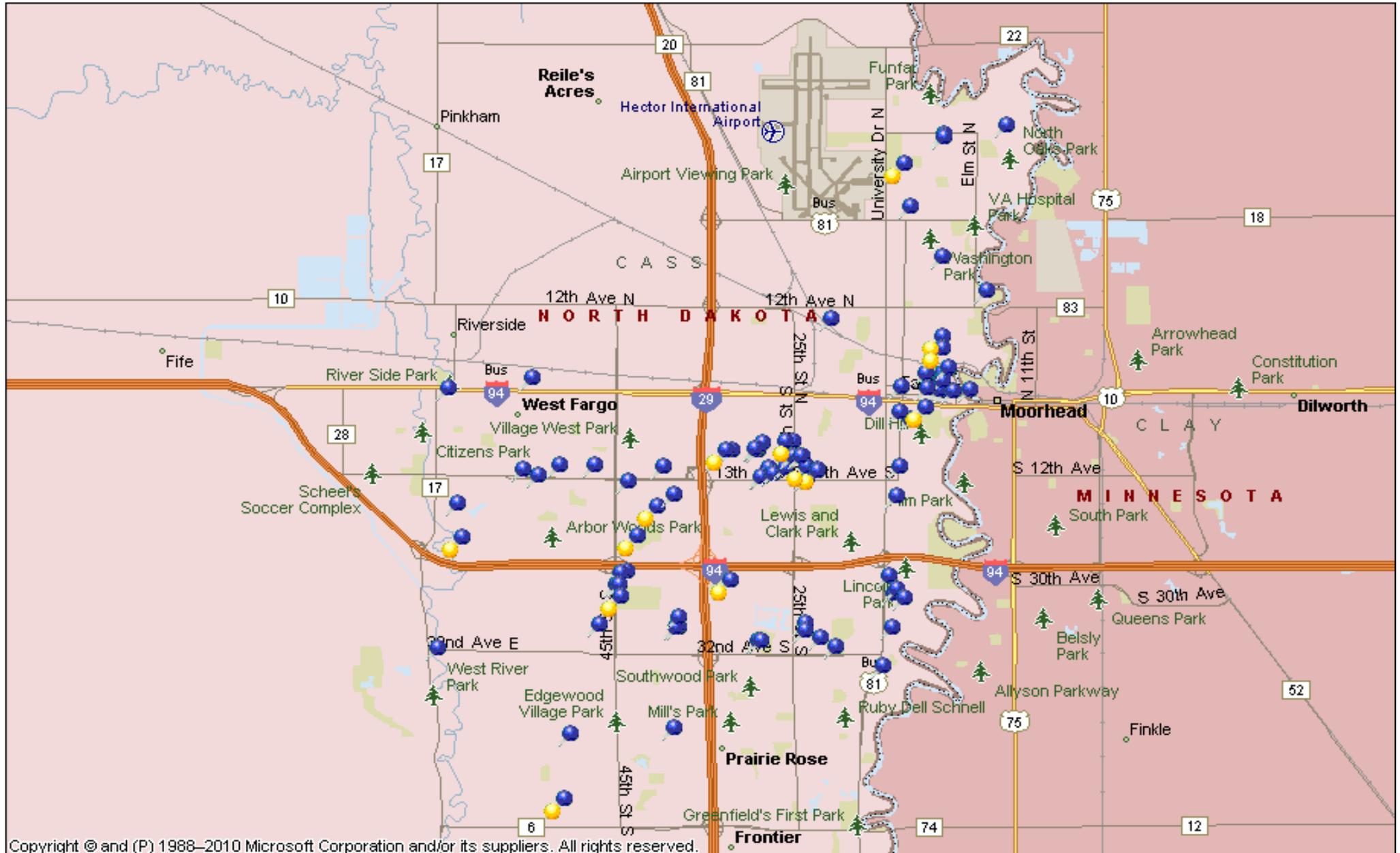
Discovery Database, 2012

Bismarck, ND Registered Investment Advisor and Investment Advisor Representative Coverage



Discovery Database, 2012

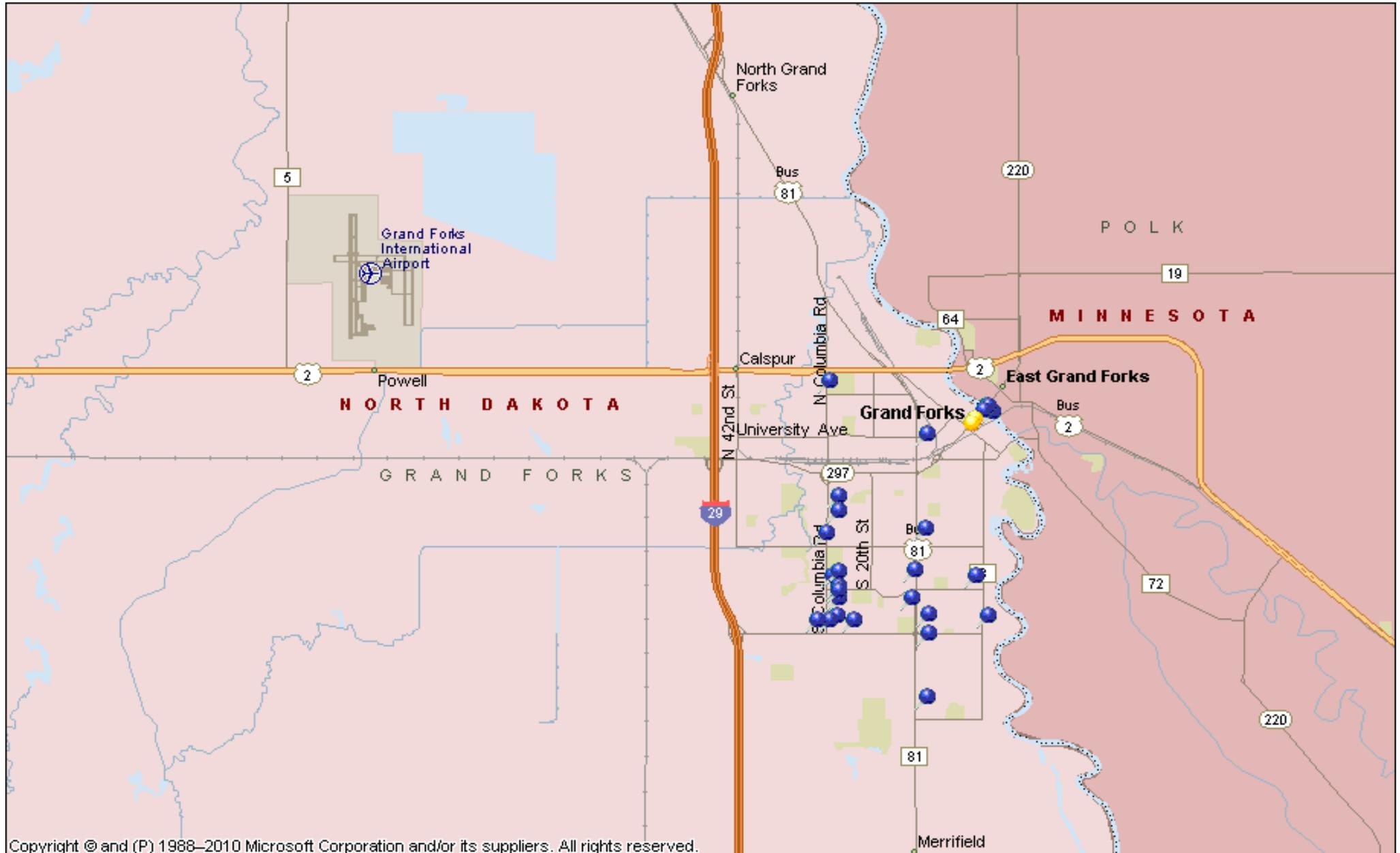
Fargo, ND Registered Investment Advisor and Investment Advisor Representative Coverage



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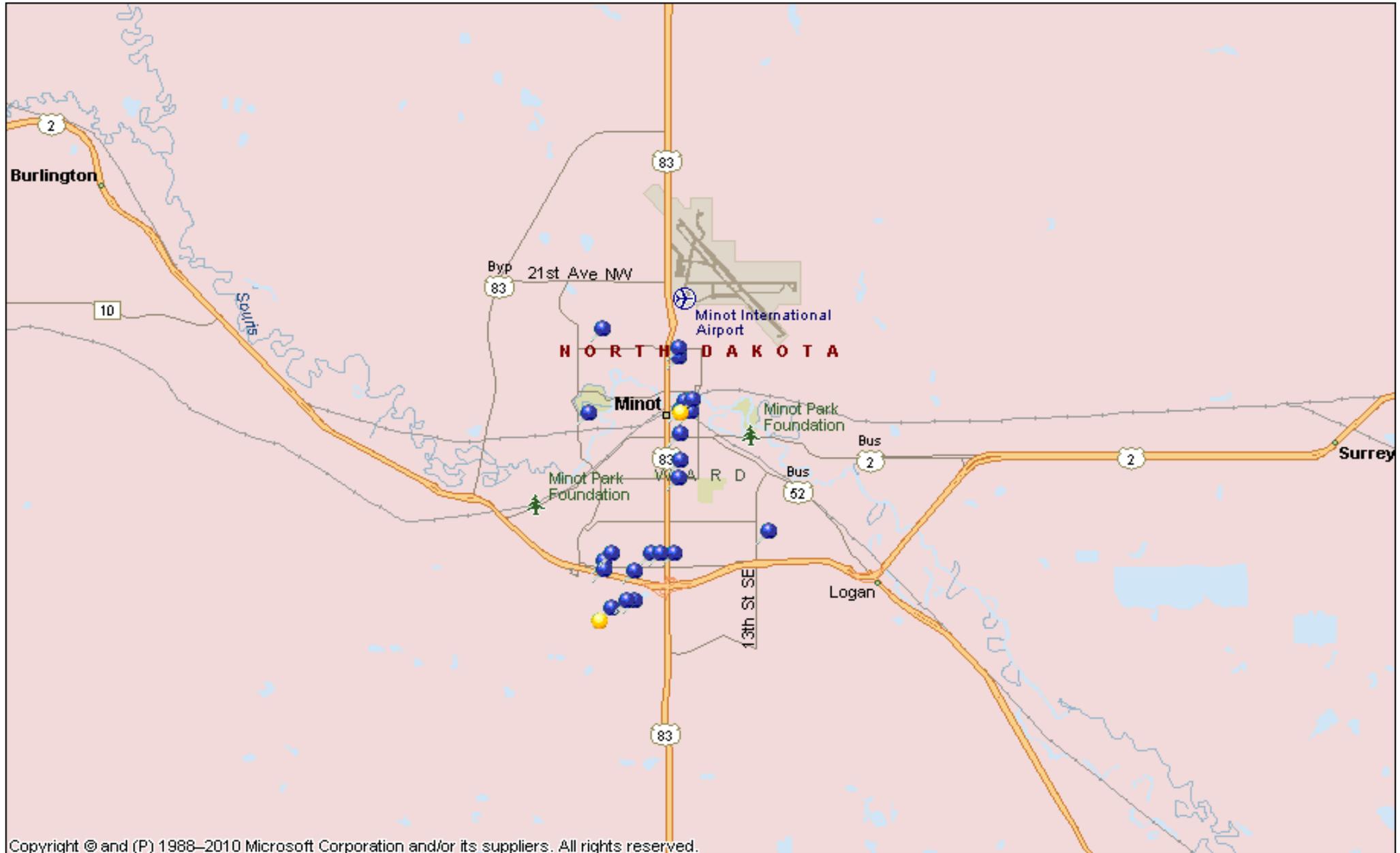
Discovery Database, 2012

Grand Forks, ND Registered Investment Advisor and Investment Advisor Representative Coverage

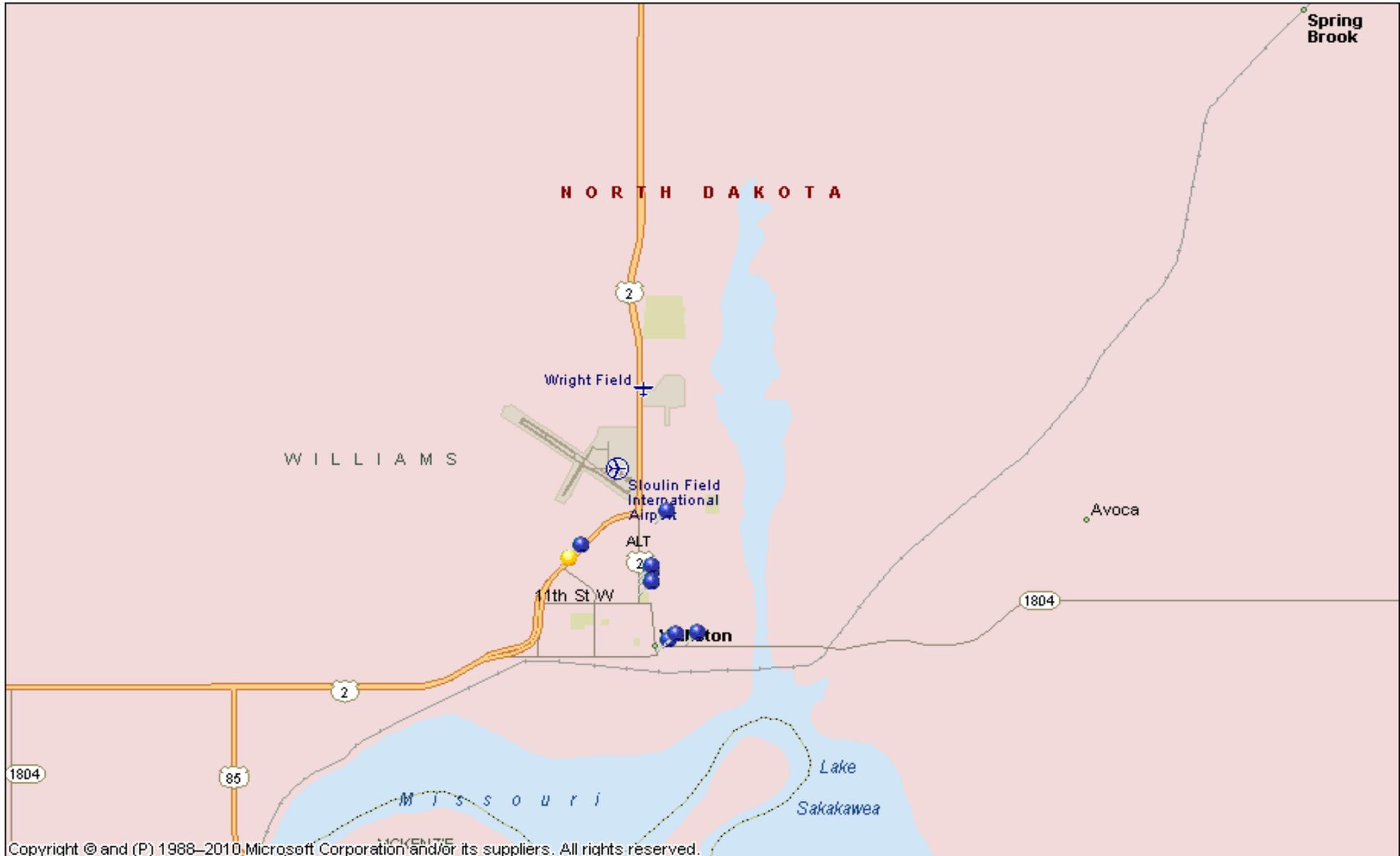


Discovery Database, 2012

Minot, ND Registered Investment Advisor and Investment Advisor Representative Coverage



Williston, ND
Registered Investment Advisor
and Investment Advisor Representative Coverage



QUALIFIED ADVISORS

WHAT STANDARDS DEFINE AN EXPERT?

1. Determined by **three** recognized bodies of knowledge

- Rule 702 of the Federal Rules of Evidence (1975)
- *Daubert v. Merrell Dow Pharmaceuticals*, 509 U.S. 579 (1993)
- Cambridge Handbook of Expertise & Expert Performance

2. ERISA fiduciary standards

Expert Standards Comparison Chart

	Daubert	Rule 702	Academia	ERISA
Experience	✓	✓	✓	✓
Education	✓	✓	✓	✓
Knowledge		✓	✓	✓
Skill		✓	✓	✓
Process/Standards	✓		✓	✓
Training	✓	✓		
Characteristics			✓	
Passion			✓	

OUR DUE DILIGENCE PROCESS

STEP 1: REGISTERED INVESTMENT ADVISOR REVIEW

- ✓ SEC Registration
- ✓ Regulatory Examination Record for The Last 5 Years
- ✓ Organizational Structure/Material Changes in Last 12 Months
- ✓ Assets Under Management
- ✓ Compensation Structure/Revenue Sources
- ✓ Services Provided
- ✓ Advisor Hiring Standards
- ✓ Compliance Policies and Procedures
- ✓ Chief Compliance Office Role/Credentials
- ✓ Insurance Coverage and Material Insurance Claims for last 5 years
- ✓ Material Litigation or Administrative Actions Over The Last 5 Years
- ✓ Sample Investment Advisor Agreements and Investment Policy Statements
- ✓ Operational Capabilities to Monitor IAR Activity
- ✓ Centralization or Decentralization of Investment Advice, Trading, and Billing

OUR DUE DILIGENCE PROCESS

STEP 2: INVESTMENT ADVISOR REPRESENTATIVE

- ✓ IAR must be affiliated with an approved RIA
- ✓ Background Check
 - ✓ Financial/Bankruptcy/Foreclosure
 - ✓ Civil and Criminal
 - ✓ ERISA 411
- ✓ Regulatory Disclosure and Disciplinary History
- ✓ Centralized or decentralized RIA Firm Affiliation
- ✓ Experience, Education, and Designations
- ✓ Assets Under Management
- ✓ Retirement Assets as a Percentage of AUM
- ✓ Compensation/Fee Structure
- ✓ Review Investment Advisor Agreement and Investment Policy Statements
- ✓ Insurance Coverage (E&O, Dishonesty, and ERISA Fiduciary)
- ✓ Insurance Claims
- ✓ TIAA-CREF Code of Business Conduct and Warranties
- ✓ Annual Re-certification

OUR DUE DILIGENCE PROCESS INCREASING AWARENESS OF FIDUCIARY ROLE

Early results show how our process can improve RIA firm's awareness of fiduciary role and best practices.

As a result of going through our process we have seen four RIA firms make the following changes:

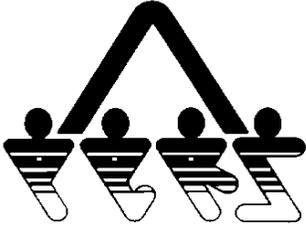
Firm A: Increased E&O aggregate annual insurance coverage.

Firm B: Reduced fee structure to meet our Network Firm standards.

Firm B: Implement an Investment Policy Statement for clients.

Firm C: Implement an Investment Policy Statement for clients.

Firm D: Add fiduciary insurance coverage to E&O policy.



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: July 11, 2012
SUBJECT: Hartford Update

Attached please find the following:

Attachment #1 – Our letter of May 23 to Hartford and their June 28 response

Attachment #2 – General letter from Harford to clients.

Since receiving the letter from Hartford, Jan has started preparing a response. We will forward the letter to you for review prior to the Board meeting and Jan will be available to discuss at the meeting.

RECEIVED
JUL 02 2012
ND PERS



June 28, 2012

Sparb Collins
Executive Director
North Dakota Employees Retirement System
400 East Broadway, Suite 505 P.O. Box 1657
Bismark, North Dakota 58502-1657

Dear Mr. Collins,

This letter is in response to your letter dated May 23, 2012 concerning North Dakota Employees Retirement System's interpretation of the recent announcement of the Hartford's intent to sell of our Retirement Plan Group.

You have indicated that the North Dakota Public Employees Retirement System ("NDPERS") has taken "the position that Hartford is terminating its provider agreement with the sale of its retirement business; and that under the provisions of N.D.C.C. Ch. 54-52.2 and N.D.A.C. art. 71-04, the buyer of that retirement business would need to enter onto a new provider agreement with NDPERS in order to provide products to NDPERS members." The following detailed discussion outlines The Hartford's position: First, that it (The Hartford) has not terminated either (1) the Group Annuity Contract issued to NDPERS and the Plan, or (2) the Provider Administrative Agreement as a result of its announcement of a possible sale of the retirement plans group. This is because nothing has changed as a result of the announcement, any sale is likely a year or more in the future, and the impact of a sale on the agreements referenced above can only be determined at the time of the sale. That is, The Hartford will continue to fully conduct its retirement business in the same manner. Second, even at the time the sale is closed, whether or not either agreement reference above is terminated will depend upon the facts and circumstances of the sale, and the nature of the transaction (stock sale, asset sale and/or reinsurance transaction). Please note that we continue to highly value our relationship with NDPERS and we will provide you with information of the process as things develop. We are willing to discuss any questions or concerns that NDPERS may have.

The Hartford has reviewed the group annuity contract issued to the Plan (GC-107995, effective May 1, 1986, as amended and restated November 15, 2003, the "Group Annuity Contract") and the Provider Administrative Agreement effective January 1, 1999, as amended January 14, 2001 and May 19, 2005 (the "Provider Agreement"). We have also reviewed the North Dakota statutes and code that you referenced in your letter. As we have indicated previously, The Hartford is continuing to provide all services and products after the announcement in the same manner as before, and the Group Annuity Contract will remain in full force and effect under the same provisions, terms and conditions even after the sale. Based upon the review, The Hartford has concluded that there is no termination of either the Provider Agreement that would be triggered as a result of The Hartford's announcement (and clearly The Hartford has not, and under its terms, could unilaterally terminate the Group Annuity Contract). That is, upon a thorough review of the Provider Agreement, including particularly the termination provisions, we found no provision of the Provider Agreement that expressly provided (or even implied) that The Hartford in any way terminated the contract by its actions to this point. Further, it is the position of The Hartford that the Provider Agreement will continue without change, certainly up to the time of the closing of any sale; and that the nature and terms of the sale will determine whether the Provider Agreement will continue in much the same of as the Group Annuity Contract. Of course, NDPERS has the right to terminate both the Provider Agreement and the Group Annuity Contract, subject to the terms and conditions of each agreement.

We hope this information has answered your questions and clarified the recent events. The Hartford's Retirement Plans Group business remains strong as does our commitment to you, your participants, and to providing unparalleled service to our retirement plan clients. We appreciate your ongoing support and partnership, and are committed to keeping you informed. Please do not hesitate to contact me if you have any questions or concerns. Thank you for being a valued client.

Sincerely,

A handwritten signature in cursive script that reads "Kirsten E. Steiert".

Kirsten Steiert
Senior Retirement Consultant
Hartford Life Insurance Company
Retirement Plans Group
P- 913.908.8508
F- 860.392.6450



June 2012

Dear Plan Sponsor,

Since The Hartford's March 21 announcement that it would seek a buyer for the Retirement Plans Group, we have received a tremendous amount of support from our clients and distribution partners. We are very appreciative. As promised, we have continued to make investments in our infrastructure, people and services.

We also have received requests from many of our constituents for additional information about the process and timing of a sale. The desire to know more is understandable, and we thank you for your patience as we navigate this process. As a public company, The Hartford is subject to strict rules regarding how and when we can disclose certain information. We can say, however, that there is great interest in the retirement business.

The next substantive communication regarding a transaction will be after the signing of a deal, when the buyer is announced. In the meantime, The Hartford will identify and negotiate the sale of the business to a buyer, and work to secure the necessary approvals and other conditions to close the transaction.

On behalf of my team, we appreciate your patience as we diligently work through the process. We promise to keep you apprised of any developments, and in the meantime, we are always available to talk with you and/or your employees. Please contact your client service team if you have any questions or concerns.

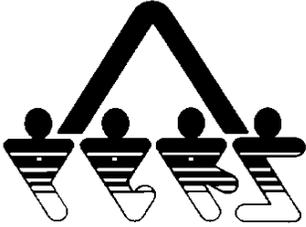
Sincerely,

Sharon Ritchey
Executive Vice President, Retirement Plans

"The Hartford" is The Hartford Financial Services Group, Inc. and its subsidiaries, including Hartford Life Insurance Company, Hartford Retirement Services, LLC ("HRS"), and Hartford Securities Distribution Company, Inc. ("HSD"). **HSD** (member FINRA and SIPC) is a registered broker/dealer affiliate of The Hartford.

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Memorandum

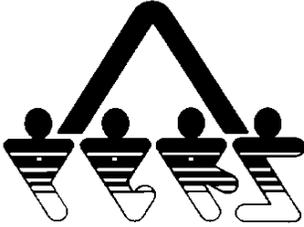
TO: PERS Board
FROM: Sparb and Kathy
DATE: July 12, 2012
SUBJECT: Dental RFP

Attached please find a memo from Segal with their review of the proposals received in response to our recent RFP. As you will note we had a good response where we received 9 proposals. Segal will go over the results of their assessment of the proposals with you at the meeting (see attached). Mr. Gary Petersen will be at the meeting from Segal.

At this meeting we need to:

1. Narrow the list of vendors to two of three
2. Determine when we want to have the Board interviews

Pursuant to North Dakota Century Code §44-04-19.1 (9) and §44-04-19.2, the Board will enter into Executive Session to discuss negotiating strategy relating to the dental bid.



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: July 11, 2012
SUBJECT: Health Legislation – Affordable Care Act (ACA)

Recently the Supreme Court made its decision on the ACA. Basically, the Act was upheld. The following is a summary of the decision provided by Segal:

The U.S. Supreme Court has announced its opinion concerning the constitutionality of the Affordable Care Act.¹ Specifically, it held:

- The Affordable Care Act's requirement that individuals either purchase health insurance or pay a financial penalty (the law's "individual mandate" or "minimum coverage provision") is constitutional.
- The law's expansion of Medicaid to a broader group of low-income individuals is constitutional, but the federal government does not have the power to terminate all Medicaid funding for a state government that does not accept the Affordable Care Act expansion.

All provisions of the Affordable Care Act relevant to employers and health plan sponsors were upheld. Consequently, there will be no changes to the Affordable Care Act, and implementation of the law must continue. Existing regulations and programs enacted by the Affordable Care Act are unchanged, as are the obligations of plan sponsors.

The cases that were decided are *National Federation of Independent Business v. Sebelius* (No. 11-393), *U.S. Department of Health and Human Services v. Florida* (No. 11-398) and *Florida v. Department of Health and Human Services* (No. 11-400). Previously, the U.S. Court of Appeals for the 11th Circuit in Atlanta had ruled in these cases that the individual mandate in the Affordable Care Act is unconstitutional.²

Supreme Court Decision

The individual mandate requires that individuals maintain minimum essential health coverage or, if not exempted, pay a penalty. Chief Justice Roberts, joined by Justices Ginsberg, Breyer, Sotomayor and Kagan, held that the individual mandate is constitutional because Congress has the power to tax individuals who do not purchase health insurance. The Court found that the penalty payment is not so high that it coerces individuals to buy health insurance. Furthermore, the penalty is collected solely by the Internal Revenue Service (IRS) through the normal tax collection process. The penalty does not render conduct “unlawful,” but, rather, imposes a tax that a citizen may lawfully choose to pay in lieu of buying health insurance. The Court noted that Congress currently uses other tax incentives to encourage purchase of products, such as tax incentives for purchasing a home and obtaining professional education. Consequently, the law simply imposes a tax on those who choose to go without health insurance, which is within Congress’s power to tax and spend.

The government’s main argument was that Congress has the power under the Commerce Clause to compel everyone to buy health insurance. The Chief Justice found that Congress did not have the power under the Commerce Clause or the Necessary and Proper Clause of the Constitution to require people to buy health insurance. Chief Justice Roberts was joined in this conclusion by the four dissenting justices: Justices Scalia, Kennedy, Thomas and Alito. However, this holding did not affect the outcome of the case, because (as discussed above) a different set of five justices — including Chief Justice Roberts — upheld the mandate as within Congress’s power to tax and spend.

Because the Court found the mandate constitutional, it did not address issues related to severability of the mandate from the remainder of the law. In addition, the Court ruled that the Anti-Injunction Act (AIA)³ did not require that the Court defer a decision on the constitutionality of the mandate until a penalty is actually assessed against an individual taxpayer. The Court found that Congress did not intend to apply the AIA to the penalty under the Affordable Care Act.

The Court also addressed whether the expansion of the Medicaid program in the Affordable Care Act is constitutional. The Affordable Care Act requires states to expand their Medicaid programs by 2014 to cover all individuals under the age of 65 with incomes below 133 percent of the Federal Poverty Level (FPL), without regard to medical needs, family status or assets. The Affordable Care Act increased federal funding to cover state Medicaid costs, but states will bear some portion of the costs of expansion themselves. If a state does not comply with the Medicaid expansion, it may lose both federal funding for those requirements plus its existing Medicaid funds. Chief Justice Roberts, joined by Justices Breyer and Kagan, concluded that one aspect of the Medicaid expansion violates the Constitution: threatening states with the loss of their existing Medicaid funding if they decline to implement the expansion. However, this flaw is completely correctable by simply removing the penalty of loss of existing funding, and does not invalidate the Medicaid expansion generally or the rest of the Affordable Care Act. Consequently, states may refuse to accept the Medicaid expansion, but the Secretary of Health and Human Services is prevented from terminating existing Medicaid funding if they do so.

Justices Ginsburg and Sotomayor would have upheld the Medicaid expansion as written, but accepted the remedy advanced by the Chief Justice. The four dissenters – Justices Scalia, Kennedy, Thomas and Alito – found the Medicaid expansion unconstitutional.

Implementation and Enforcement Continues

Because the Affordable Care Act was upheld in its entirety, the federal government's implementation and enforcement efforts will continue. Consequently, employers and plan sponsors will need to continue to implement the law. Segal will soon distribute a publication that discusses the implications of the U.S. Supreme Court decision for plan sponsors.

Issues Remain for Multiemployer Plans

Although the Supreme Court decision resolved the constitutionality of the Affordable Care Act, many issues remain for sponsors of multiemployer plans. These include items such as how the 90-day waiting period will apply to multiemployer plans, how the employer shared responsibility penalty applies for contributing employers, and whether participants in multiemployer plans may receive access to the premium assistance tax credit that allows individuals to purchase subsidized coverage in the state health insurance exchanges.

In addition to continuing to implement the provisions of the law that apply to them, sponsors of multiemployer plans should continue to monitor regulatory guidance in these areas. Segal will publish more on these topics in the coming weeks.

• • •



Memo

To: NDPERS Board
 From: Bryan T. Reinhardt
 CC: Sparb, Kathy
 Date: 7/13/2012
 Re: 2011 EAP Utilization

The following table shows the self-reported 2011 utilization from the NDPERS Employee Assistance Program (EAP) providers. The overall EAP utilization rate is just over 8%. This is lower than the 9% rate in prior years.

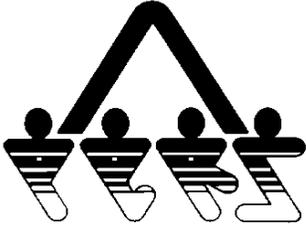
NDPERS Employee Assistance Program – 2011

	NDPERS TOTAL	Deer Oaks	The Village	St. Alexius
Contracts	15850	2576	2407	10867
Cases*	1308	146	288	874
%	8.3%	5.7%	12.0%	8.0%
Sessions**	2061	239	948	874
%	13.0%	9.3%	39.4%	8.0%
Case Types:				
Psychiatric	495	39	102	354
Family/Personal	648	74	121	453
Work Problems	71	10	19	42
Financial/Legal	51	17	30	4
Drugs/Alcohol	34	6	8	20
Other/Unknown	9	0	8	1

* - Note that family members are also eligible for the EAP.

** - Per Session information was not available from St. Alexius.

If you have any questions or need anymore information, please contact me.



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Memorandum

TO: NDPERS Board

FROM: Kathy

DATE: July 11, 2012

SUBJECT: Member Services Survey

Representatives from BCBS will be at the Board meeting to review the results of its Member Services Survey. The PowerPoint presentation is included.



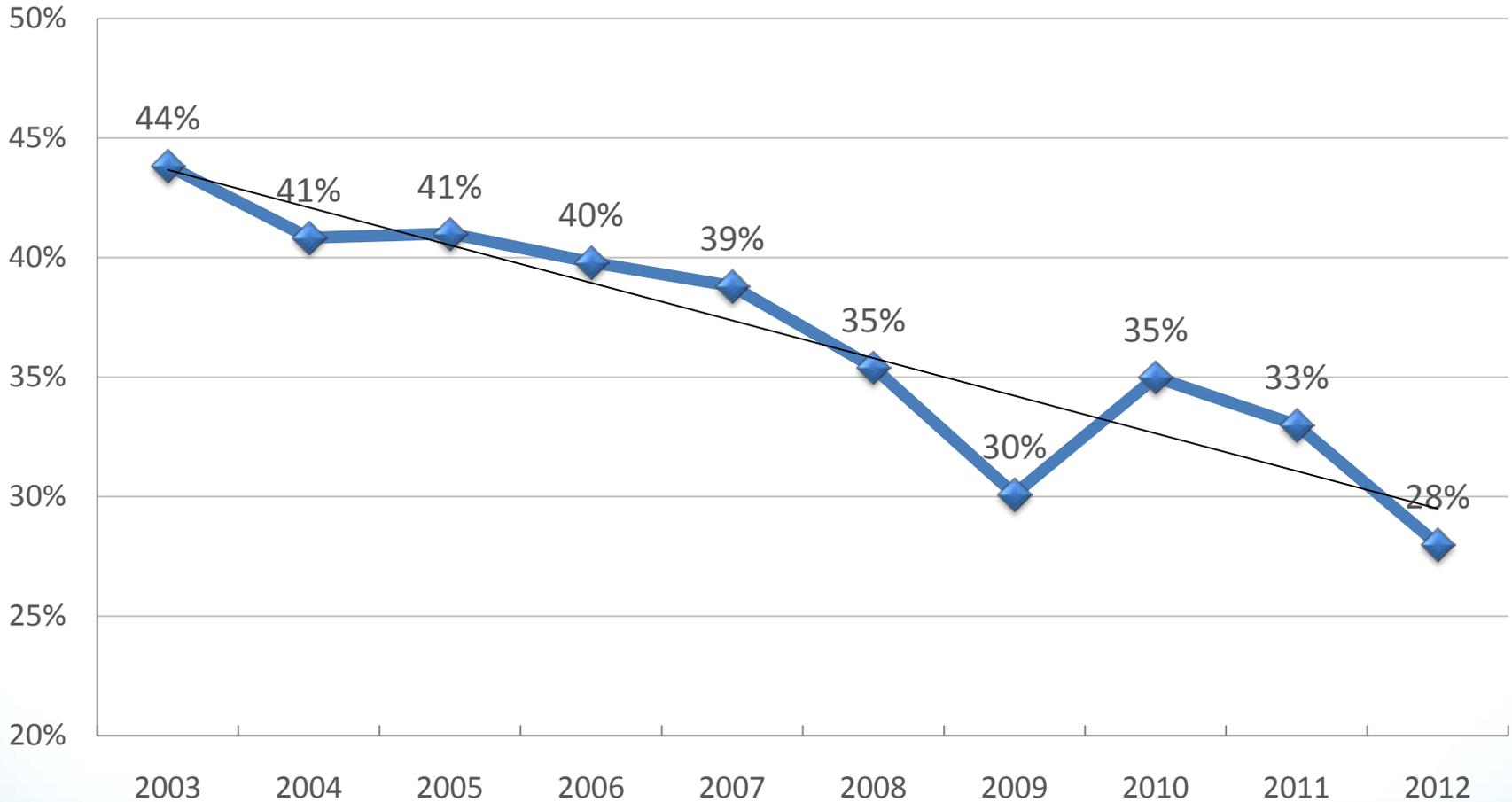
NDPERS

Member Services

Satisfaction Survey Results

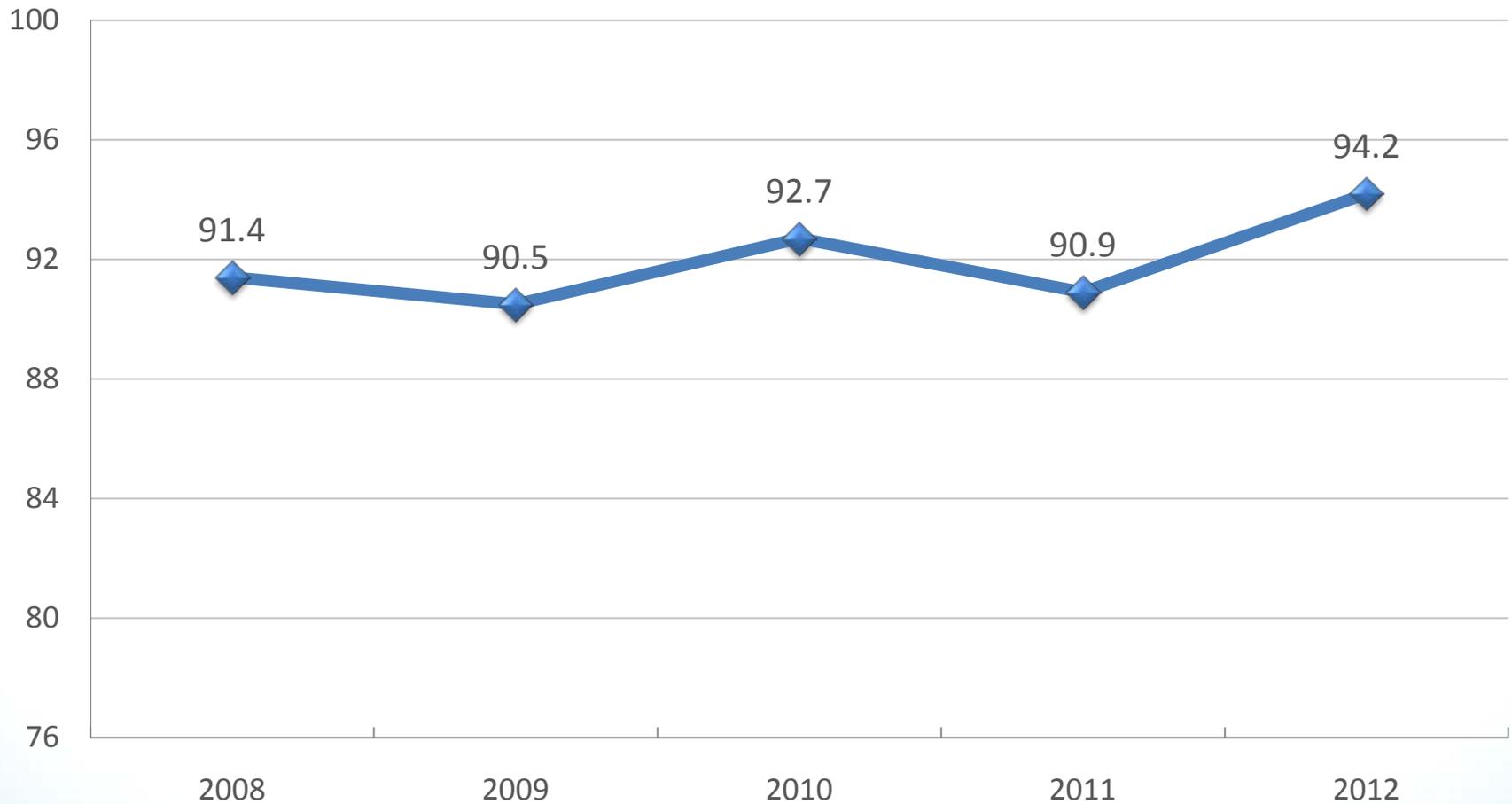
2012

Survey Response Rate

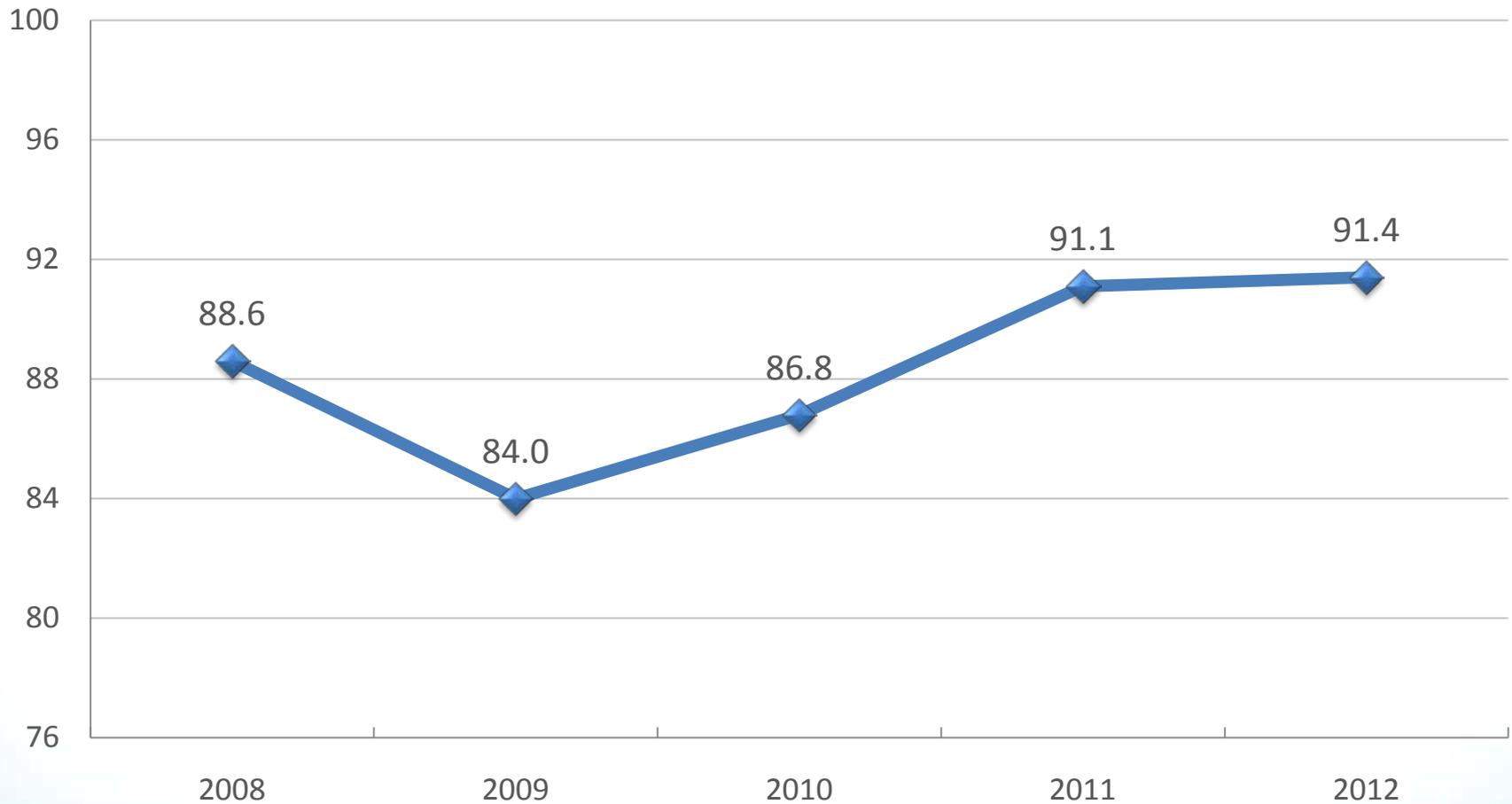


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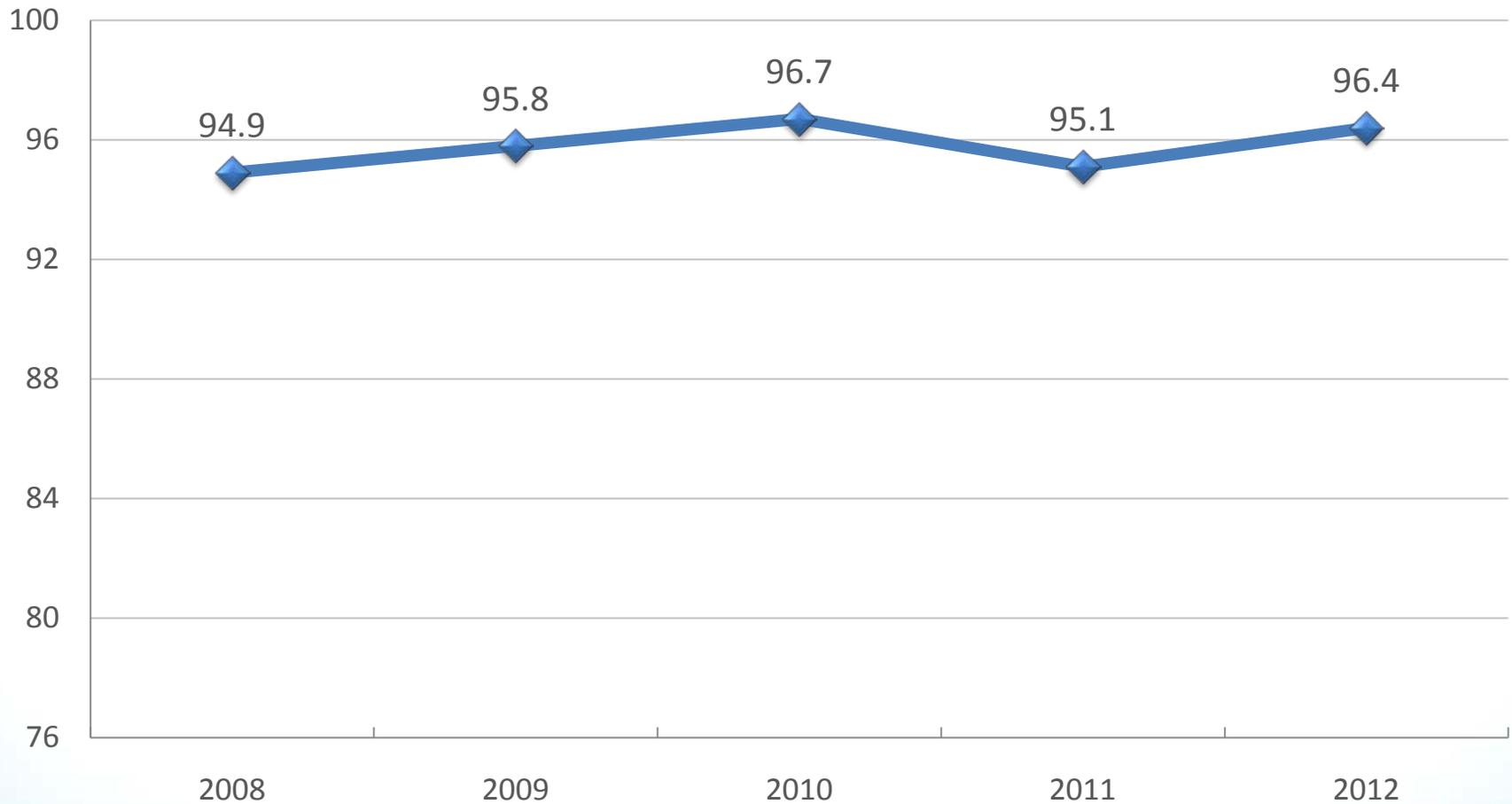
Overall Satisfaction with Service



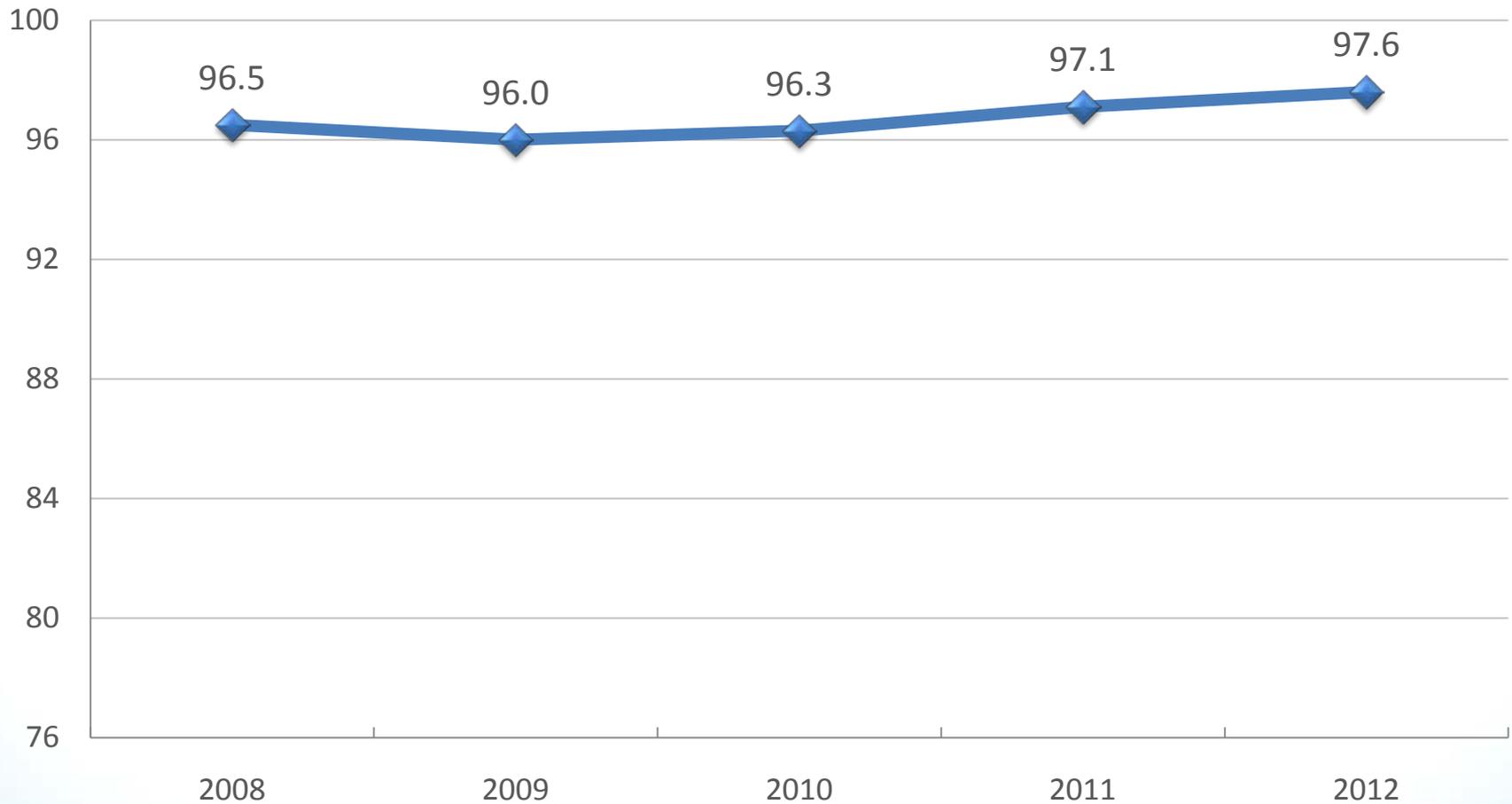
Question Answered/Problem Solved



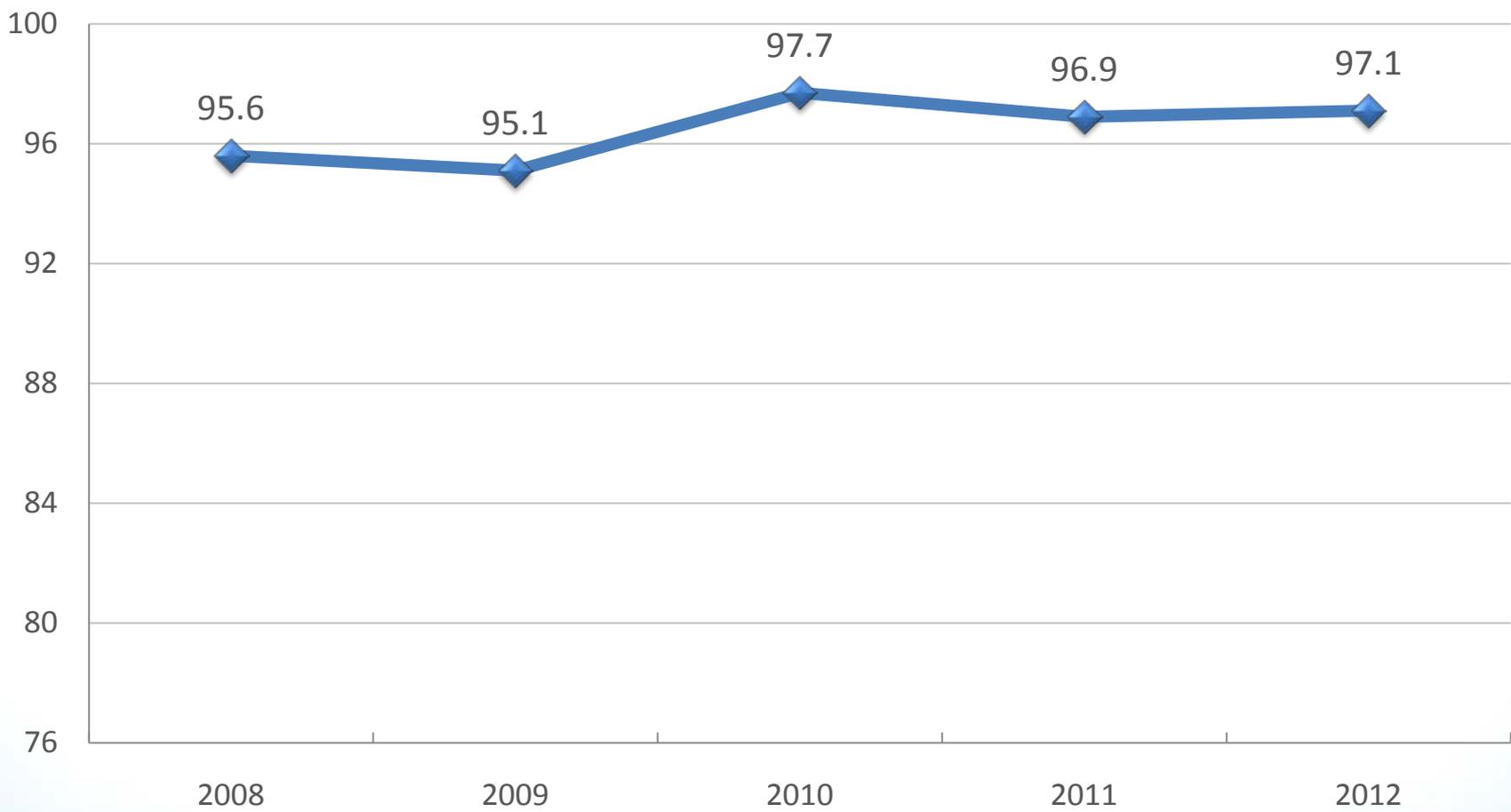
Time Reasonable to Resolve Inquiry



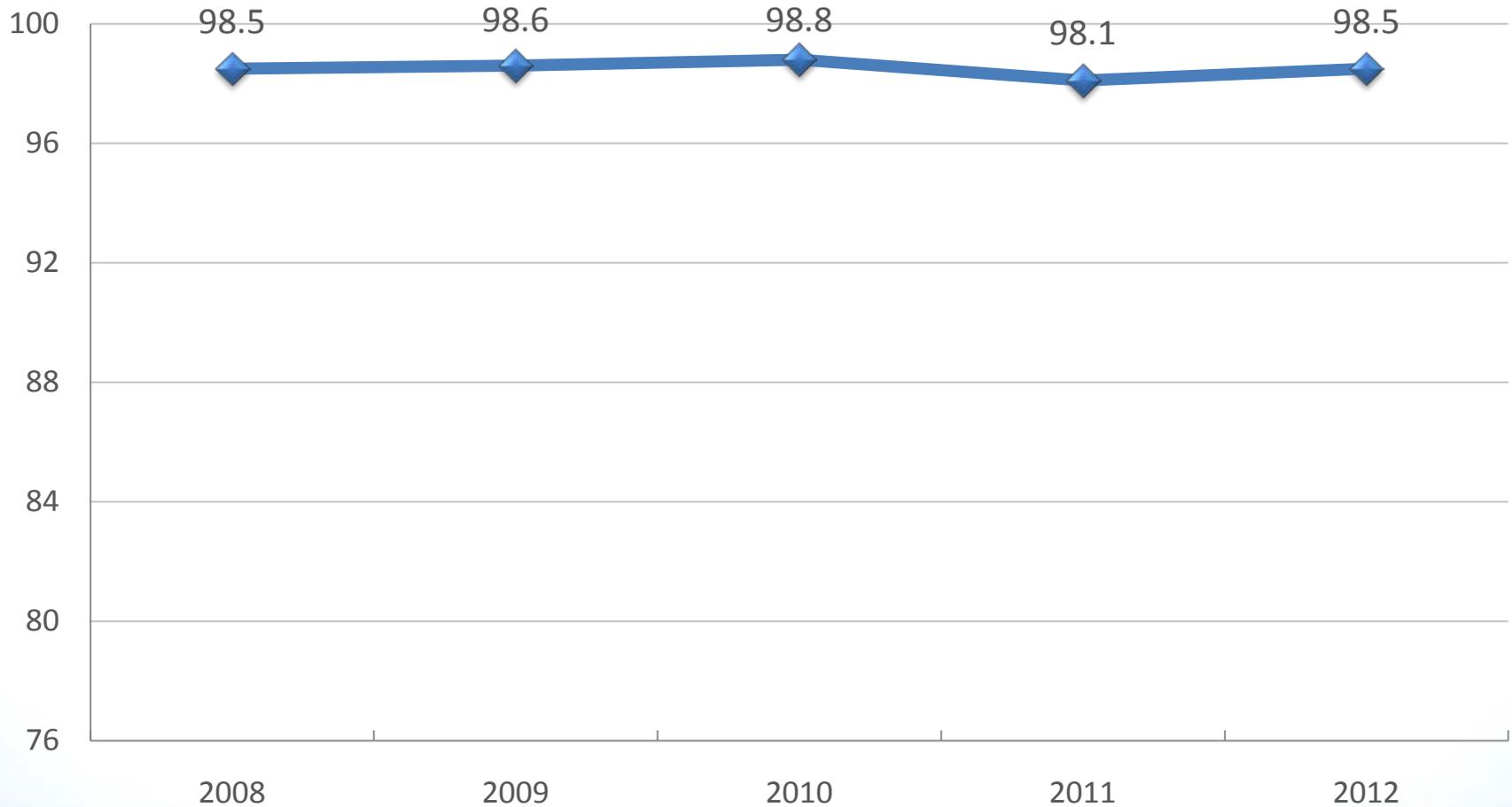
Call Wait Time Reasonable



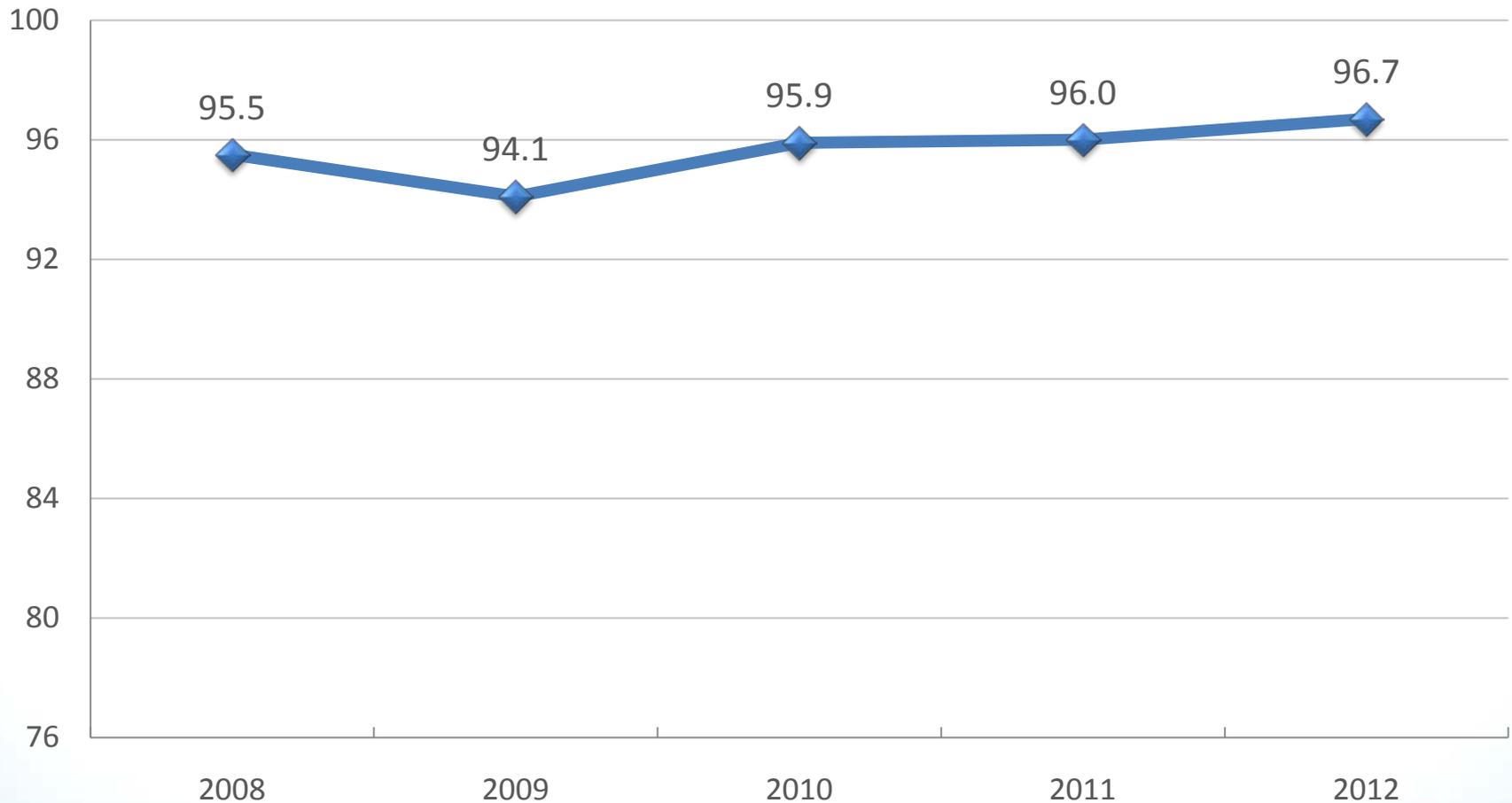
Representative Sounded Caring



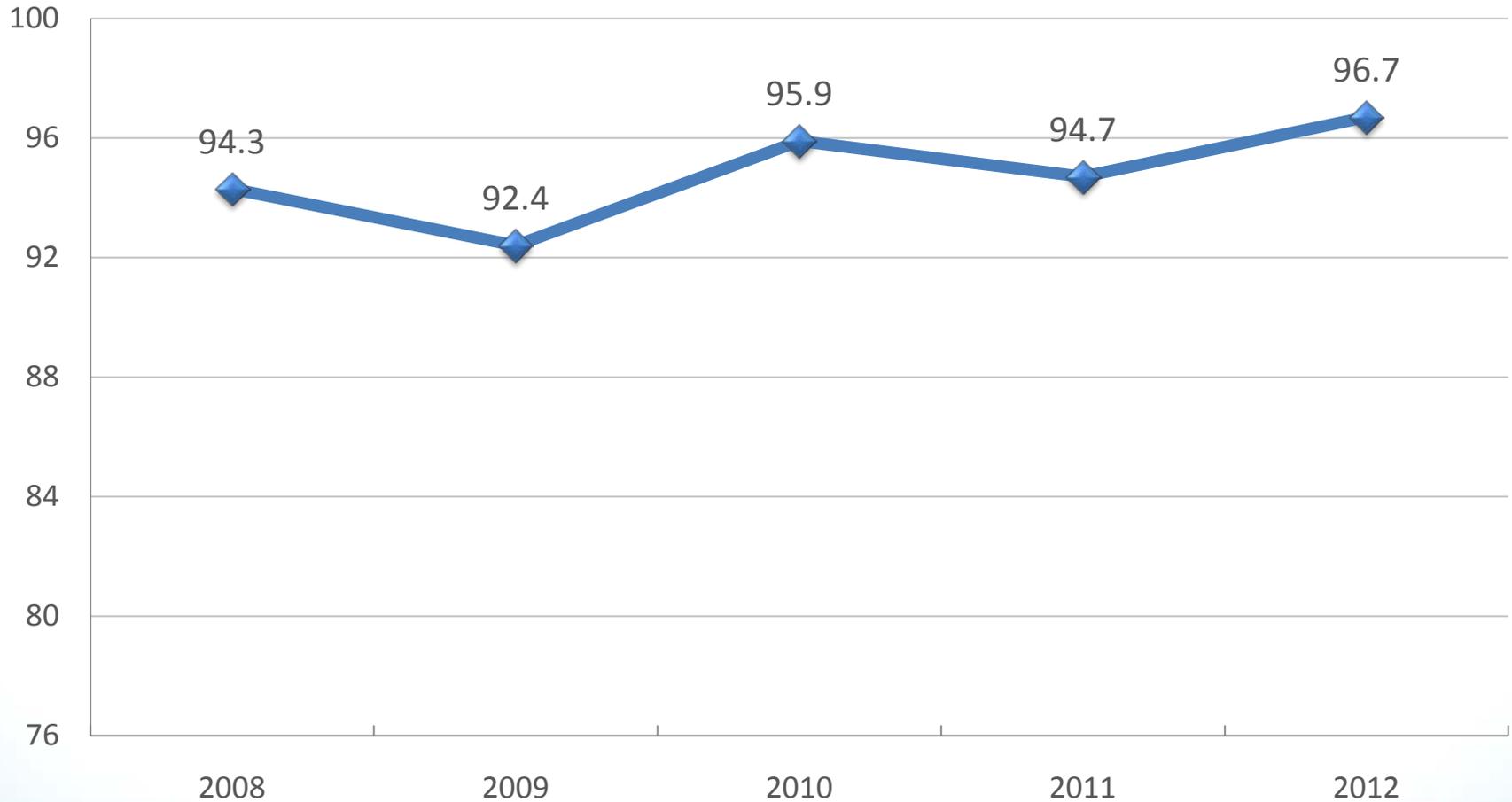
Caller Treated with Courtesy



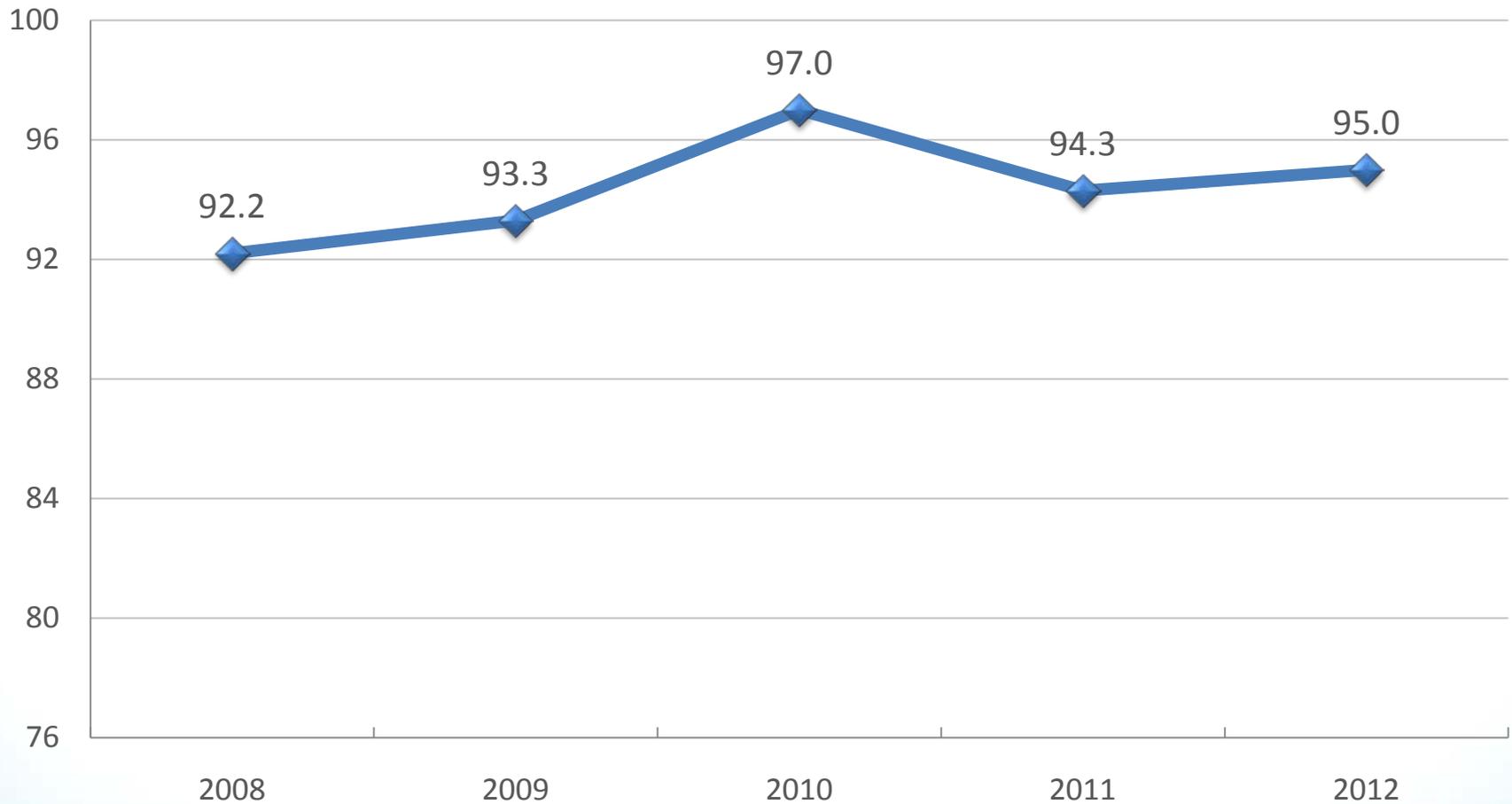
Representative was Knowledgeable



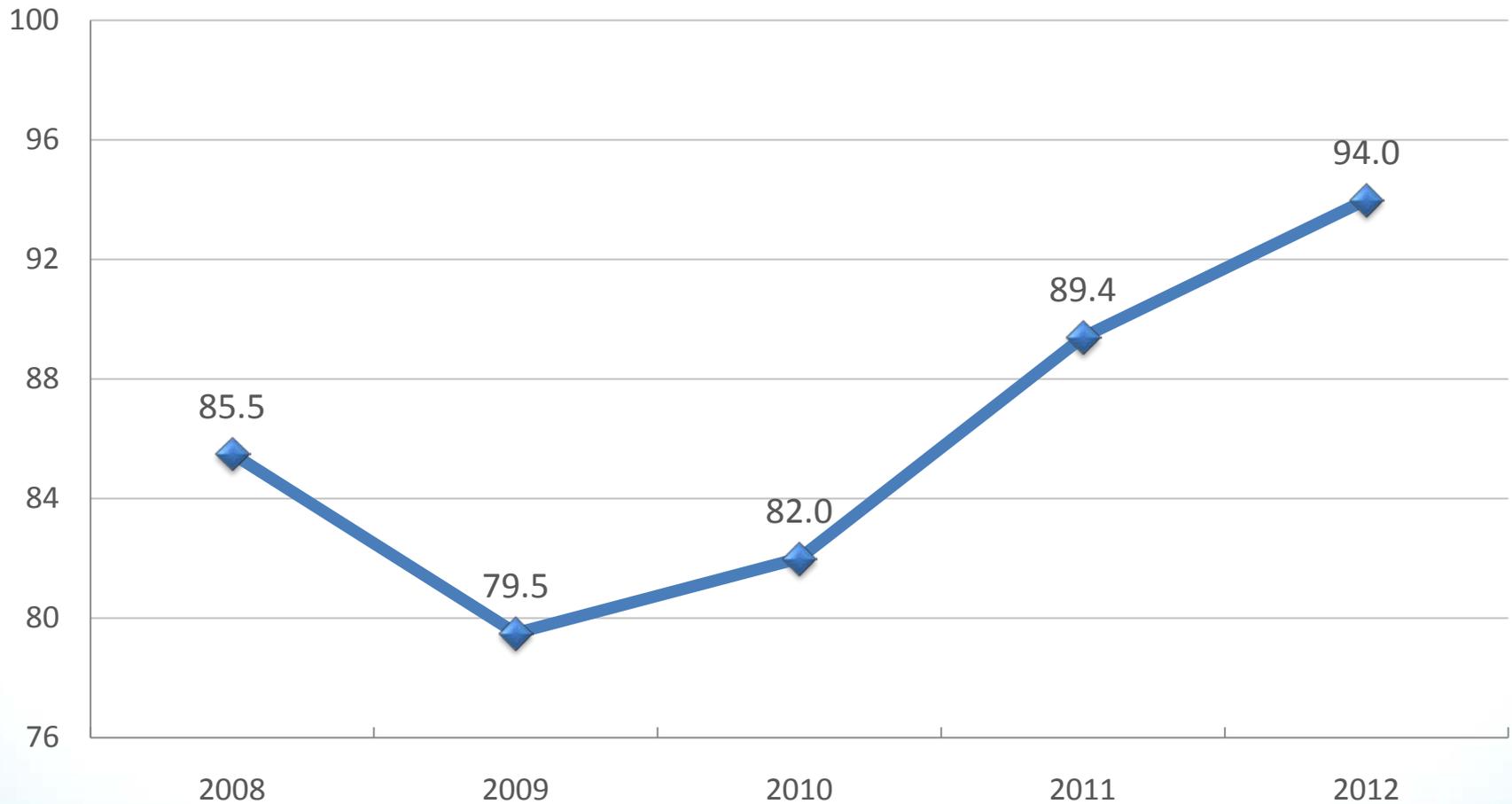
Clear and Complete Answer



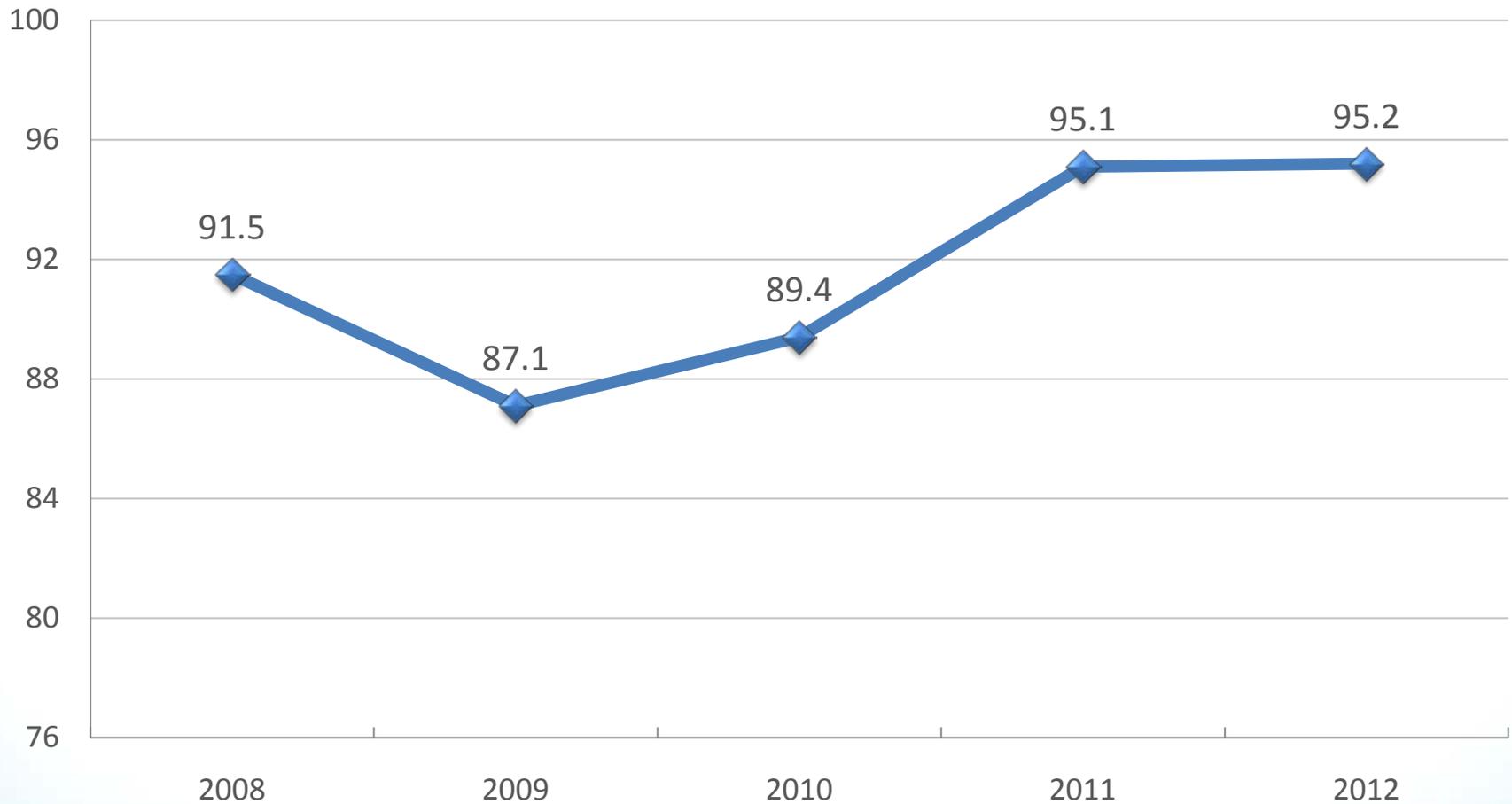
Completed Follow Up



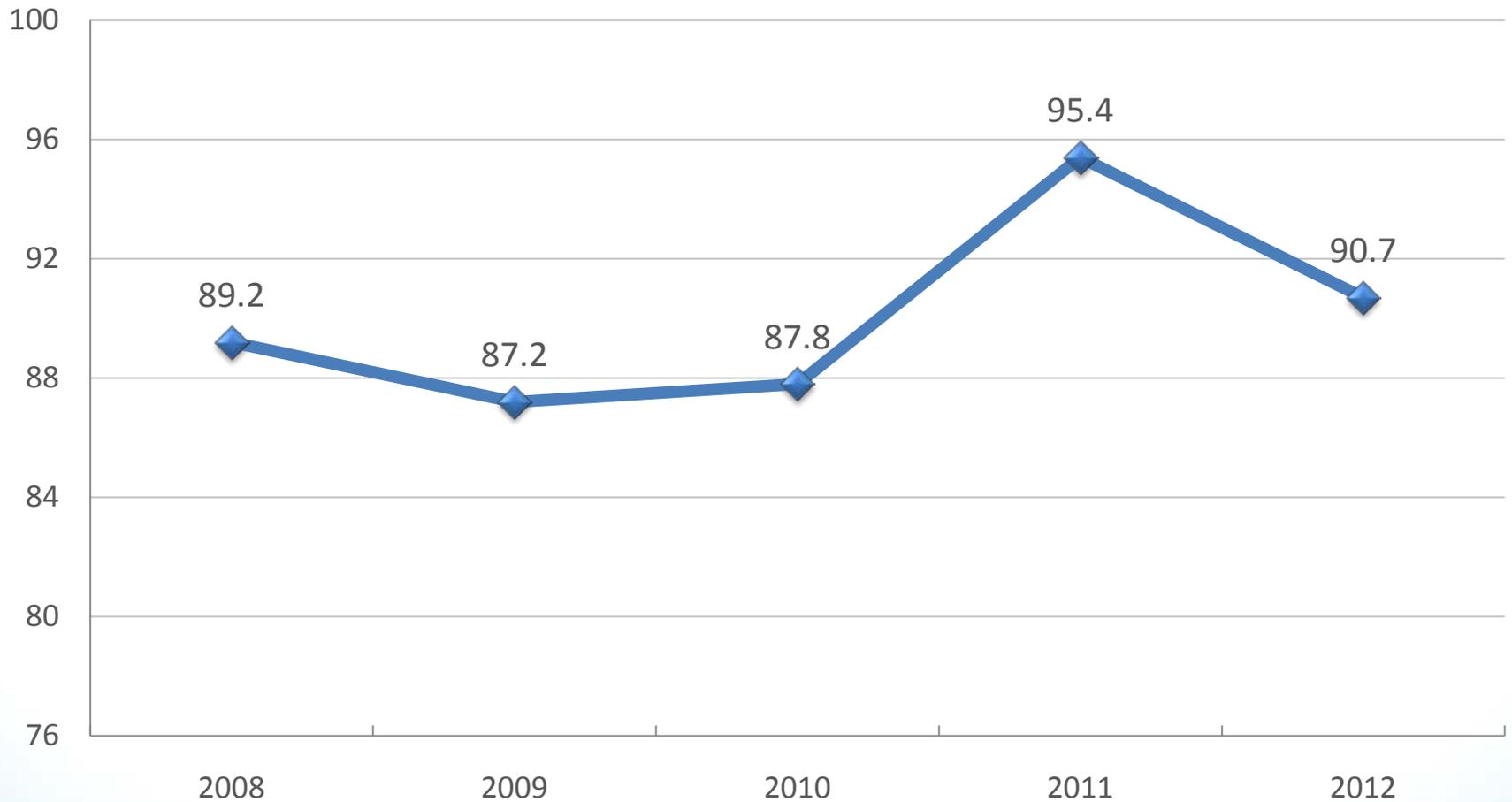
Claim Processed Timely

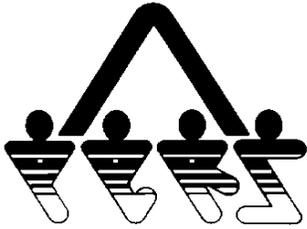


Understandable EOB



Benefit Book Meets Needs





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Sparb Collins
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Memorandum

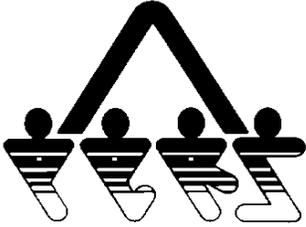
TO: PERS Board

FROM: Sparb

DATE: July 11, 2012

SUBJECT: Legal Status of Retirement Benefits

Jan will be at the Board meeting and provide an update on the legal status of retirement benefits.



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: July 19, 2011
SUBJECT: Law Enforcement Plans

The PERS Board is responsible for the administration of the Law Enforcement Plans. For political subdivisions, the Board has elected to split it into two plans, one plan is for employers with past service and the other is for employers without past service. In addition, employees of BCI at the AG's office are part of the law enforcement plan. Last year the Board decided that in the future they would also have a separate actuarial valuation to determine their rates. Unlike our other retirement plans, the PERS Board is given the authority in statute to set the employer contribution rate for these plans. Section 54-52-06.3 and 54-52-06.4 specify this authority (underlined portion is the part of statute authorizing the board to set the employer rate):

54-52-06.3. Contribution by peace officers and correctional officers employed by political subdivisions - Employer contribution.

Each peace officer or correctional officer employed by a political subdivision that enters into an agreement with the retirement board on behalf of its peace officers and correctional officers separately from its other employees and who is a member of the public employees retirement system is assessed and shall pay monthly four percent of the employee's monthly salary. *Peace officer or correctional officer contributions increase by one-half of one percent of the member's monthly salary beginning with the monthly reporting period of January 2012, and with an additional increase of one-half of one percent, beginning with the reporting period of January 2013.* The assessment must be deducted and retained out of the employee's salary in equal monthly installments. The peace officer's or correctional officer's employer shall contribute an amount determined by the board to be actuarially required to support the level of benefits specified in section 54-52-17. If the peace officer's or correctional officer's assessment is paid by the employer under subsection 3 of section 54-52-05, the employer shall contribute, in

addition, an amount equal to the required peace officer's or correctional officer's assessment.

54-52-06.4. Contribution by peace officers employed by the bureau of criminal investigation - Employer contribution.

Each peace officer employed by the bureau of criminal investigation who is a member of the public employees retirement system is assessed and shall pay monthly four percent of the employee's monthly salary. *Peace officer contributions increase by one percent of the member's monthly salary beginning with the monthly reporting period of January 2012, and with an additional increase of one percent, beginning with the reporting period of January 2013.* The assessment must be deducted and retained out of the employee's salary in equal monthly installments. The peace officer's employer shall contribute an amount determined by the board to be actuarially required to support the level of benefits specified in section 54-52-17. The employer's contribution must be paid from funds appropriated for salary or from any other funds available for such purposes. If the peace officer's assessment is paid by the employer under subsection 3 of section 54-52-05, the employer shall contribute, in addition, an amount equal to the required peace officer's assessment.

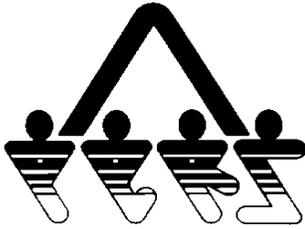
As part of our efforts to enhance the funded status of our retirement plans, we decided to seek an increase in the employee contribution rate for these plans (the part in italics) and this was approved by the Legislature. As you will note, the increase is 1/2% (.5%) for political subdivisions and 1% for the state.

	<u>Jan 2012 Increase</u>	<u>Jan 2013 Increase</u>
Law Enforcement Plan with Prior Service	.5%	.5%
Law Enforcement Plan without Prior Service (Poli Sub)	.5%	.5%
Law Enforcement Plan without Prior Service (state)	1%	1%

Last year the Board approved a matching increase in the employer rate for January 2012 as was part of our recovery plan. This year staff is requesting your approval of matching employer contribution increase for January 2013 which was also part of our recovery plan.

Board Action Requested:

1. Approve the above rate increases for employers.



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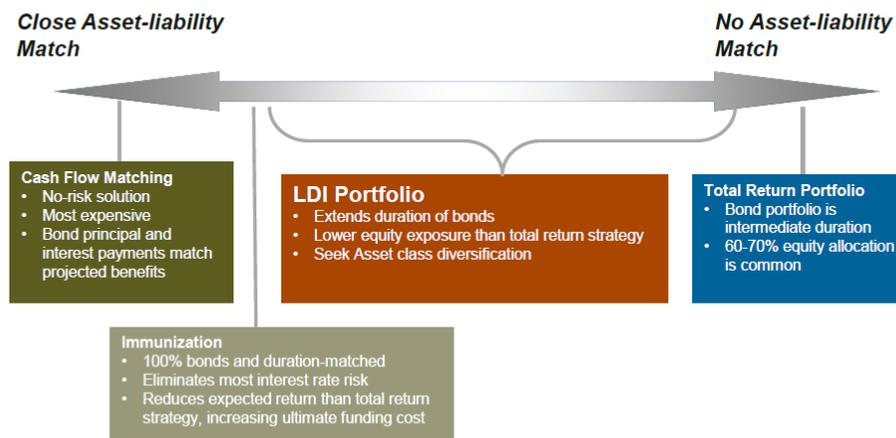
Memorandum

TO: PERS Board
FROM: Sparb
DATE: July 11, 2012
SUBJECT: Job Service Retirement Plan – LDI Study

At our January planning meeting and at the June meeting we discussed doing a LDI study for the Job Service Retirement plan. At the last meeting Callan discussed the concept, its applicability to closed plans and how they can be constructed. The following is one of the slides they presented relating to the concept.

The Spectrum of Liability Driven Investing Approaches

- The term “Liability Driven Investing” refers to strategies that partially hedge interest rate risk while seeking excess return



- Most plan sponsors have historically considered liabilities in setting asset allocation, but choose to assume asset-liability mismatch risk in order improve return
- New regulation and changes in retirement plans have already led many plans sponsors to alter their view of risk and consider strategies that at least partially match assets and liabilities

The Board made the following motion at the meeting:

MR. SAGE MOVED TO SEEK A PROPOSAL FROM CALLAN FOR A LIABILITY DRIVEN INVESTMENT STRATEGY. THE MOTION WAS SECONDED BY MR. TRENBEATH.

In response to the above motion, attached is the proposal from Callan.

Board Action Requested:

To determine if PERS should accept the attached proposal.



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Denver, CO 80202



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July 11, 2012

Mr. Sparb Collins
Executive Director
North Dakota Public Employees Retirement System
400 E. Broadway
Suite 505
Bismarck, ND 58502

Via email: scollins@nd.gov

Dear Sparb,

This letter outlines a proposal to the North Dakota Public Employees Retirement System ("PERS") from Callan Associates Inc. ("Callan") to conduct an asset/liability study of the North Dakota Job Service Pension Plan ("Plan"). The objective of the study will be to model Plan liabilities and alternative asset mixes that have the primary goal of minimizing the Plan's funded status volatility. The study will examine the potential to de-risk the Plan's current asset allocation (which seeks to maximize risk-adjusted returns) and move along a pathway that leads to a Liability Driven Investing ("LDI") approach. An LDI approach will more closely align the characteristics of the assets and liabilities by reducing the allocation to "risky" assets that may cause greater volatility in the Plan's funding ratio.

Callan will evaluate the Plan's projected financial condition versus relevant decision variables so that the PERS trustees can select a strategic asset allocation policy. The asset allocation policy ultimately selected by PERS will be intended to meet the Plan's overall objectives in light of projected investment, benefit, and funding scenarios.

The study will explore potential asset allocation policies that maintain fully funded status through time. The objective of the study is to determine if an asset allocation policy can be established that reacts similarly to the Plan's liabilities relative to changes in interest rates while meeting projected benefit and expense payments. It may be reasonable to expect that our study will outline a "glide path" that gradually adjusts the Plan's asset allocation through time in order to ultimately reach the desired LDI framework.

Overview of the project

At the outset, Callan will work with PERS and RIO staff to customize the work product and final presentation to meet your informational needs and requirements. We anticipate that Callan will meet with the PERS staff and Board on multiple occasions prior to and including the presentation of our written findings and recommendations. The first of these meetings occurred at the June 28, 2012 PERS Board meeting in Bismarck with Paul Erlendson and Gene Podkaminer of Callan. Paul and Gene will be Callan's representatives in the conduct of this project with PERS. Paul will be the primary contact; Gene will be the project's lead investigator.

The project will commence upon receipt of detailed actuarial data from the Plan's actuary. We will also need to establish a set of assumptions with PERS regarding the amount and timing of potential supplemental funding to the Plan from the Federal government. Callan will build a model of the future behavior of the Plan's participant population using the actuarial and funding assumptions. The study will quantify the risk/return tradeoffs from various degrees of de-risking based on a reasonable set of capital market, liability, and funding assumptions. Our modeling will examine PERS's ability to prudently change the Plan's asset allocation in phases over time in scenarios that both include and exclude possible supplemental Federal funding.

We anticipate a gradual approach to the implementation of a de-risking strategy. Callan will assist PERS in obtaining a clear understanding of the costs and benefits inherent in a de-risking approach. We will help PERS select a liability-relative benchmark to manage the Plan and evaluate its performance. While the asset/liability study we propose for the Plan shares many attributes with the study we recently conducted for the PERS plan, this project differs in a few critical areas. Specifically, the Job Service Plan evaluation introduces several critical factors that are unique to the specific circumstances and characteristics of the Plan that complicate the analysis. Among these complications are:

- Modeling and incorporating the potential "call" on the supplemental contribution from the Federal government.
- Understanding and presenting the complex inflation and COLA calculations.
- Modeling multiple various "glide paths" to move from the current Total Return-oriented asset allocation to an LDI-oriented asset allocation, including defining prudent "trigger" points for interim adjustments in the Plan's asset allocation as it moves toward the LDI allocation solution.
- Developing a meaningful benchmark for performance evaluation purposes that is consistent with an LDI investment program.

The entire project will be reviewed by Callan's Client Policy Review Committee, a peer group of senior Callan consulting professionals. We will also review interim results with PERS and RIO staff.

Project Timing and Deliverables

Once Callan receives the detailed actuarial valuation data from the Plan's actuary, as well as information from PERS about potential supplemental Federal funding, we estimate that Callan will deliver a final report in about eight to ten weeks. Callan will deliver a written due diligence report as well as make a presentation to the PERS Board. In addition to the final written report, Callan will produce an educational document that contrasts Total Return and LDI investment solutions. This supplemental document will describe the characteristics that must be in place for a given pension plan to realistically adopt one or the other investment approach.

Fees

The project fee to complete the asset/liability study for the Plan as described above is \$62,000. Reasonable travel expenses incurred by Callan professionals to attend meetings with PERS and RIO staff relative to this project will be reimbursed outside of the project fee.

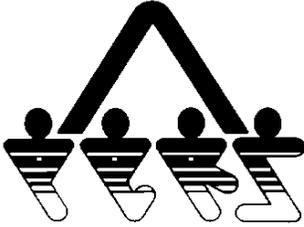
I will be happy to respond to any questions about this proposal. Please contact me via telephone at (303) 861-1851 or via email at erlendson@callan.com. We look forward to assisting PERS in your evaluation of alternative asset allocation policies to de-risk the Plan's investment program and meet the investment needs and funding obligations of the Plan and its beneficiaries.

Cordially,



Paul Erlendson

cc: Darren Schulz, NDRIIO Interim Chief Investment Officer
Jay Kloefer, Callan



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Memorandum

TO: NDPERS BOARD

FROM: Kathy

DATE: July 10, 2012

SUBJECT: FlexComp Medical Spending Account Annual Limit

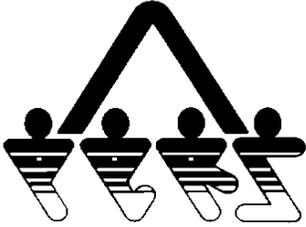
At the June meeting, the Board was provided information that due to provisions in the Affordable Care Act (ACA), effective January 1, 2013, the annual maximum limit for the flexcomp plan medical spending account (MSA) will be reduced to \$2,500 from \$6,000. The Board inquired about the number of participants whose annual contributions exceed the \$2,500 and how many are at the \$6,000 limit. Following are the statistics in response to your question:

Number of Participants at or in excess of \$2,500:	463
Number of Participants at the \$6,000 maximum:	<u>60</u>
Total	523

Total dollars pre-taxed over \$2,500:	\$706,450
---------------------------------------	-----------

Currently there are 2,650 participants in medical spending accounts with \$4,615,000 dollars being pre-taxed. Dollars pre-taxed over \$2,500 is approximately 15% of total dollars being re-directed to MSAs. For the Board's information, spouses who are both eligible to contribute to a health MSA are each able to make a \$2,500 salary reduction contribution, even if both participate in a MSA maintained by the same employer.

Since the last meeting we have received additional information which indicates that for plan years beginning after 2013, the \$2,500 limit will be adjusted for inflation in multiples of \$50.



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Memorandum

TO: PERS Board

FROM: Sparb

DATE: July 12, 2012

SUBJECT: RETIREMENT AND INVESTMENT OFFICE

At the meeting we will have an update on the recruitment efforts for the Executive Director position at RIO.