

MINUTES

North Dakota Public Employees Retirement System
NDPERS Conference Room via Conference Call
Friday, January 14, 2011
2:30 p.m.

Members via
Conference Call:

Ms. Joan Ehrhardt
Mr. Levi Erdmann
Mr. Howard Sage
Mr. Mike Sandal
Ms. Arvy Smith
Mr. Thomas Trenbeath
Chairman Jon Strinden

Others Present:

Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Mr. Mathew Sagsveen, Office of Attorney General

Chairman Strinden called the meeting to order at 2:40 p.m.

401(a) and 457 Request for Proposal

Mr. Collins indicated to the Board that he wanted to seek their approval to update the 401(a) and 457 plan request for proposal. House Bill 1228 was submitted which provides for a defined contribution plan for new state employees beginning in August 2011. Mr. Collins indicated that PERS had issued an RFP two weeks ago for the existing PERS defined contribution and 457 plans. In recognition of HB 1228, Mr. Collins suggested amending the RFP to include the provisions of HB 1228. In addition to amending the RFP, Mr. Collins proposed modifying the time frame for the RFP by a couple of weeks.

The Board discussed this issue.

MR. TRENBEATH MOVED TO INCLUDE THE DEFINED CONTRIBUTION PLAN OPTION CONTAINED IN HOUSE BILL 1228 IN THE REQUEST FOR PROPOSAL THAT HAS BEEN ISSUED AND AMEND THE TIME FRAME OF THE REQUEST FOR PROPOSAL. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

MOTION PASSED

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 2:48 p.m.

Prepared by,

Cheryl Stockert
Secretary to the Board

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13th Ave SW, Fargo

Thursday, January 20, 2011

8:30 A.M.

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

Via Videoconference: Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Mr. Mathew Sagsveen, Attorney Generals Office
Mr. Kevin Schoenborn, BCBSND
Mr. Casey Martin, Prime Therapeutics
Mr. Ron Leingang

Via Videoconference: Ms. Nancy Vogeltanz-Holm, UND
Ms. Onalee Sellheim, BCBSND
Ms. Jodi Crouse, BCBSND
Mr. Brent Solseng, BCBSND
Mr. Jayme Steig, NDPSC

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 December 21, 2010 Board meeting.

MR. SAGE MOVED APPROVAL OF THE DECEMBER 21, 2010 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MS. SMITH. THE MINUTES WERE APPROVED.

GROUP INSURANCE

Prime Therapeutics Response to PBM Audit

Mr. Martin from Prime Therapeutics presented an update to the Board on the audit performed by Tricast. He reported that the audit was done in a very collaborative working relationship with Tricast. They reviewed the networks, rebates, and claims. The results of the audit were positive overall. There was no impact analysis needed to be run or benefit setup changes required which was a good outcome.

UND Diabetes Study

Ms. Vogeltanz-Holm reviewed a cost/benefit analysis of the North Dakota Diabetes Management Program with the Board that was done by her office. Information provided included the research and design methods used, the primary and secondary analyses, and conclusions of the program. The Board had questions regarding the results of the analyses. Mr. Collins indicated that Mr. Steig with Frontier Pharmacy Services will be at the next Board meeting to discuss the program and the findings which will be needed prior to the Board making its final decision on whether or not to continue this program.

BCBS

Mr. Schoenborn with BCBSND presented a proposal on an optional settlement agreement to the Board. The current settlement arrangement indicated if there is a gain, BCBS keeps 50% of the first \$3M; if there is a loss, BCBS loses 50% of first \$6M and 100% of the remainder. The proposed optional settlement would be if there is a gain, BCBS keeps nothing; if there is a loss, BCBS loses nothing for the first \$3M and PERS and BCBS would share 50% of next \$4M and 100% of any remaining loss would be the responsibility of BCBS. Mr. Schoenborn also discussed with the Board the Performance Standards and Guarantees as delegated in the RFP Section 6.11, specifically relating to the incentives and forfeiture values. The Board discussed this issue and had questions of BCBS. Mr. Collins indicated that Deloitte and BCBS will be at a future meeting to provide the Board with additional information.

Vision Enrollment Update

Ms. Allen provided the Board with an update on the enrollment activity with the new vision carrier – Superior Vision. There was a 35% increase in the vision plan as a result of annual enrollment.

Heart of America Health Plan

Ms. Allen reviewed with the Board the request for Heart of America Health Plan in Rugby to continue to offer its health plan to state and participating political subdivision employees in the Rugby service area. The Board had questions of staff relating to this request.

MR. ERDMANN MOVED TO ACCEPT THE HEART OF AMERICA PROPOSAL FOR THE PERIOD JULY 1, 2011 THROUGH JUNE 30, 2012. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

MOTION PASSED

RETIREMENT

Segal Contract

Mr. Collins reviewed with the Board the Segal proposal to extend the contract for one more year. Segal provided two proposals – the first proposed a one year fee arrangement and the second proposed a two year fee arrangement. The Board discussed the Segal extension and the proposed rates.

MR. TRENBEATH MOVED TO PROPOSE TO SEGAL AN EXTENSION FOR ONE YEAR WITH THE FEES PROPOSED IN YEAR ONE OF SEGAL'S TWO YEAR PROPOSAL. IF SEGAL DOES NOT ACCEPT THIS, PERS WOULD GO OUT TO BID. THE MOTION WAS SECONDED BY MR. SANDAL.

The Board discussed this motion.

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

Nays: None

Absent: Mr. Sage

MOTION PASSED

MISCELLANEOUS

Executive Director Policies

Mr. Collins reviewed with the Board the policies of the Board relating to the delegation of duties to the Executive Director. The Board discussed these policies and concurred that the policies would remain in place with no changes at this time. Mr. Collins indicated he would periodically bring these policies to the Board for review.

Attorney General Update

Mr. Sagsveen reported that Mr. Aaron Webb is no longer with the Attorney General's Office. Mr. Sagsveen will represent PERS as legal counsel until the position is filled. He also reported they are in the process of recruiting.

Comprehensive Annual Financial Report

Mr. Collins reported that the 2010 Comprehensive Annual Financial Report has been completed and is available on the PERS website. An email notice was sent to each participating employer and the report was submitted to the Government Finance Officers

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Association with an application for the GFOA Certificate of Excellence in Financial Reporting.

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 10:32 a.m.

Prepared by,

Cheryl Stockert
Secretary to the Board

MINUTES

North Dakota Public Employees Retirement System

NDPERS Conference Room via Conference Call

Monday, January 31, 2011

4:00 p.m.

Members via
Conference Call:

Ms. Joan Ehrhardt
Mr. Levi Erdmann
Mr. Howard Sage
Mr. Thomas Trenbeath

Members Absent:

Mr. Mike Sandal
Ms. Arvy Smith
Chairman Jon Strinden

Others Present:

Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Kathy Allen, NDPERS
Mr. Mathew Sagsveen, Office of Attorney General

The meeting was called to order at 4:00 p.m.

Proposed Legislation

Mr. Collins called the special Board meeting to seek guidance relating to Senate Bill 2344 which changes the composition of the State Investment Board by reducing the total number of retirement plan members and adding legislative representation. The bill proposes to reduce two PERS Board members and two TFFR Board members and add three members from the House and three members from the Senate. Mr. Collins reviewed background information with the Board relating to the structure of the SIB. Mr. Collins proposed to the Board that he would provide neutral testimony to the legislative committee explaining the history and why PERS feels it is important to maintain the retirement funds as having a majority on the SIB to maintain the fiduciary responsibilities.

The Board discussed this bill and noted that it did not oppose adding legislative representation. After discussion, the Board reached consensus that Mr. Collins should provide neutral testimony.

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 4:10 p.m.

Prepared by,

Cheryl Stockert
Secretary to the Board

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13th Ave SW, Fargo

Thursday, February 17, 2011

8:30 A.M.

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

Via Videoconference: Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Jodi Crouse, BCBSND
Mr. Jayme Steig, NDPSC
Mr. Bill Kalanek, Association for Public Employees
Ms. Julie Klassen, Great West Retirement Services
Mr. Ron Leingang

Via Videoconference: Mr. Kevin Schoenborn, BCBSND
Mr. Tom Christensen, BCBSND
Ms. Onalee Sellheim, BCBSND
Mr. Michael Carlson, BCBSND
Ms. Marissa Parmer, BCBSND
Mr. Brent Solseng, BCBSND
Mr. Jim Wynstra, BCBSND
Mr. Mike Potts, BCBSND
Ms. Cindy Gillund, BCBSND
Mr. Casey Martin, Prime Therapeutics

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 January 14, January 20, and January 31, 2011 Board meetings.

MR. TRENBEATH MOVED APPROVAL OF THE JANUARY 14, JANUARY 20, AND JANUARY 31, 2011 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MS. EHRHARDT. THE MINUTES WERE APPROVED.

GROUP INSURANCE

Diabetes Management Program

Mr. Collins reported that at the last meeting Ms. Vogeltanz-Holms presented findings on the diabetes management program. Mr. Steig, clinical coordinator for the project, presented a program overview to the Board that included information relating to how the program was promoted to members, patient participation numbers, patient incentives, program costs, UND analysis (points of interest), and a comparison of the PERS program to others. Mr. Steig discussed the next steps with the Board with specific goals to increase enrollment, decrease selection bias, maintain positive clinical outcomes and further demonstrate cost savings. The Board had questions of Mr. Steig.

Mr. Collins indicated that at the March meeting the Board will make a determination as to whether to continue the program into the 2011-13 biennium.

Prime Therapeutics Follow-up

Mr. Martin, Prime Therapeutics, provided the Board with follow-up information that had been requested at the January meeting. He reported that it is Prime's conclusion that the 2,662 claims Tricast could not reconcile were paid correctly according to PERS benefit parameters.

BCBS Annual Report and Quarterly Executive Summary

Ms. Crouse, BCBSND, reviewed with the Board the Annual Utilization Summary. Information covered included:

- Actives: demographics and the effect on per member per month; discounts comparisons; high dollar members; utilization comparison; prenatal plus; utilization comparison; and prescription drugs review;
- Retirees: membership and per member per month summary; discounts comparisons; high dollar members; and payments per member per month comparison.

Mr. Carlson reviewed with the Board information on wellness, including member education, health club credit program, MyHealthCenter, wellness programs update and medical management programs which include AccordantCare, MediQHome, smoking cessation program, pharmacy disease management program and claims processing. Ms. Marissa Parmer presented information on quarterly wellness program activities. The Board and staff had questions of BCBS staff on these reports.

BCBS Health Projections

Mr. Wynstra reviewed with the Board the financial/trend analysis for the quarter. The overall trend is 6.9% versus the 7.4% as originally projected. This equates to \$4.50 in lower rates per contract per month. Mr. Collins indicated that the bid we accepted in September is now \$4.50 pcpm less than accepted. PERS will supply this information to the House and Senate Appropriations Chair for their consideration. The legislature may decide to take this out of the premium and save the dollars and if they do, this will have to be reflected in the final contract. Or, they can leave the contract at the higher rate, then at the close out in 2013 we would get the dollars back.

BCBS MedicareBlue Rx Update

Mr. Collins shared with the Board information relating to the recent notice sent by BCBSND to MedicareBlue Rx subscribers relating to formulary drugs.

Tobacco Cessation Report

Ms. Gillund, BCBSND, reviewed with the Board the outcomes of the NDPERS tobacco cessation program. Information included demographics and expenditures. The Board requested information relating to the success ratio for members participating in the program. This information can be provided by the ND Department of Health.

Transitional Enrollment Timeframe

Ms. Allen reported to the Board that the federal health care law included a provision that expands eligibility for child dependents through the end of the month of their 26th birthday without meeting dependent or student status requirements. The Board adopted an effective date of July 1, 2011 for the PERS group. PERS will conduct a special open enrollment from May 16-June 16 with a coverage effective date of July 1, 2011. There will be a number of dependents who will lose coverage in May due to graduation from college. The Board discussed options to avoid this lapse in coverage.

MR. SANDAL MOVED TO APPROVE THE EXTENSION OF COVERAGE FOR THE MONTH OF JUNE TO THOSE DEPENDENTS WHO COULD LOSE ELIGIBILITY. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

MOTION PASSED

Dependent Eligibility for Dental and Vision Plans

Ms. Allen reported that with the federal health care law provision to expand eligibility for child dependents, and in order to maintain consistency in the administration of all PERS group insurance plans, staff was proposing that the extension of dependent eligibility be applied to the group dental and vision plans. Board discussion occurred on this issue.

MS. EHRHARDT MOVED THAT EFFECTIVE JULY 1, 2011, PERS EXPAND DEPENDENT ELIGIBILITY CONSISTENT WITH THE HEALTH CARE PLAN TO DEPENDENTS IN THE DENTAL AND VISION PLANS. MEMBERS WOULD HAVE THE OPPORTUNITY TO ENROLL THEIR DEPENDENTS FOR COVERAGE DURING THE NORMAL ANNUAL ENROLLMENT IN THE FALL. THE MOTION WAS SECONDED BY MR. TRENBEATH.

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

Nays: None

MOTION PASSED

NDPERS Inpatient Comparison

Mr. Collins referred the Board to the 2007 comparison of inpatient claims with the National Hospital Discharge Survey report which was provided for information.

NDPERS Prescription Drugs Update

This report was provided to the Board for their information. The report provided information relating to the cost sharing for the 2009-11 biennium and statistics on generics versus brand name drugs.

RETIREMENT

Segal Contract

Mr. Collins reported to the Board that Segal has accepted the rates as recommended by the Board at the January meeting. The contract with Segal for consultant services has been extended through June 30, 2012.

DEFINED CONTRIBUTION

2010 Enrollment

Ms. Allen reviewed with the Board the annual report on the defined contribution plan for 2010. There were 63 contacts made with one member transferring to the defined contribution plan.

FLEX COMP

Annual Enrollment

Ms. Allen gave the Board information on the annual enrollment for the 2011 flex comp plan.

MISCELLANEOUS

Legislative Update

Mr. Collins reported to the Board the status of various bills affecting PERS. House Bill 1228 (defined contribution plan for state employees) is scheduled to go to vote soon. If this bill passes, Mr. Collins indicated it will be necessary for the Board to meet. Senate Bill 2108 was amended to increase contributions for two years of the biennium and removed two years from the next biennium. Senate Bill 2268 relating to coverage for autism spectrum disorders was amended and assigned to the Department of Human Services.

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 11:00 a.m.

Prepared by,

Cheryl Stockert
Secretary to the Board

MINUTES

North Dakota Public Employees Retirement System

NDACo Conference Room via Conference Call

Thursday, March 3, 2011

1:30 p.m.

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

Via Conference Call: Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Kathy Allen, NDPERS
Mr. Mathew Sagsveen, Office of Attorney General
Ms. Jan Murtha, Office of Attorney General

The meeting was called to order at 1:35 p.m.

Legislative Update

Mr. Collins called the special Board meeting to seek guidance relating to Senate Bill 2108, House Bill 1228, House Bill 1364 and also to update the Board on Senate Bill 2344.

Mr. Matt Sagsveen introduced Ms. Jan Murtha to the Board. Ms. Murtha is the new attorney with the Office of Attorney General that will be working with PERS and the PERS Board.

Senate Bill 2108

Mr. Collins reviewed information on the PERS trust fund with the Board. He reviewed a detailed presentation with the Board which explained various scenarios on the main system funding status and when the assets of the plan would be depleted. The Senate amended 2108 to remove the 2% contributions in 2014 and 2015. In order to obtain contributions for these two years, we would have to come back the next legislative session. Mr. Collins suggested to the Board that we support SB 2108, acknowledge the Senate's amendments, indicate that the amended bill does meet the objectives for the 2013 to 2015 biennium and give specific reasons why, and indicate that we will need to come back next session to ask for additional contribution increases. The Board discussed this approach and concurred.

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13th Ave SW, Fargo

Thursday, March 24, 2011

8:30 A.M.

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

Via Videoconference: Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Sharon Schiermeister, NDPERS

Via Videoconference: Mr. Kevin Schoenborn, 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 February 17, 2011 Board meeting.

MR. TRENBEATH MOVED APPROVAL OF THE FEBRUARY 17, 2011 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MR. SANDAL. THE MINUTES WERE APPROVED.

Chairman Strinden called for any questions or comments regarding the minutes of the March 3, 2011 Board meeting.

MS. EHRHARDT MOVED APPROVAL OF THE MARCH 3, 2011 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MR. TRENBEATH. THE MINUTES WERE APPROVED.

PERSLink UPDATE

Ms. Schiermeister reported to the Board that PERS has been live with the new PERSLink business system for six months. The system remains stable and daily business is being conducted. Staff continues to work together. One big event that was accomplished is that PERS issued the 1099r reporting on time with a minor printing glitch. In January an employer training session was conducted and webcast for those who are on the PeopleSoft system. There have been some issues with deferred compensation transmissions, but PERS is now reaching the goal to get monies to the providers within three business days. There are fewer critical issues that need to be fixed on the system. The monthly retirement payments and new retirements are processed within the established time frames. PERS transitioned to a new vision carrier, experienced a health insurance rate change effective January 1, and a tax withholding table change in February. Staff began testing the Member Self-Service portal which is an online system for participating active employees and retirees. A plan for usability testing of the system has been developed where PERS will be obtaining assistance from experts who will review the system to insure the screens are user friendly, the navigation is user friendly, and ensuring there are adequate instructions. Sagitec identified a partner to assist with this effort. The standard at this time is to develop something that our members will like to use and want to come back and use it again.

There has been progress on previous challenges including data extraction conversion issues. Change management has been the biggest issue internally. Work seems to be falling more into a routine, with routine monthly cycles, and staff is becoming more familiar with the new processes. There is still a backlog of work in the area of employer reporting. PERS has 2.5 temporary staff assisting with various efforts. Employer Self-Service is very busy the first couple weeks of the month where most employers are reporting. PERS staff works with employers one on one for those who are struggling. Once employers become familiar with ESS, they seem to do well.

Of the over 400 employers, PERS has only 5 who are not using ESS. The interface file with PeopleSoft for benefit enrollments still has not been implemented. It is a very high exposure piece that impacts how things are updated on people's paychecks. The insurance billings for retirees problem has now been fixed. Relating to the project budget, PERS is still on budget and anticipate being able to complete everything within that budget. As far as operating budget, there may be a need to do a line item transfer from contingency to either salary or operating. Overtime has been paid out, temporary staff has been hired, and there will be unplanned payouts of annual leave with one staff member retiring in June. A proposal will be brought to the April Board meeting for your review. Upcoming projects will be transferring PERS data to the actuaries for the annual valuations and member annual statements will be mailed in July. The Board had questions of Ms. Schiermeister.

GROUP INSURANCE

Group Life Insurance Proposals

Mr. Collins indicated to the Board that Mr. Schaefer with Gabriel Roeder Smith was at the Board meeting to review with the Board the summary of the group life proposals. Mr. Collins indicated the plan is to have a special meeting in early April to review the proposals in detail, narrow them down to three or four finalists, who will then be interviewed at the April 21 meeting. Mr. Schaefer reviewed with the Board a Summary of the Basic Life, Supplemental Life and AD&D Request for Proposal results. The summary included information on bidder financial ratings, minimum requirements, financial requirements, plan design and rate comparison and administrative requirements.

BCBS 2010 Claims Audit

Mr. Reinhardt reviewed with the Board the 2010 BCBS claims processing audit. A select sample of claims from specific areas was reviewed for accuracy. The Board had questions relating to the audit findings.

Employee Assistance Program Utilization

Mr. Reinhardt reviewed with the Board the 2010 utilization from the EAP providers. The overall utilization rate is just over 9% which is consistent with previous years.

Employee Assistance Program RFP

Mr. Reinhardt reported that every two years PERS goes out to bid for the employee assistance program. The proposed RFP was presented to the Board for this cycle. Mr. Reinhardt noted that it had been reviewed and approved by legal counsel.

MR. LEVI MOVED TO GO FORWARD WITH ISSUING THE EMPLOYEE ASSISTANCE PROGRAM REQUEST FOR PROPOSAL. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

MOTION PASSED

RETIREMENT

457 Companion Plan/401(a) Proposals

Mr. Collins shared with the Board an update from Segal on the RFP process for this plan. We have received eight proposals. Segal is in the process of reviewing proposals and at the April meeting, Segal will review the results with the Board at which time finalists will be determined.

457 Companion Plan & 401(a) Plan 4th Quarter 2010 Reports

Mr. Reinhardt reported that the NDPERS Investment Subcommittee reviewed the enclosed reports and the assets in the 401(a) plan increased to \$20.2 million as of December 31, 2010. The number of participants is at 291 which is about the same as when the plan began. Assets in the 457 Companion Plan increased to \$34.3 million as of December 31, 2010. The number of participants is increasing at 3,252.

MISCELLANEOUS

Audit Committee Minutes

Mr. Collins referred the Board to the Audit Committee approved minutes from the November meeting which was included in the Board materials.

Audit Committee Charter

Mr. Collins referred the Board to the Audit Committee Charter Activity Review which was included in the Board materials.

Legislative Update

Mr. Collins updated the Board on PERS legislation. The funding bill for the retirement plan, Senate Bill 2108, is still in committee; our administrative bill Senate Bill 2109 passed. Senate Bill 2110 relating to subgroups under the group insurance program passed the Senate and is in the House. It was noted that an amendment was proposed for the bill to make it explicit that we have the authority to hire multiple vendors. The PERS appropriations bill, was given a do pass with no changes to the requested budget. The high deductible health insurance plan bill was referred to appropriations; so far there have been no objections to this bill.

Appeal 18

Ms. Allen presented detailed information to the Board on an appeal relating to a COBRA health insurance underpayment. As a result, the health insurance premium was underpaid for the months of December 2010 and January 2011 in the amount of \$563.50. The member did indicate they would repay the underpayment in monthly installments of \$15 over a period of 39 months. The Board discussed this appeal. Mr. Collins further explained PERS administrative procedures relating to this appeal.

MR. SANDAL MOVED TO RELEASE THE MEMBER FROM REPAYING THE PREMIUM UNDERPAYMENT. THE MOTION WAS SECONDED BY MR. ERDMANN.

There was further discussion on the motion.

Ayes: Mr. Sandal, Mr. Erdmann, and Chairman Strinden

Nays: Mr. Trenbeath, Mr. Sage, Ms. Ehrhardt, and Ms. Smith

MOTION FAILED

Appeal 19

Ms. Allen presented detailed information to the Board on an appeal relating to an overpayment of pension benefits. The overpayment of \$6,748.09 has been since June 1, 1997 when the member retired and was based on an incorrect date of birth for the spouse. The Board discussed this appeal.

MR. TRENBEATH MOVED TO APPROVE THE APPEAL. THE MOTION WAS SECONDED BY MR. SAGE.

There was further discussion on the motion and PERS internal procedures.

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

Nays: Ms. Ehrhardt

MOTION PASSED

Appeal 25

Ms. Allen presented detailed information to the Board on a member requesting that the Board waive the 31 day separation from service requirement for distribution of the member's deferred compensation account. The member is requesting immediate distribution of the 457 account to provide medical attention for her adult child of which the medical provider requires payment in advance. The Board discussed this appeal.

MR. ERDMANN MOVED TO APPROVE THE MEMBER'S REQUEST TO WAIVE THE 31 DAY SEPARATION FOR DISTRIBUTION OF MEMBER'S DEFERRED COMPENSATION ACCOUNT. THE MOTION WAS SECONDED BY MR. TRENBEATH.

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

Nays: None

MOTION PASSED

The Board suggested the PERS internal audit committee could add the issue of underpayment and/or overpayment of premiums/benefits to be studied. The purpose would be to determine if the errors are within a reasonable range and would be reported and monitored by the internal audit committee. Mr. Collins indicated this could be set up as an ongoing project and data would have to be collected going forward. He will discuss with the internal auditor and include this on the agenda.

Mr. Collins indicated to the Board we would like to arrange a Board meeting in Fargo, possibly in June or July.

NDPERS Board Meeting
March 24, 2011
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Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 10:30 a.m.

Prepared by,

Cheryl Stockert
Secretary to the Board

House Bill 1228

Mr. Collins indicated this bill is the defined contribution bill that failed in the House by one vote. This concept could show up as an amendment, possibly to Senate Bill 2108. Mr. Collins reviewed with the Board the affect on the main plan if the state were to approve a defined contribution plan for state employees effective August 1, 2011. He reviewed various proposals with the Board and the effect on the main plan if passed.

The Board had questions relating to this information and discussed the bill. Mr. Collins suggested holding a neutral position on the defined contribution plan. If a bill is amended, we could update the fiscal note and we could articulate our concerns on any legislation that depletes the main fund earlier (such as 2031). The Board expressed concern that if employees are asked to make additional contributions to their retirement plan, they should see some benefit from this, and that it not be taken away through other legislative actions. The Board concurred with Mr. Collins approach and that he should continue to inform legislators about the status of the funds should they enact a defined contribution plan.

Mr. Collins sought concurrence from the Board to inform our members through the newsletter about some of the issues affecting the main plan. The Board discussed this and concurred that information should be put in a newsletter and they also suggested doing a webcast with the more detailed graphs in an effort to inform members of the long term effects of possible legislative action on the main plan.

Mr. Collins asked about updating the fiscal note. The Board concurred that the legislature be informed about the fiscal impact based on the new assumptions.

Senate Bill 2344

Mr. Collins updated the Board on the amendments to Senate Bill 2344 which relates to the composition of the state investment board. The provisions of the bill relating to the membership of the state investment board will remain at 11 members, reduces PERS member by 1, reduces the TFFR member by 1, removes the Land Board member, and adds 3 appointments by the Governor. He asked the Board for their concurrence on giving testimony in a neutral position expressing concern on the makeup of the SIB as it relates to fiduciary responsibilities. The Board concurred.

House Bill 1364

Mr. Collins reviewed with the Board information on the high deductible health plan legislation and how this could affect the PERS plan. The Board had questions relating to this bill.

The Board had further questions of Mr. Collins and discussed how these bills could affect retirees and active employees in the future, including: future retiree pension increases and recruiting new employees as well as retaining longer term employees.

NDPERS Board Meeting
March 3, 2011
Page 3 of 3

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 2:45 p.m.

Prepared by,

Cheryl Stockert
Secretary to the Board

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

Thursday, April 7, 2011

8:30 a.m.

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

Member Absent: Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Deb Knudsen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Jan Murtha, Office of Attorney General

Mr. Sage called the meeting to order at 8:30 a.m.

EXECUTIVE SESSION

MR. SAGE MOVED THAT THE BOARD GO INTO EXECUTIVE SESSION PURSUANT TO NDCC §44-04-19.1(9) TO DISCUSS STRATEGY RELATING TO THE GROUP LIFE INSURANCE AND AD&D PROPOSALS. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

Absent: Mr. Erdmann and Chairman Strinden

MOTION PASSED

All members named above were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 8:33 a.m.

Mr. Sage called for the Executive Session to be closed. The Executive Session closed at 9:10 a.m. and the Board returned to open session.

MR. SANDAL MOVED TO ADOPT THE RECOMMENDATIONS OF GABRIEL ROEDER SMITH AND TO INVITE HARTFORD LIFE, CIGNA AND ING IN FOR PRESENTATIONS AND BEST AND FINAL OFFER BEFORE THE BOARD. THE MOTION WAS SECONDED BY MR. TRENBEATH.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

The Board concurred to hold the June 29 meeting in Fargo with the opportunity to meet with the BCBS staff and tour the offices.

Mr. Sage called for any other business or comments. Hearing none, the meeting adjourned at 9:12 a.m.

Cheryl Stockert
Secretary to the Board

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13th Ave SW, Fargo

Thursday, April 21, 2011

8:30 A.M.

Members Present: Ms. Joan Ehrhardt
Mr. Levi Erdmann
Mr. Howard Sage
Mr. Mike Sandal
Mr. Thomas Trenbeath

Via Videoconference: Chairman Jon Strinden

Member Absent: Ms. Arvy Smith

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Barbara Dammen, NDPERS
Ms. Jan Murtha, Attorney Generals Office

Via Videoconference: Mr. Kevin Schoenborn, BCBSND
Ms. Onalee Sellheim, BCBSND
Ms. Jodi Crouse, BCBSND
Mr. Jayme Steig, NDPSC

Via Teleconference: Mr. John Goodner, Gabriel Roeder Smith

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 March 24, 2011 Board meeting.

MS. EHRHARDT MOVED APPROVAL OF THE MARCH 24, 2011 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MR. TRENBEATH. THE MINUTES WERE APPROVED.

Chairman Strinden called for any questions or comments regarding the minutes of the April 7, 2011 Board meeting.

MR. TRENBEATH MOVED APPROVAL OF THE APRIL 7, 2011 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MS. EHRHARDT. THE MINUTES WERE APPROVED.

DEFINED CONTRIBUTION/DEFERRED COMPENSATION

Chairman Strinden called for a motion to go into Executive Session for purposes of negotiating strategy.

MS. EHRHARDT MOVED THAT THE BOARD GO INTO EXECUTIVE SESSION PURSUANT TO NDCC §44-04-19.1 (9) TO DISCUSS NEGOTIATING STRATEGY RELATING TO THE NDPERS COMPANION PLAN/DEFINED CONTRIBUTION PLAN PROPOSALS. THE MOTION WAS SECONDED BY MR. SAGE.

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

Nays: None

Absent: Ms. Smith

MOTION PASSED

All members named above were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 8:33 a.m.

CHAIRMAN STRINDEN CALLED FOR THE EXECUTIVE SESSION TO BE CLOSED. THE EXECUTIVE SESSION CLOSED AT 9:20 A.M. THE BOARD RETURNED TO OPEN SESSION.

MR. SAGE MOVED TO HAVE FIDELITY, HARTFORD, TIAA/CREF AND VALIC PRESENT TO THE NDPERS INVESTMENT SUBCOMMITTEE ON MAY 18, WITH THE SUBCOMMITTEE PROVIDING A RANKING TO THE FULL BOARD FOR A FINAL DECISION. THE MOTION WAS SECONDED BY MR. SANDAL.

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

Nays: None

Absent: Ms. Smith

MOTION PASSED

GROUP INSURANCE

Mr. Collins indicated that ING and CIGNA were at the meeting to review with the Board their life insurance products and best and final offers. Mr. John Goodner with Gabriel Roeder Smith was available via conference call to answer any questions on the proposals.

Representatives from ING presented information relating to their company, their life insurance coverage and AD&D plan to the Board. Representatives included Mr. Jeff Flanagan, Senior Marketing Representative; Ms. Rachel Stetzer, Account Manager; Ms. Denise Lofgren, Head of National Accounts; and Alan Pike, Sr. Life Claims Examiner. The Board had questions relating to the ING plan.

Chairman Strinden thanked the ING representatives for taking time to present to the Board on their life insurance product.

A representative from CIGNA, Mr. Tim Flatt, National Account Manager, presented information relating to his company and life insurance and AD&D plan to the Board. The Board had questions relating to the CIGNA plan.

Chairman Strinden thanked the CIGNA representative for taking time to present to the Board on his life insurance product.

Mr. Goodman reviewed with the Board the final proposals and their best and final offers from ING and CIGNA. Mr. Collins indicated that based upon the information presented, staff recommendation would be to select ING, who has the lower price and are increasing the basic coverage from \$1,300 to \$3,500 for the active members. Mr. Collins also noted that PERS past experience with ING when they were the carrier was favorable.

MR. SANDAL MOVED TO ACCEPT THE ING PROPOSAL FOR GROUP LIFE INSURANCE AND AD&D FOR A SIX YEAR CONTRACT, SUBJECT TO TWO YEAR RENEWALS. THE MOTION WAS SECONDED BY MR. TRENBEATH.

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

Nays: None

Absent: Ms. Smith

MOTION PASSED

BCBS Optional Settlement Proposal

Mr. Collins reviewed with the Board the risk sharing options offered by BCBS. The Board discussed this and expressed concern that we should not incur any liability in this area.

MR. SAGE MOVED TO MAINTAIN THE CURRENT RISK SHARING ARRANGEMENT. THE MOTION WAS SECONDED BY MR. ERDMANN.

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

Nays: None

Absent: Ms. Smith

MOTION PASSED

Performance Guarantees

Mr. Collins reviewed with the Board the performance guarantees that were included in the 2011-13 biennium proposal from BCBS, including the forfeiture amounts. The performance guarantees will become part of the contract with BCBS. The Board discussed this information and had questions of staff and BCBS staff.

MR. SANDAL MOVED TO APPROVE THE PERFORMANCE GUARANTEES AND INCLUDE THEM WITH THE BCBC CONTRACT. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

Absent: Ms. Smith

MOTION PASSED

Diabetes Management Program

Mr. Collins reviewed with the Board the UND study; the presentation from Mr. Steig, the clinical coordinator of the program; and the North Dakota Century Code relating to the diabetes management program. He also shared with the Board the cost for the upcoming biennium which is less than \$100,000. Staff is recommending continuing this program for the next biennium, along with monitoring the BCBS MediQ program to see if those services will act as a supplement or replace the program.

MS. EHRHARDT MOVED TO CONTINUE THE DIABETES MANAGEMENT PROGRAM FOR THE 2011-2013 BIENNIUM. THE MOTION WAS SECONDED BY MR. ERDMANN.

There was discussion on the motion.

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

Nays: Mr. Trenbeath

Absent: Ms. Smith

MOTION PASSED

RETIREMENT

IRS Determination Letter

Ms. Knudsen reported to the Board that PERS received notice from the IRS that we received a favorable determination on the NDPERS Hybrid Plan. In consulting with Segal, they indicated that in order to keep the determination current, PERS will have to submit a

new application no later than January 2014. PERS also submitted the Highway Patrol Retirement Plan at the same time and have not yet received the final determination.

MISCELLANEOUS

PERS Budget

Mr. Collins indicated to the Board that at this time PERS is requesting approval for a transfer from the contingency line item to the salaries and wage line item of approximately \$30,000. The reason for this request is that one of our staff members will retire, therefore, we will incur the unanticipated expenses for sick leave and annual leave payouts. The other reason is that during the PERSLink business system replacement project, specifically in 2010, there was a policy for critical project staff that they could not take any vacation time, consequently those staff were not able to use their vacation and will now lose it pursuant to state policy. Therefore, instead of losing the time, Mr. Collins is requesting approval to seek authorization to pay out the lost vacation time pursuant to state policy. The last reason for the transfer is so we can bring in the new employee who will be replacing the retiring employee early for training.

MR. TRENBEATH MOVED TO APPROVE THE TRANSFER OF \$30,000 FROM THE CONTINGENCY LINE ITEM TO THE SALARY LINE ITEM. THE MOTION WAS SECONDED BY MS. EHRHARDT.

There was discussion on the motion.

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

Nays: None

Absent: Ms. Smith

MOTION PASSED

Legislative Update

Mr. Collins gave the Board an update on legislation. Mr. Collins noted that in addition to the PERS bills that in the OMB bill the decision was made to increase the members of the Legislative Employee Benefits Committee by two Senators and two Representatives.

Executive Director Evaluation

Chairman Strinden indicated that it is time to complete the yearly evaluation of the Executive Director. The Board discussed whether there should be a succession plan for the Executive Director position. The Board concluded that the Executive Director could develop the succession plan. Mr. Erdmann, Mr. Sandal, and Chairman Strinden will serve on the committee to do the yearly Executive Director evaluation. The Board concurred.

Appeal Case Number 20

Ms. Allen presented detailed information to the Board on an appeal relating to a COBRA health insurance underpayment. As a result, the health insurance premium was underpaid in the amount of \$5,268.45. The Board discussed this appeal.

MR. TRENBEATH MOVED TO APPROVE THE APPEAL. THE MOTION WAS SECONDED BY MR. SANDAL.

There was discussion on the motion and questions of staff. Mr. Collins reviewed with the Board the internal process relating to appeals.

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

Nays: None

Absent: Ms. Smith

MOTION PASSED

Mr. Collins indicated that there will be a need for a special Board meeting in the next couple of weeks to approve the final BCBS rates for the health plan.

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 11:40 a.m.

Prepared by,

Cheryl Stockert
Secretary to the Board

MINUTES

North Dakota Public Employees Retirement System
NDPERS Conference Room via Conference Call
Wednesday, May 4, 2011
9:00 a.m.

Members via
Conference Call:

Mr. Levi Erdmann
Mr. Howard Sage
Mr. Mike Sandal
Ms. Arvy Smith
Mr. Thomas Trenbeath
Chairman Jon Strinden

Member Absent:

Ms. Joan Ehrhardt

Others Present:

Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS

Chairman Strinden called the meeting to order at 9:05 a.m.

HEALTH RATES AND PLAN DOCUMENTS

Mr. Collins discussed with the Board the rating for the health plan. This information included the original rating in July along with the rerate in February. Mr. Collins indicated he had reviewed this information with the executive and legislative branches. The legislature did not include funding for the high deductible health plan set forth in House Bill 1364, so using the original premiums would cover the cost of implementation of this legislation.

The Board discussed this issue.

MR. SANDAL MOVED TO APPROVE THE ORIGINAL RATING IN JULY FOR 2011-2013 BIENNIUM FOR THE HEALTH PLAN. THE MOTION WAS SECONDED BY MR. ERDMANN.

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13th Ave SW, Fargo

Thursday, May 19, 2011

8:30 A.M.

Members Present: Ms. Joan Ehrhardt
Mr. Levi Erdmann
Mr. Howard Sage
Mr. Mike Sandal
Mr. Thomas Trenbeath

Member Absent: Ms. Arvy Smith

Via Videoconference: Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Sharon Schiermeister, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Diane Heck, NDPERS
Mr. Robert Liberto, Segal Advisors
Ms. Nancy Kopp, ND Optometric Association
Ms. Onalee Sellheim, BCBSND

Via Videoconference: Mr. Kevin Schoenborn, BCBSND
Ms. Jodi Crouse, BCBSND
Ms. Marissa Parmer, BCBSND
Mr. Michael Carlson, BCBSND
Mr. Brent Solseng, BCBSND
Mr. Jim Wynstra, BCBSND

Via Teleconference: Ms. Melanie Walker, Segal
Mr. Casey Martin, Prime Therapeutics
Ms. Shannon Ambrose, Prime Therapeutics

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 April 21, 2011 Board meeting.

MR. SANDAL MOVED APPROVAL OF THE APRIL 21, 2011 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MR. SAGE. THE MINUTES WERE APPROVED.

Chairman Strinden called for any questions or comments regarding the minutes of the May 4, 2011 Board meeting.

MR. TRENBEATH MOVED APPROVAL OF THE MAY 4, 2011 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MS. EHRHARDT. THE MINUTES WERE APPROVED.

DEFINED CONTRIBUTION

Defined Contribution/457 RFP

Mr. Collins reviewed with the Board information relating to the defined contribution and 457 deferred compensation proposals. Fidelity, Hartford, TIAA-CREF and Valic presented their proposals as well as their best and final offers to the NDPERS Investment Subcommittee on May 18. Mr. Collins reviewed with the Board the strengths and weaknesses of each provider as it related to cost, use of technology, on-site educational efforts, continuity of services (current provider), brokerage option, and general educational efforts. The Investment Subcommittee members discussed their assessment of the proposals. During the discussion the Board asked what some of the implications would be if PERS selected a new provider. Staff indicated they would be looking at a minimum of a 12 week transition period. Also it was noted that, due to existing work efforts scheduled for this Fall, staff may have to outsource the audit effort to verify the total assets transferred from the existing provider to a new provider. The last transfer PERS did from Valic to Fidelity was done internally. Finally it was noted that transitioning to a new provider could result in delays in getting contributions posted during the first month or two.

The Board discussed the four proposals and best and final offers. The Board discussed transition issues and time frames with staff. Mr. Collins indicated that if PERS did select a new provider we could extend the Fidelity contract beyond the end of July to allow staff additional time for this transition subject to the agreement of all parties.

Chairman Strinden indicated that the PERS Investment Subcommittee recommended Fidelity. The Investment Subcommittee members indicated it was very close between Fidelity and TIAA-CREF and concurred that since TIAA-CREF had lower costs that would definitely benefit the members. The advantage to keeping Fidelity would be continuity of services, although their costs were higher. The Board further discussed the proposals.

Mr. Collins clarified that there would be two year renewals (each biennium) for a total of 6 years.

MR. SANDAL MOVED TO AUTHORIZE STAFF TO MOVE FORWARD WITH TIAA-CREF FOR THE 401(a) DEFINED CONTRIBUTION PLAN AND 457 DEFERRED COMPENSATION PLAN AND TO EXTEND THE FIDELITY CONTRACT FOR TRANSITION PURPOSES. THE MOTION WAS SECONDED BY MR. TRENBEATH.

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

Nays: Mr. Erdmann

Absent: Ms. Smith

MOTION PASSED

Deferred Compensation Plan Update

Ms. Allen shared with the Board new guidance recently released from the IRS relating to establishment of a Roth account option under a 457 plan. The new ruling also included information on what constitutes an unforeseen emergency. Ms. Melanie Walker, Segal, reported that it was not necessary to amend PERS plan document to include the new rulings. Ms. Allen noted that further consideration of these provisions will take place with the new Companion Plan vendor. The Board had questions relating to these changes.

GROUP INSURANCE

Triessent

Mr. Schoenborn, BCBSND, introduced Mr. Martin and Ms. Ambrose with Prime Therapeutics. He explained that in December the PERS Board agreed to implement this program in the 2011-2013 biennium. Mr. Martin and Ms. Ambrose reviewed with the Board the Triessent specialty pharmacy program implementation plan. He explained that specialty medications drive the overall pharmacy cost trend.

Quarterly Executive Summary

Mr. Wynstra, BCBSND, reviewed with the Board the financial/trend analysis. Ms. Crouse, BCBSND, reviewed with the Board the health utilization summary for actives, early retirees, and Medicare retirees as well as the claims and inquiry timeliness. Mr. Carlson presented information to the Board on the wellness program, including member education, health club credit program, MyHealthCenter. The Board expressed concerns relating to the MyHealthCenter website, that the information was not being captured accurately and is negatively impacting member's enthusiasm for the program. BCBSND is aware of this issue, is concerned about member participation as a result of this, and is addressing this with MyHealthCenter. Ms. Parmer, BCBSND, reviewed the wellness program activities and workshops with the Board.

Medication Adherence Program

Mr. Solseng, BCBSND, reviewed with the Board the proposed medical adherence program mailing to NDPERS members. This program is new and not part of the

upcoming biennium programs. After review and discussion, the Board concurred that they would have more information to make a decision once BCBS has completed the pilot program the end of July. The issue will be discussed at a future Board meeting.

Summary Plan Document Update

Mr. Schoenborn, BCBSND, followed up with the Board on the language in the Summary Plan Documents relating to changing the definition of "mental retardation" to "intellectual disability" as a result of recent legislation. He indicated that their legal department is in the process of reviewing the changes as requested by NDPERS. Mr. Collins indicated that the Summary Plan Documents will be filed with the Insurance Department.

Vision Plan Update

Ms. Allen provided the Board with a first quarter report of service with the new vision provider Superior Vision Plan. Information included member utilization, frame summary, lens enhancements, and provider information.

Employee Assistance Program Proposals

Mr. Reinhardt reported on the status of the proposals. Proposals were received for St. Alexius, Medcenter One, The Village and Deer Oaks. Medcenter One withdrew their proposal.

MR. TRENBEATH MOVED TO APPROVE THE THREE EMPLOYEE ASSISTANCE VENDORS FOR THE 2011-2013 BIENNIUM. THE MOTION WAS SECONDED BY MR. SAGE.

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

Nays: None

Absent: Ms. Smith

MOTION PASSED

RETIREMENT

Disability Consulting Contract

Ms. Allen reported to the Board that the disability consulting services contract with Mid Dakota Clinic expires June 30, 2011. The clinic has indicated they wish to continue these services at the same rate of \$200 per hour for the period July 1, 2011 through June 30, 2012. Staff has been satisfied with their services.

MR. SANDAL MOVED TO CONTRACT WITH MID DAKOTA CLINIC FOR DISABILITY CONSULTING SERVICES AS PROPOSED FOR THE PERIOD JULY 1, 2011 THROUGH JUNE 30, 2012. THE MOTION WAS SECONDED BY MR. ERDMANN.

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

Nays: None

Absent: Ms. Smith

MOTION PASSED

Highway Patrol Plan Experience Review

This agenda item will be held over until the June Board meeting.

PERSLink Member Self- Service Process

Ms. Knudsen reviewed with the Board the plans to roll out the Member Self-Service portal of the new PERSLink business system. She indicated that staff has worked with the Attorney General's office and ITD to ensure that E-signatures are both secure and legal. The Board had questions of staff.

International Foundation for Employee Benefit Plans Conference

Mr. Collins was seeking approval for Board members to attend this conference.

MR. SANDAL MOVED TO AUTHORIZE BOARD MEMBERS TO ATTEND THIS CONFERENCE. MS. EHRHARDT SECONDED THE MOTION.

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

Nays: None

Absent: Ms. Smith

MOTION PASSED

Mr. Sandal stated that it is apparent staff has worked very hard the last few years on the new business system. The Board understands they are putting much more burden on staff during the next three months. Mr. Sandal spoke for himself and others on the Board in saying they greatly appreciate the hard work and efforts of staff during these difficult times and just wanted to express their gratitude. Chairman Strinden stated he agreed with those thoughts. Mr. Collins will share this with staff.

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 11:25 a.m.

Prepared by,

Cheryl Stockert
Secretary to the Board

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

Nays: None

Absent: Ms. Ehrhardt

MOTION PASSED

Mr. Collins reviewed with the Board the Summary Plan Documents (SPD) effective July 1, 2011 for the health plan, including a separate Summary Plan Document for the grandfathered benefit plan. The Board suggested the following changes:

1. As a result of state legislation, they suggested changing the definition of “mental retardation” to “intellectual disability” throughout the SPD.
2. Suggested correcting page 24 of the grandfathered SPD, under home health care services, under (b), remove the word “or” at the end of number 7.

Mr. Collins suggested working with BCBS to update the SPD prior to going to the Insurance Department for approval. The Board concurred.

MR. SANDAL MOVED APPROVAL OF THE SUMMARY PLAN DOCUMENT SUBJECT TO THOSE CHANGES RECOMMENDED BY THE BOARD. THE MOTION WAS SECONDED BY MR. SAGE.

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

Nays: None

Absent: Ms. Ehrhardt

MOTION PASSED

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 9:22 a.m.

Prepared by,

Cheryl Stockert
Secretary to the Board

MINUTES

North Dakota Public Employees Retirement System

BCBS, 4510 13th Ave SW, Fargo

Wednesday, June 29, 2011

9:00 A.M.

Members Present:

Ms. Joan Ehrhardt
Mr. Levi Erdmann
Mr. Howard Sage
Mr. Mike Sandal
Ms. Arvy Smith
Mr. Thomas Trenbeath
Chairman Jon Strinden

Via Teleconference:

Mr. Howard Sage

Others Present:

Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Mr. Paul Von Ebers, BCBSND
Mr. Kevin Schoenborn, BCBSND
Ms. Onalee Sellheim, BCBSND
Ms. Jodi Crouse, BCBSND
Ms. Linda Merck, BCBSND
Ms. Marissa Parmer, BCBSND
Mr. Michael Carlson, BCBSND
Mr. Judd Wagner, BCBSND
Mr. Jim Wynstra, BCBSND
Dr. Jon Rice, BCBSND
Dr. Hanekom, BCBSND
Ms. Denise Kolpack, BCBSND
Mr. Mike Potts, BCBSND
Ms. Michelle Larson, Discovery Benefits
Mr. Matt Feir, Discovery Benefits

Via Teleconference:

Mr. Brad Ramirez, Segal
Ms. Michelle Walker, ND Department of Health
Ms. Kara Dodd, ND Department of Health

Chairman Strinden called the meeting to order at 9:00 a.m.

MINUTES

Chairman Strinden called for any questions or comments regarding the minutes of the May 19, 2011 Board meeting.

MR. TRENBEATH MOVED APPROVAL OF THE MAY 19, 2011 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MS. EHRHARDT. THE MINUTES WERE APPROVED.

RETIREMENT

Highway Patrol Plan Experience Review

Mr. Ramirez of Segal reviewed with the Board the Highway Patrol experience study, specifically the assumption changes being proposed as a result of this review. The proposed changes were: 1) set the health mortality table back one year; 2) set annual administrative expenses to \$18,000 not \$16,000; and 3) change the retirement rates for active members to 0% for early retirements, 75% for first year and 100% thereafter. Based on retirement history, the early retirement assumption is eliminated. Mr. Ramirez explained the rationale for these recommendations and the Board had questions. Mr. Collins informed the Board that the next Highway Patrol valuation will be in 2011.

MR. TRENBEATH MOVED TO ACCEPT THE ACTUARIAL ASSUMPTIONS RECOMMENDED BY SEGAL. THE MOTION WAS SECONDED BY MR. SANDAL.

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

Nays: None

MOTION PASSED

Tobacco Cessation Program

Ms. Allen reported that the North Dakota Department of Health notified PERS that the Smoking Cessation Program funding will be continued for the upcoming biennium. Funding for this biennium would be \$100,000 which is down from \$150,000 due to fiscal spending patterns. The Department of Health reviewed with the Board suggested administrative changes. The Board had questions of staff and discussed these changes.

MR. SANDAL MOVED APPROVAL OF THE SMOKING CESSATION PROGRAM FOR THE 2011-2013 BIENNIUM, AND ACCEPTED THE CHANGES RECOMMENDED BY THE DEPARTMENT OF HEALTH. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

MOTION PASSED

BCBS Administrative Service Agreement

Mr. Collins reviewed with the Board the agreement and indicated it had been reviewed by both staff and the Attorney General's Office and found to be acceptable.

MS. EHRHARDT MOVED APPROVAL OF THE BCBS ADMINISTRATIVE SERVICE AGREEMENT FOR THE 2011-2013 BIENNIUM. THE MOTION WAS SECONDED BY MR. ERDMANN.

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

Nays: None

MOTION PASSED

Dental Plan Renewal

Ms. Allen reported that the group dental contract with CIGNA expires on December 31, 2011. This contract has been in effect since January 1, 2007. NDPERS, in conjunction with Deloitte, requested a renewal from CIGNA for January 1, 2012 and they are proposing an across the board increase of 4.32%. CIGNA has offered two plan design options for consideration to reduce this increase. The Board discussed the CIGNA renewal with staff and concurred that staff should negotiate with CIGNA for a lower rate and work with Deloitte. This was tabled until the July Board meeting.

Life Insurance Agreement

Ms. Allen distributed three documents relating to the new life insurance carrier, ING. The documents included the ING Group Application, Electronic Facilitation Agreement and NDPERS Personal Service Agreement. Ms. Allen indicated these documents have been reviewed by the Attorney General's Office and the only document that required a change was the Electronic Facilitation Agreement, section 3.4 on page 2. ING made the change in compliance with our request.

Ms. Smith made the motion, seconded by Ms. Ehrhardt, to approve the contracts with ING. The Board had questions of staff and requested more time to review these documents. Ms. Smith withdrew the motion and Ms. Ehrhardt withdrew the second to the motion. This was tabled until the July Board meeting.

BCBS Review

Mr. Collins introduced to the Board Mr. Paul Von Ebers, President, BCBSND, and other BCBS staff who were in attendance at the meeting.

BCBS Initiatives and Strategies

Mr. Von Ebers welcomed the PERS Board to their offices. He referred the Board to the 2009 PERS letter which reflected concerns at that time. Mr. Von Ebers noted that there has been a long historical relationship between BCBS and PERS, but as identified in

2009, certain specific concerns had arisen. There were six expectations outlined in the letter: 1) affordable health insurance premiums that increase at a reasonable rate, 2) staff incentives aligned with the needs of the employers/members, 3) quality customer service, 4) effective and affordable health plan administration, 5) PERS investment in BCBS should be matched with results, and 6) a synergistic partnership. Mr. Von Ebers indicated that these were clear and understandable goals. He reviewed with the Board how BCBS is responding to these concerns.

In addition Mr. Von Ebers reviewed the following with the Board:

- The rate of inflation in health care over the last three years.
- BCBS goals for future health care inflation.
- BCBS efforts on wellness and prevention programs.
- BCBS work with health care providers focusing on the six integrated health systems which represent 85% of the dollars spent.
- BCBS efforts to move from today's fee for service arrangements towards an outcome based payment system.
- Updated the Board on the MediQHome program for quality measures.
- BCBS efforts to reduce the administrative portion of the rate.
- The Seven Point Plan of the BCBS Board of Directors' Oversight Strategy.

Mr. Von Ebers continued his discussion on BCBS plans to share information with the public on cost containment measures and where the health care dollars go. He also indicated BCBS plans on doing a series of town hall meetings around the state, beginning with the larger communities.

Staff and the Board had questions of Mr. Von Ebers.

Wellness/Health Management Strategies

Dr. Jon Rice, BCBSND, reviewed with the Board information relating to BCBS health management goals in reducing health care cost trends. Information and data related specifically to the PERS population. Overall, there is a whole spectrum of health – he noted that PERS has healthy people who we want to keep healthy and PERS has people that have catastrophic conditions and are terminally ill on the other side of the spectrum. Overall the goal is to enhance personal wellbeing, thus lowering the health risks.

Mr. Carlson, BCBSND, reviewed with the Board aggregate information from members from the health risk appraisals. He acknowledged the wellness coordinators who have been very instrumental in engaging their employees to participate in wellness programs. Also reviewed was claims data.

MediQHome Presentation

Dr. Hanekom, BCBSND, reviewed with the Board the MediQHome Program. MediQHome focuses on preventative care, cancers, and chronic conditions. The most common chronic condition of citizens in North Dakota is hypertension. He demonstrated the MD Insight program via webex. One of the major challenges is the aging population

along with lifestyles and chronic diseases which make up a large portion of the highest health care charges. The Board had questions of Dr. Hanekom.

High Deductible Health Plan/HSA

Mr. Collins informed the Board that this past legislative session HB 1364 passed which requires PERS to establish a high deductive health plan (HDHP) with a health savings account (HSA) option for state employees by January 1, 2012. This must be available for open enrollment which starts in October.

Mr. Schoenborn, BCBSND, reviewed with the Board a HDHP plan. He contrasted it with the existing PERS plan.

The Board had questions relating to this benefit plan.

Kevin noted that the firm they use for this service is Discovery Benefits. Ms. Michelle Larson, Regional Manager, and Mr. Matt Feir, Senior Vice President of Discovery Benefits, presented the Board with information relating to HSA and their specific product. They are a national company with clients in all 50 states. They also explained what a health savings account is and how it can be managed. It is an individually owned account and does roll over from one year to the next. There are eligible expenditures in a health savings account which are very similar to a flexible spending account. Ms. Larson explained to the Board how Discovery Benefits provides member education and support.

Staff and the Board had questions of Discovery Benefits staff.

Mr. Collins reviewed with the Board options relating to obtaining services for the HSA. Specifically the options are to bundle the service with the existing health contract or do a separate contract. Mr. Collins noted that due to time constraints the option that would best fit our schedule would be to bundle the service. It was the consensus of the Board that PERS bundle the HSA service by contracting with BCBS for the HSA plan.

MISCELLANEOUS

Contracting

Mr. Collins indicated to the Board that pursuant to Board policy, the PERS Executive Director can award a contract for work efforts \$10,000 or under and must inform the Board. Mr. Collins reported that PERS contracted with Brady Martz to assist the accounting division with catch up of some year end activities and to conduct financial testing that the internal audit division usually completed, but was unable to do this year.

Board Travel

Mr. Collins reported to the Board that internal staff policy is that if staff takes their personal vehicles (when a motor pool vehicle is available), it is reimbursed at the State Motor Pool rate instead of the OMB rate. The State Motor Pool rate is less.

The Board discussed and concurred that Board members, when on official PERS Board business and using their personal vehicles, will receive the OMB rate for mileage.

DEFERRED COMPENSATION

Hardship Review Process

Ms. Allen indicated to the Board that the current procedure for hardship requests is to have the Board review and recommend at a regularly scheduled meeting. Due to flooding in Bismarck-Mandan area and within the state, there may be an increase in requests for unforeseeable emergency distributions as a result of property loss and/or relocation expenses. In anticipation of this and in order to expedite the process, PERS staff developed an alternative to current procedures. It would grant authority for PERS staff to review and approve hardship withdrawal requests for applicants with an unforeseeable emergency related to flood disaster. Staff would rely on guidance from Segal in its consideration.

The Board discussed this alternative hardship review process.

MS. EHRHARDT MOVED TO APPROVE THIS ALTERNATIVE PROCESS TO ALLOW PERS STAFF TO CONDUCT THE HARDSHIP REVIEW PROCESS. THE MOTION WAS SECONDED BY MS. SMITH.

There was discussion on the motion. After discussion, it was determined that the Board will wait until the next regularly scheduled Board meeting to determine the extent of hardship cases. Ms. Ehrhardt withdrew the motion and Ms. Smith withdrew the second to the motion. This issue will be discussed at a future meeting, and if necessary, the Board will hold a special meeting to review critical hardship requests.

Hardship Appeal Case #31

Ms. Allen presented detailed information to the Board on a deferred compensation hardship withdrawal in the amount of \$1,600 to cover medical and car repair expenses. The Board discussed this appeal.

MR. ERDMANN MOVED TO DENY THE APPEAL. THE MOTION WAS SECONDED BY MR. TRENBEATH.

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

Nays: None

MOTION PASSED

FLEXCOMP

Appeal Case #32

Ms. Allen presented detailed information to the Board on a flex comp late claim appeal in the amount of \$531.13. The Board discussed this appeal.

MS. EHRHARDT MOVED TO APPROVE THE APPEAL. THE MOTION WAS SECONDED BY MR. TRENBEATH.

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

Nays: None

MOTION PASSED

Appeal Case #33

Ms. Allen presented detailed information to the Board on a flex comp late claim appeal in the amount of \$240.97. The Board discussed this appeal.

MS. SMITH MOVED TO APPROVE THE APPEAL. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

MOTION PASSED

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 1:15 p.m.

Prepared by,

Cheryl Stockert
Secretary to the Board

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13th Ave SW, Fargo

Thursday, July 28, 2011

8:30 A.M.

Members Present: Ms. Joan Ehrhardt
Mr. Levi Erdmann
Mr. Howard Sage
Ms. Arvy Smith
Mr. Thomas Trenbeath
Chairman Jon Strinden

Members Absent: Mr. Mike Sandal

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Mr. Srinivas Goluguri, NDPERS
Ms. Barbara Dammen, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. Jan Murtha, Attorney General's Office
Mr. Rod Crane, TIAA-CREF
Mr. Julio Rivera, TIAA-CREF

Via Videoconference: Mr. Kevin Schoenborn, BCBSND
Ms. Onalee Sellheim, BCBSND
Ms. Anna Tinkham, Discovery Benefits

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 June 29, 2011 Board meeting.

There were two corrections noted.

MS. SMITH MOVED APPROVAL OF THE JUNE 29, 2011 NDPERS BOARD MINUTES, WITH CORRECTIONS NOTED. THE MOTION WAS SECONDED BY MR. SAGE. THE MINUTES WERE APPROVED AS CORRECTED.

DEFERRED COMPENSATION/DEFINED CONTRIBUTION PLAN

Companion Plan/DC Plan

Mr. Collins indicated to the Board there are discussions and decisions to be made relating to the transition to TIAA-CREF and that Mr. Rod Crane and Mr. Julio Rivera from TIAA-CREF were at the meeting to answer any questions.

Mr. Collins reviewed with the Board issues relating to the transition from Fidelity to TIAA-CREF as follows:

1. Implementation Timeline: Two options were provided by TIAA-CREF. The first was to have all members assets transfer to the age appropriate target date fund unless they file a new asset allocation at the time of transfer. The second was to map the assets. Mr. Crane and Mr. Rivera gave further explanation of these options and indicated that Option 1 allows members to re-engage in their retirement planning. The Board discussed these options.

MR. ERDMANN MOVED TO PROCEED WITH OPTION 1 WHICH ALLOWS PARTICIPANTS THE OPPORTUNITY TO MAKE INDIVIDUAL DECISIONS ON HOW THEY WANT THEIR FUNDS SET UP UNDER TIAA-CREF. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

Absent: Mr. Sandal

MOTION PASSED

2. Managed Income Portfolio: The funds in this portfolio can take up to twelve months to transfer. Mr. Collins indicated that the necessary notices have been filed with Fidelity.
3. Plan Options: TIAA-CREF has offered ideas on how to increase member participation in the 457 deferred compensation plan. Mr. Collins was seeking approval to discuss these options with our 457 provider agents to solicit their thoughts. The Board discussed this and concurred that staff should share information on the plan options with the 457 provider agents at upcoming provider meetings and update the Board at a later meeting.
4. Fund Line Up: Mr. Collins indicated that TIAA-CREF has offered additional fund options. This information was shared with Segal to solicit their review. Mr. Collins suggested this be referred to the PERS Investment Subcommittee for consideration and report back to the full Board. TIAA-CREF will need to have the decision within the next two weeks. The Board discussed this and concurred that

the PERS Investment Subcommittee meet, and if the determination is a change in the fund line up, a special Board meeting would be necessary.

5. Agreement with TIAA-CREF: Mr. Collins provided the Board with a draft of the agreement that is being worked on by the Attorney General's Office. The final agreement will be provided to the Board for approval at a later meeting.
6. Agreement Extension with Fidelity: Mr. Collins indicated that the agreement to extend with Fidelity until November 30, 2011 which was included in the Board material was reviewed by the Attorney General's Office and the Fidelity legal department.

MS. EHRHARDT MOVED TO APPROVE THE AGREEMENT EXTENSIONS WITH FIDELITY UNTIL NOVEMBER 30, 2011 FOR THE DEFINED CONTRIBUTION AND DEFERRED COMPENSATION COMPANION PLANS. THE MOTION WAS SECONDED BY MR. TRENBEATH.

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

Nays: None

Absent: Mr. Sandal

MOTION PASSED

FLEX COMP PROGRAM

Eligible Products

Mr. Collins indicated to the Board that several months ago Noridian requested to participate in the PERS flex comp program. Segal has reviewed our program and suggested changes in the Plan Document. Segal indicated it would be prudent for PERS to review the products offered under the flex program periodically. Staff would recommend that we update the Plan Document, send the current providers and Noridian a letter asking them to enroll their products. We will provide information to the Board at the September meeting for final approval. The Board had questions relating to this plan.

MR. ERDMANN MOVED THAT STAFF PROCEEDS WITH THIS PLAN OF ACTION FOR THE FLEX COMP VOLUNTARY PRODUCTS. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

Absent: Mr. Sandal

MOTION PASSED

RETIREMENT

Excess Contribution Limits

Ms. Knudsen reviewed with the Board an issue that came up because of IRC 401(a)(17) which restricts the amount of compensation taken into the retirement account. The amount established annually for both 2010 and 2011 is \$245,000. Administratively PERS has a method to address the pension contributions and the RHIC contributions which is to suspend them when the limit is met. Mr. Collins indicated that when following this method PERS would need to rely on the authority in statute which allows us to follow federal requirements and the Legislative Employee Benefits Committee would be informed of this. The Board had questions relating to this issue.

MR. TRENBEATH MOVED THAT NDPERS FOLLOW THE INTERNAL REVENUE SERVICE REQUIREMENTS. THE MOTION WAS SECONDED BY MR. SAGE.

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

Nays: None

Absent: Mr. Sandal

MOTION PASSED

Retirement Contributions

Ms. Knudsen gave the Board an update on SB 2108 relating to employer and employee contributions. Staff and Segal have been working on the implementation of this bill. PERS will contact our employers (both state and non-state) informing them that they will have to make an election if they desire to have the employee contribution paid pre-tax . It will be after tax unless PERS is notified otherwise.

Law Enforcement Plan Employer Contribution Rate

Mr. Collins reported that the PERS Board has the authority to set the contribution rate for the Law Enforcement plans and the National Guard plans. Mr. Collins indicated it was approved by the legislature to increase the employee rates for the law enforcement plans. The increase would be .5% for law enforcement with prior service and without prior service (political subdivision) and 1% for state law enforcement members which was in the OMB budget. It was suggested that since state law enforcement member contributions are higher, that a separate actuarial report be done.

MR. ERDMANN MOVED TO INCREASE THE LAW ENFORCEMENT BY .5% TO MATCH THE EMPLOYEE CONTRIBUTION INCREASE AND INCREASE LAW ENFORCEMENT (STATE) BY 1%. IT WAS MOVED TO HAVE A SEPARATE VALUATION DONE FOR STATE LAW ENFORCEMENT MEMBERS. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None
Absent: Mr. Sandal

MOTION PASSED

Political Subdivision Participation

Mr. Collins indicated that last fall, it was discovered that when a political subdivision joined, PERS needed to conduct an actuarial valuation to determine the normal cost . This had been put in the statute by error. We were in the process of changing the statute, when Morton County wanted to join the main plan. At that time, an actuarial study was done and their actuarial rate was 6.68% (statutory rate is 4.12%). They came onto the main plan at that rate. The legislature corrected this during the last session. After staff and legal review, it was recommended that Morton County rate be set to the same as all other political subdivisions; however, that would require a change to the agreement. Ms. Murtha from the Attorney General's Office gave further explanation on this issue.

MS. EHRHARDT MOVED TO AMEND THE AGREEMENT WITH MORTON COUNTY TO PUT THEM ON THE SAME RATE AS ALL OTHER POLITICAL SUBDIVISIONS. THE MOTION WAS SECONDED BY MR. TRENBEATH.

Board discussion and questions followed.

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

MOTION PASSED

GROUP INSURANCE

Dental Renewal

Ms. Allen reported, that in follow-up to the June Board meeting, CIGNA has provided a revised proposal that reduces the premium increase by 1% from 4.32% to 3.32% with the rates effective January 1, 2012.

MS. SMITH MOVED TO ACCEPT THE CIGNA PROPOSAL. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

MOTION PASSED

Life Insurance Agreements

Ms. Allen indicated to the Board that the ING Group Application, Electronic Facilitation Agreement and NDPERS Personal Service Agreement were approved by legal counsel.

MR. ERDMANN MOVED TO APPROVE THE AGREEMENTS WITH ING. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

Absent: Ms. Ehrhardt and Mr. Sandal

MOTION PASSED

High Deductible Health Plan/Health Savings Account

Mr. Collins reported that HB 1364 passed this legislative session which requires PERS to offer a high deductible health plan (HDHP) with a health savings account (HSA) to state employees starting January 1, 2012. This product will be part of the open enrollment process which starts in October. Decisions are to be made by the Board so staff can begin the development of the plan.

1. Plan Design: Under federal regulations there are deductibles and maximum out of pocket expense provisions that must be met. Staff indicated that one of the considerations would be to have an adequate amount go into a member's health savings account. Mr. Collins indicated that the plan design will need to be approved by the Insurance Commissioner. BCBS provided 4 options for the Board's consideration. Option 1 had the highest dollar amount going into the health savings account. The Board discussed these options.

MR. TRENBEATH MOVED TO ADOPT PLAN DESIGN OPTION 1. THE MOTION WAS SECONDED BY MS. EHRHARDT.

Board discussion and questions followed.

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

Nays: Mr. Erdmann and Mr. Sage

Absent: Mr. Sandal

MOTION PASSED

2. Health Savings Account: Mr. Collins indicated that Discovery Benefit Services offers HSA services through BCBS which was discussed at the June meeting. Due to time constraints, staff recommends bundling with Discovery Benefit Services through BCBS. When PERS goes out for the next bid, the merits of unbundling HSA services will be explored.

MR. ERDMANN MOVED TO BUNDLE THE HEALTH SAVINGS ACCOUNT WITH BCBS AND ACCEPT DISCOVERY BENEFIT SERVICES FOR HEALTH SAVINGS ACCOUNT SERVICES FOR THE BIENNIUM. THE MOTION WAS SECONDED BY MR. TRENBEATH.

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

Nays: Mr. Sage

Absent: Mr. Sandal

MOTION PASSED

3. Plan Organization: Mr. Collins indicated that HSA's can be set up as general accounts or through the cafeteria plan (125 plan). An advantage of setting it up through a cafeteria plan is that it allows employees to make additional contributions to the HSA through the payroll system on a pre-tax basis.

MR. ERDMANN MOVED TO SET UP THE HSA CONTRIBUTIONS THROUGH THE 125 CAFETERIA PLAN. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

Absent: Mr. Sandal

MOTION PASSED

4. Member Contributions: Mr. Collins indicated that members can contribute additional dollars to their HSA through the payroll system that is established through the 125 plan on a pre-tax basis. The Board will have to amend the plan document and OMB would need to approve this offering on the payroll system. Ms. Tinkham, Discovery Benefits, further explained how this would work. The Board discussed this and concurred that staff should proceed with setting it up through the 125 account and work with OMB to get approval.
5. Limited Use FSA: Mr. Collins indicated that employees enrolled in an HSA are not eligible to participate in a traditional flexible spending account. Employers can, however, offer a separate limited use FSA to employees in an HSA. General medical expenses are not eligible for reimbursement under a Limited Use FSA, but dental and vision care expenses can be paid through both the HSA and limited use FSA. Mr. Collins indicated the limited use FSA is of limited advantage to the member and could cause confusion when using both accounts. The Board discussed the limited use FSA.

MS. SMITH MOVED TO NOT OFFER LIMITED USE FSA. THE MOTION WAS SECONDED BY MS. EHRHARDT.

The Board discussed this motion further . After discussion it was proposed to amend the motion as follow:

MS. SMITH AMENDED THE MOTION TO INDICATE THAT THIS ISSUE SHOULD BE CONSIDERED IN ONE YEAR. MS. EHRHARDT SECONDED THE AMENDMENT TO THE MOTION.

The Board discussed this amendment to the original motion and concluded that procedurally the motion should be withdrawn.

Mr. Smith withdrew both the motion and amended motion. Ms. Ehrhardt withdrew both the second to the motion and second to the amended motion.

MS. SMITH MOVED NOT TO OFFER A LIMITED USE FSA AT THIS TIME AND THAT IN A YEAR THE BOARD SHOULD AGAIN REVIEW THE ISSUE OF A LIMITED USE FSA. THE MOTION WAS SECONDED BY MS. EHRHARDT.

Board discussion and questions followed:

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

Nays: None

Absent: Mr. Sandal

MOTION PASSED

Rx Extension

This agenda item will be carried over to the August meeting.

Online Wellness Program

Mr. Collins directed the Board to the memo relating to the transition to the new Healthways wellness tool. It was provided for their information.

MISCELLANEOUS

PERS Update

Mr. Collins updated the Board on current PERS activity. He reported that member annual statements will be generated for the first time out of PERSLink. There will be 34,000 one-page statements mailed out over a 4 week period of time. Members can then go online to obtain a more detailed statement relating to their retirement and benefit accounts. He also noted that PERS will file again for the Early Retiree Reinsurance Program. He also noted that under this program, we are required to send a notice to all members about the program which will be mailed within a week. Mr. Collins also reviewed that PERS will be moving into space on 5th floor vacated by another tenant and the front door will move to the door right off the elevator. PERS will also be giving up space on the 3rd floor. With

this change all the office staff will be on the 5th floor. It was also noted that due to a change passed by the last legislature the Board per diem as of July 1 is being increased.

Executive Director Review

Chairman Strinden indicated that all Board members had completed a performance evaluation on Mr. Collins. Based on a favorable performance evaluation, the review committee of Mr. Sandal, Mr. Erdmann, and Chairman Strinden recommended a 3% salary increase effective July 1, 2011.

MR. TRENBEATH MOVED TO GRANT MR. COLLINS A SALARY ADJUSTMENT OF 3% EFFECTIVE JULY 1, 2011. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

Absent: Mr. Sandal and Ms. Smith

Hardship Appeal Case #35

Ms. Allen presented detailed information to the Board on a deferred compensation hardship withdrawal in the amount of \$17,000 to cover medical expenses. The Board discussed this appeal and determined there was more information needed before a decision could be made. This case will be held over to the next Board meeting.

Hardship Appeal Case #40

Ms. Allen presented detailed information to the Board on a deferred compensation hardship withdrawal in the amount of \$1,600 to cover medical and car repair expenses. The Board reviewed and denied this request at the June meeting and the member appealed the decision. The Board discussed this appeal.

MR. SAGE MOVED TO DENY THE APPEAL. THE MOTION WAS SECONDED BY MR. TRENBEATH.

Ayes: Mr. Erdmann, Mr. Sage, Mr. Trenbeath, and Chairman Strinden

Nays: Ms. Ehrhardt

Absent: Mr. Sandal and Ms. Smith

MOTION PASSED

Mr. Collins requested the Chairman to sign the ING contracts.

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 11:10 a.m.

Prepared by,

Cheryl Stockert
Secretary to the Board

MINUTES

North Dakota Public Employees Retirement System

NDPERS Conference Room

Wednesday, August 10, 2011

1:30 p.m.

Members Present: Ms. Joan Ehrhardt
Ms. Arvy Smith

Via Teleconference: Mr. Levi Erdmann
Mr. Howard Sage
Mr. Mike Sandal
Mr. Thomas Trenbeath
Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Mr. Bryan Reinhardt, NDPERS

Chairman Strinden called the meeting to order at 1:30 p.m.

RETIREMENT

Companion Plan/DC Plan Fund Lineup

Mr. Collins reported to the Board that the PERS Investment Subcommittee met to discuss the fund lineup of the defined contribution and companion plan. TIAA-CREF offered alternatives to their original offering. The Investment Subcommittee recommended the following:

- Maintain the funds we already have and not accept the TIAA-CREF growth and income fund or the TIAA-CREF high yield fund.
- Concerning the lifecycle funds, make a change from the Wells Fargo funds originally offered in May to the TIAA-CREF funds. This is because the expense ratio is lower by 10 bp's, the product asset allocation is more closely aligned with the target funds we presently offer from Fidelity, and for the 2010 fund it is closer to the average as identified in a report from Callan.

MR. SAGE MOVED TO ACCEPT THE RECOMMENDATION OF THE PERS INVESTMENT SUBCOMMITTEE. THE MOTION WAS SECONDED BY MR. TRENBEATH.

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

Nays: None

MOTION PASSED

GROUP INSURANCE

Rx Extension

Mr. Collins reported that at the April Board meeting it was decided to extend the contract with the North Dakota Pharmacy Services Corporation for the diabetes management program. The agreement extension was reviewed and approved by the Attorney General's Office.

MR. SANDAL MOVED TO APPROVE THE AGREEMENT EXTENSION WITH THE NORTH DAKOTA PHARMACY SERVICES CORPORATION TO END ON JUNE 30, 2013. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

MOTION PASSED

DEFERRED COMPENSATION

Hardship Appeal Case #35

Ms. Allen presented detailed information to the Board on a deferred compensation hardship withdrawal in the amount of \$17,000 to cover medical expenses as a result of the spouse's unforeseen medical condition. The Board reviewed this case at the July meeting and requested additional information for consideration. The Board discussed this appeal.

MS. EHRHARDT MOVED TO APPROVE THIS APPEAL. THE MOTION WAS SECONDED BY MS. SMITH.

Board discussion occurred.

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

Nays: Mr. Sage and Mr. Trenbeath

MOTION PASSED

Hardship Appeal Case #42

Ms. Allen presented detailed information to the Board on a deferred compensation hardship withdrawal in the amount of \$30,000 for home repairs due to flooding in Minot. The Board discussed this appeal.

MR. SAGE MOVED TO TABLE APPEAL CASE #42 UNTIL THE BOARD RECEIVES ADDITIONAL DOCUMENTATION RELATING TO FINANCIAL NEED, INCLUDING THE EXTENT OF DAMAGES, COST TO REPAIR THOSE DAMAGES, AND AVAILABILITY OF FEMA FUNDING. THE MOTION WAS SECONDED BY MR. TRENBEATH.

Board discussion occurred.

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

Nays: None

MOTION PASSED

Hardship Appeal Case #47

Ms. Allen presented detailed information to the Board on a deferred compensation hardship withdrawal in the amount of \$750 to cover medical expenses as a result of the member's medical condition. The Board discussed this appeal.

MR. TRENBEATH MOVED TO APPROVE THIS APPEAL, SUBJECT TO VERIFYING THE CASH VALUE OF THE LIFE INSURANCE. THE MOTION WAS SECONDED BY MR. SANDAL.

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

Nays: None

MOTION PASSED

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 2:00 p.m.

Prepared by,

Cheryl Stockert
Secretary to the Board

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13th Ave SW, Fargo

Tuesday, August 23, 2011

8:30 A.M.

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

Member Absent: Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS
Ms. Kim Humann, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. Barbara Dammen, NDPERS
Ms. Jan Murtha, Attorney General's Office
Mr. John Geissinger, NDRIO
Ms. Connie Flanagan, NDRIO

Via Videoconference: Mr. Kevin Schoenborn, BCBSND
Ms. Onalee Sellheim, BCBSND
Mr. Jim Wynstra, BCBSND
Mr. Mike Carlson, BCBSND

Ms. Arvy Smith, acting as Chairman, called the meeting to order at 8:30 a.m.

MINUTES

Ms. Smith called for any questions or comments regarding the minutes of the July 28, 2011 Board meeting minutes.

MS. EHRHARDT MOVED APPROVAL OF THE JULY 28, 2011 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MR. TRENBEATH. THE MINUTES WERE APPROVED.

Ms. Smith called for any questions or comments regarding the minutes of the August 10, 2011 Board meeting minutes.

MR. TRENBEATH MOVED APPROVAL OF THE AUGUST 10, 2011 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MS. EHRHARDT. THE MINUTES WERE APPROVED.

INVESTMENTS

Investment Update

Mr. Geissinger, Chief Investment Officer with the ND State Investment Board, Retirement and Investment Office, presented the annual investment update to the Board. Information included a discussion on the asset allocation as of June 30, 2011 for PERS, Job Service, and retiree health insurance credit program; market value of PERS group insurance; performance analysis on the plans, and the WG trading fraud recovery. Mr. Geissinger also shared information with the Board relating to the asset liability study being conducted by Callan Associates. Staff and the Board had questions of Mr. Geissinger.

RETIREMENT

Highway Patrol Indexing

Ms. Allen stated that it is necessary for the Board to determine the rate to be used in establishing the index factor for deferred members of the Highway Patrol. During this last legislative session, agency budgets were increased by 3% for salary increases for the first year of the 2011-13 biennium. The North Dakota Highway Patrol leadership is recommending that deferred members in its system have their final average salary indexed by 2%.

MR. TRENBEATH MOVED APPROVAL OF A TWO PERCENT ANNUAL INCREASE IN THE FINAL AVERAGE SALARY INDEXING FOR HIGHWAY PATROL MEMBERS EFFECTIVE JULY 1, 2011. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

TIAA-CREF Transition

Mr. Collins updated the Board on the defined contribution/deferred compensation transition. Since the last Board meeting, TIAA-CREF advised PERS that the small cap fund has been closed since we had accepted it. There are three other funds available that PERS could select from or another option is to retain the existing fund. Segal advised us to maintain the existing fund (Allianz Small Cap Value).

MR. SANDAL MOVED TO REPLACE THE INVESCO US SMALL CAP FUND WITH THE ALLIANZ SMALL CAP VALUE. THE MOTION WAS SECONDED BY MR. TRENBEATH.

The Board discussed the motion.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

Mr. Collins indicated that the agreement between PERS and TIAA-CREF is in the review process and will be included on the September agenda for final approval. Staff and TIAA-CREF have started working on a communication plan for the transition which will be presented at the September meeting. Mr. Collins shared key dates of the transition plan with the Board.

GROUP INSURANCE

Member Services Survey

Ms. Sellheim, BCBS, presented the annual Member Services Survey to the Board. Specific information relating to member satisfaction included overall satisfaction rating which was 90.9%; question answered/problem resolved; time reasonable to resolve inquiry; wait time reasonable with a favorable response of 95.1%; representative sounded caring at 96.9%; caller treated with courtesy at 98.1%; representative was knowledgeable; clear and complete answer; completed follow-up; claim processed timely; understandable explanation of benefits; and Claims processed within 30 days at 99.8%. Overall rating was very good. The Board and staff discussed the survey results with BCBS staff.

HDHP/HSA Update

Mr. Collins provided an update to the Board on activities relating to the high deductible health plan/health savings account. There are two challenges, one of which is technical relating to allowing supplemental contributions through payroll. The second challenge relates to the enrollment process, specifically the federal law which states that persons cannot be enrolled in a health savings account at the same time they are enrolled in a flexible spending account grace period, including the claims run out period(during the first 90 days of the next year). Staff continues to obtain clarification on these issues.

Mr. Collins shared the proposed amendment to the BCBS administrative agreement which incorporates the changes relating to the HDHP and was included in the Board material. Legal counsel reviewed with the Board the suggested changes to the agreement. The Board concurred they would take action on the agreement at the September meeting.

Part D Renewal

Mr. Collins reviewed the Part D renewal with the Board. Deloitte Consulting reviewed the 2012 PDP renewal calculation for reasonableness and appropriateness. Upon review, Deloitte found the 7.8% increase in monthly premium rates reasonable (from \$69.50 to \$74.90). The Board discussed the Part D renewal. Mr. Wynstra, BCBSND, responded to Board questions.

MR. ERDMANN MOVED APPROVAL OF THE PART D RENEWAL RATES FOR 2012. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

Adherence Reporting Pilot Results

Mr. Collins indicated that at the May Board meeting BCBS gave a presentation to the Board relating the adherence reporting mailing pilot program. This program includes a mailing to members to encourage them to properly take their medications. At that time, the Board decided to wait until the pilot program was completed to obtain program results.

Mr. Solseng, BCBSND, gave an overview on the medication adherence program as well as the results of the adherence pilot project. Mr. Collins indicated if the Board wishes to move forward, the depression and respiratory medication adherence program will be implemented for the next quarter and hypertension implemented in the fourth quarter. Mr. Solseng explained that six months after the program is implemented the results will be shared with the Board. The only cost involved with this program will be the mailing costs. The Board had questions relating to this program and discussion followed. Staff shared indicated information would be given to members through the wellness program activities and the newsletters. There was no motion to approve the adherence reporting program; however, the Board indicated it would like to review additional information later showing the program's effectiveness in other plans.

2010 Health Report

Mr. Collins indicated the 2010 NDPERS active member health report shows costs and trends at a favorable rate.

Smoking Cessation Program

Ms. Allen reviewed with the Board the final contract for the 2011-2013 biennium which incorporates the administrative changes recommended by the Department of Health.

MR. SAGE MOVED APPROVAL OF THE SMOKING CESSATION PROGRAM AGREEMENT WITH THE ND DEPARTMENT OF HEALTH FOR THE 2011-2013 BIENNIUM. THE MOTION WAS SECONDED BY MR. SANDAL.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

Health Plan Summary

Mr. Collins shared with the Board the final accounting summary for the health plan for the 2007-2009 biennium. The report showed the plan took a loss of \$3.1 million for the period. Due to our contractual arrangements with BCBS, this liability accrued to them.

Employer Based Wellness Program Renewal

Ms. Fricke gave a report to the Board on the renewal of the Employer Based Wellness Programs. The renewal determines those employers that qualify for the 1% health insurance premium discount. There are a total of 191 out of 281 employers electing to participate (68%). It was noted that those employers that elect to participate included 97% of the employees covered on the insurance plan. The Board had questions of staff relating to the wellness program, specifically the MyHealthCenter program offered through BCBS.

MISCELLANEOUS

Board Reimbursement

Mr. Collins reported that effective July 1, 2011 the per diem rate for PERS Board members increased. He reviewed current policy with the Board.

MR. TRENBEATH MOVED TO MAINTAIN THE CURRENT POLICY. THE MOTION WAS SECONDED BY MR. ERDMANN.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

Board Planning Meeting

Mr. Collins indicated that every two years a PERS Board planning meeting is scheduled. It is tentatively scheduled for January 2012. Staff will work with the Board to schedule a specific date.

Proposed Administrative Rules

Ms. Knudsen reviewed with the Board the proposed administrative rules which have been reviewed by staff and legal counsel. The rules will be brought back to the Board in September for approval to move to the next steps in the promulgation process. The Board had questions of staff with further discussion.

PERSLink Update

Ms. Schiermeister presented an update on the PERSLink business system. She noted the warranty period with the vendor ended on May 31 and we are now in the production support phase, which is contracted for two years. Part of this arrangement includes dedicating an on-site business analyst who has been involved in the project since its beginning. She shared system metrics information as follows:

- For problem incident reports, which is PERS internal mechanism for reporting problems with the system, since December to present, the number of these reports is decreasing.
- The number of data fixes is decreasing.
- The number of troubleshooting cases is also decreasing, which tells us that users are getting more familiar with how things are working on the system.

Accomplishments achieved over the last five months include:

- Transitioned to the new life insurance carrier effective July 1, 2011 and that also involved a change in the level of coverage for basic life insurance, so those changes to our system went well.
- Implemented new insurance rates for the health, life, EAP and HMO plan. Also implemented the employer elections, where every two years an employer can choose a different EAP provider.
- In the accounting area, achieved completing the bank reconciliations using data that is produced on the system and integrated into the general ledger on PeopleSoft.
- Produced the member annual statements for the first time in the new system. The member will also be able to access a more detailed statement by logging onto the member self-service functionality (going live with the mailing of the statements). Sharon also noted that information has been sent to our actuary from PERSLink which included detailed demographic data on all members in the system.

Other issues since implementation:

- Sharon also discussed another issue relating to the implementation of PERSLink which is change management relating to realigned staff duties. In the previous system we were aligned like a silo where staff did not know other programs. The way that PERSLink is designed is that there are roles where the person does a function like enrollment or maintenance and they do it across the programs. We had experienced a backlog of work and found our productivity was not initially up to speed. The backlog is now eliminated in most areas. We did hire temporary staff during the go live period, but we did release them as of June 30, so since then we have been operating with our current staff. We are relying on the internal audit staff to help with some daily functions, but as reported to the Audit Committee, we expect this will reduce to a level of 20% of time so the internal auditors can get back to auditing and performing their regular functions.

- We still have issues with our employers who are using employer self-service. We find there is still demand by people who are requiring help on a monthly basis. We had hoped that as they used employer self-service, it would become easier. We know we probably could improve the usability of our employer self-service, the system could be more intuitive. We need to improve on employer self-service, and if we make those improvements, it will help our employers and lower the amount of calls we receive. We are also working on updating our online help for that area and will be providing additional training to employers.
- We have made the decision to delay the interface with PeopleSoft for doing benefit enrollments. The reason for that is we didn't have the resources to test it adequately.
- We had experienced issues with our insurance billing for retirees and COBRAs. At this time there are not issues with this and it is going smoothly.

Upcoming activities that will impact our system:

- Currently involved in the annual audit, and PERSLink is integrating more with our general ledger.
- Working on our transition to TIAA-CREF. We need to make sure we can interface our files with their format.
- Annual enrollment will be coming up in October.
- The retirement contribution increase goes into effect January 1, 2012 which will impact our system to get the employer elections online, making sure all our employers accurately report the new contribution rates. This is a big effort.
- Interfacing the high deductible health plan/health savings account.
- Issuing our retiree annual statements for the first time at the end of the year.
- Since the member self-service has much functionality, we will be doing extensive testing in September, where we have a usability lab set up. We are inviting 20 members to actually use it. The consultant will document the experience to help us improve it to make it more user friendly and intuitive so members like it when they go out there. Member self-service will be fully deployed in February 2012.

Ms. Schiermeister thanked the Board for their support as we have developed and implemented the PERSLink business system.

Hardship Appeal Case #45

Ms. Allen presented detailed information to the Board on a deferred compensation hardship withdrawal in the amount of \$6,782.63 to cover repairs to the home and loss of personal property that occurred as a result of flooding. The Board reviewed this request and discussed this appeal.

MS. EHRHARDT MOVED APPROVAL OF HARDSHIP APPEAL CASE #45. THE MOTION WAS SECONDED BY MR. TRENBEATH.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

Mr. Carlson, BCBS, speaking for Ms. Marissa Parmer, Wellness Coordinator, wanted to express her thanks to PERS staff and the PERS Board, and stated the support she received from the Board has provided opportunities to grow in her position and provide better wellness to employees. She feels great confidence that with the continued support of this position, there will be benefits for all parties. She wished everyone continued success in NDPERS wellness programs. Mr. Carlson reported they hired an individual to replace Ms. Parmer that will be starting on September 9. Ms. Smith also expressed the Board's appreciation for all Ms. Parmer's work on the wellness program.

Ms. Smith called for any other business or comments. Hearing none, the meeting adjourned at 11:20 a.m.

Prepared by,

Cheryl Stockert
Secretary to the Board

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13th Ave SW, Fargo

Thursday, September 22, 2011

8:30 A.M.

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

Member Absent: Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Kathy Allen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. Jan Murtha, Attorney General's Office
Mr. John Geissinger, NDRIO

Via Videoconference: Mr. Kevin Schoenborn, BCBSND
Ms. Onalee Sellheim, BCBSND
Mr. Jim Wynstra, BCBSND
Mr. Michael Carlson, BCBSND
Ms. Jodi Crouse, BCBSND
Ms. Tara Roberts, BCBSND

Via Conference Call: Mr. Brad Ramirez, Segal

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 August 23, 2011 Board meeting.

MR. TRENBEATH MOVED APPROVAL OF THE AUGUST 23, 2011 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MR. SAGE. THE MINUTES WERE APPROVED.

GROUP INSURANCE

Quarterly Executive Summary

Mr. Schoenborn, Mr. Wynstra, Mr. Carlson, Ms. Crouse, and Ms. Roberts with BCBS presented the quarterly executive summary to the Board. Information included: the 12 month moving trend analysis; membership comparison; paid PMPM by claim type; health club credit participation; MyHealthCenter participation; member engagement program participation; financial/trend analysis; quarterly utilization summary for actives, early retirees, and Medicare retirees; claims and inquiry timeliness; wellness programs, including member engagement and opportunities and activities.

High Deductible Health Plan Update and Agreement

Mr. Collins presented an update on the plan rollout schedule. Implementation of this component will be next year. Regarding the HSA and flex spending accounts, members cannot be enrolled in both of these plans. Since claims for flex are incurred through March, PERS will have to determine those individuals who have a conflict with the plan in January. Mr. Collins laid out the various decisions on how to proceed with the HDHP/HSA enrollments relating to the flex program. One other area in the implementation process relates to the employer contributions to the HSA account. Employers will contribute monthly and once the monies go into the account (which is a trust), it will be difficult to make any necessary adjustments. Mr. Collins explained that the decision has been made to lag contributions to the HSA by one month allowing time to make any necessary adjustments. The Board had questions of staff and discussion followed.

Mr. Collins brought the HDHP Agreement amendment with BCBS to the Board for approval. The amendment has been reviewed by staff and the Attorney General's office.

MR. TRENBEATH MOVED APPROVAL OF THE HIGH DEDUCTIBLE HEALTH PLAN AGREEMENT AMENDMENT WITH BCBS. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

MOTION PASSED

Part D Renewal Agreement

Mr. Collins reviewed with the Board the Group MedicareBlue Rx Retiree Prescription Drug Plan contract which will be effective January 1, 2012. At the last Board meeting the renewal and amount were approved. This agreement was reviewed by staff and the Attorney General's office.

MR. SANDAL MOVED APPROVAL OF THE PART D RENEWAL AGREEMENT WITH BCBS EFFECTIVE JANUARY 1, 2012. THE MOTION WAS SECONDED BY MR. SAGE.

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

Nays: None

MOTION PASSED

City of Fargo

Mr. Collins reviewed with the Board the memo from Ms. Murtha, Attorney General's Office, relating to the City of Fargo who is coming on the health plan effective January 1, 2012. In the process of doing the agreement, their legal counsel questioned the appropriateness of the City of Fargo signing the indemnity addendum. NDCC 32-12.2-13 prohibits the state and a political subdivision from entering into an agreement for indemnification. Mr. Collins indicated there is an outdated provision in the PERS health plan contract relating to risk management indemnity and this will be changed for the future. Ms. Murtha reviewed this information with the Board and discussion occurred.

MR. TRENBEATH MOVED TO ADOPT THE INDEMNITY ADDENDUM WITH THE CITY OF FARGO AND ADJUST OUR STANDARD HEALTH PLAN CONTRACT. THE MOTION WAS SECONDED BY MR. ERDMANN.

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

Nays: None

MOTION PASSED

RETIREMENT

GASB

Mr. Brad Ramirez, Segal, reviewed with the Board proposed major changes to the Governmental Accounting Standards Board for Pension Accounting standards. The new standards would make fundamental changes to pension accounting standards for state and local governments. Staff and the Board discussed these changes with Mr. Ramirez.

TIAA-CREF Update and Agreement

Mr. Collins gave the Board an update on the TIAA-CREF implementation. There will be statewide mailings, meetings and webinars. A webinar will be recorded and made available on the PERS Website during the transition period if members cannot attend a live webinar or meeting. Mr. Collins indicated the agreement with TIAA-CREF that was in the Board book had been reviewed by staff and the Attorney General's office and he requested the Board's approval.

MR. ERDMANN MOVED APPROVAL OF THE TIAA-CREF AGREEMENTS. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

MOTION PASSED

Asset Allocation

Mr. Collins reported to the Board that the PERS Investment Subcommittee met on August 31 to work on the Asset Liability Study. One of their first steps was to transition to the new asset categories. Mr. Collins indicated that the proposal is to transition the existing asset categories to the new categories of Global Equity, Global Fixed Income, Global Real Assets, Global Alternatives and Cash Equivalents. Once this allocation is adopted, the PERS Investment Subcommittee will continue its work to determine if the allocation should be adjusted.

MR. SAGE MOVED TO TRANSITION TO THE NEW ASSET ALLOCATION CATEGORIES OF GLOBAL EQUITY, GLOBAL FIXED INCOME, GLOBAL REAL ASSETS, GLOBAL ALTERNATIVES AND CASH EQUIVALENTS. THE MOTION WAS SECONDED BY MR. ERDMANN.

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

MOTION PASSED

FLEX COMP PROGRAM

Approval of Flex Comp Vendors

Ms. Allen reported that at the July meeting, the Board approved staff recommendation to conduct a review of vendors for the voluntary insurance products approved for pretax premiums under the flex comp plan. The vendors are Total Dental Administrators, Central United, AFLAC, Colonial Life, Consec and Noridian Insurance Services. Ms. Allen shared information relating to each vendor that outlined the products available for payroll deduction, a summary description and certification by the vendor if it is or is not eligible to be pretaxed.

MR. ERDMANN MOVED APPROVAL FOR THE ABOVE VENDORS TO BE ELIGIBLE TO BE PRETAXED STARTING WITH THE FLEXCOMP 2012 PLAN YEAR. THE MOTION WAS SECONDED BY MS. SMITH.

The Board discussed this motion.

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

Nays: None

MOTION PASSED

Flex Comp Election Process

Ms. Allen explained to the Board that staff is proposing a change to current enrollment procedures. Currently, employees make an affirmative election each annual enrollment season to pretax their premiums for the NDPERS administered plans and other eligible voluntary insurance products. The recommendation is to change this to a passive election process wherein the pretax election made for the 2012 plan year would roll over and remain in effect for subsequent plan years. Currently, Higher Education does the passive election process. The Board discussed this and concurred that the current process is a good practice and should remain in effect where employees must make their pretax elections during each annual enrollment cycle. Mr. Collins indicated staff would do more research on this and review with the Board next year.

MISCELLANEOUS

PERS Update

Mr. Collins updated the Board on PERS activities:

- Summary annual statements were mailed to over 34,000 members.
- The Biennial Payroll Conference was scheduled with over 180 registered.
- The annual wellness fair was held at the Capitol, with approximately 500 visiting the fair.
- Held a meeting with Job Service retirees to provide them with an update on their retirement plan with the meeting video-conferenced to their offices in Fargo, Grand Forks and Minot.
- Attended and presented at the Legislative Employee Benefits Committee (agenda shared with the Board).

Administrative Rules

Mr. Collins reviewed with the Board the draft rules with the next step being the public hearing. Staff was seeking Board approval to move to the hearing process. Once the hearing is completed, the rules will come back to the Board with any comments received.

MR. TRENBEATH MOVED STAFF MOVE FORWARD WITH THE RULE MAKING PROCESS. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

MOTION PASSED

Audit Committee Minutes

The February 23, 2011 approved PERS Audit Committee minutes were shared with the Board.

Mr. Collins indicated we have tentatively scheduled the biannual Board planning meeting for Wednesday, January 11, 2012, at the University of Mary. The date will be confirmed with the Board members.

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 10:40 a.m.

Prepared by,

Cheryl Stockert
Secretary to the Board

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13th Ave SW, Fargo

Thursday, October 20, 2011

8:30 A.M.

Members Present: Ms. Joan Ehrhardt
Mr. Levi Erdmann
Mr. Howard Sage
Mr. Mike Sandal
Mr. Thomas Trenbeath

Member Absent: Ms. Arvy Smith
Chairman Jon Strinden

Others Present: Ms. Cheryl Stockert, NDPERS
Ms. Kathy Allen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Barbara Dammen, NDPERS
Ms. Jan Murtha, Attorney General's Office

Via Videoconference: Mr. Sparb Collins, NDPERS
Mr. Kevin Schoenborn, BCBSND
Mr. Michael Potts, BCBSND
Dr. Jon Rice, BCBSND
Ms. Charly Hundley, BCBSND

Mr. Sage, Acting Chairman, called the meeting to order at 8:30 a.m.

MINUTES

Mr. Sage called for any questions or comments regarding the minutes of the September 22, 2011 Board meeting.

MS. EHRHARDT MOVED APPROVAL OF THE SEPTEMBER 20, 2011 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MR.TRENBEATH. THE MINUTES WERE APPROVED.

GROUP INSURANCE

HDHP/HSA Update

Mr. Collins provided an update on this new plan. There have been numerous member communications including weekly webcasts and a web video posted to the PERS website. The final Health Savings Account agreement is before the Board for final approval which has been reviewed by staff and the Attorney General's office for acceptability. The Board had questions relating to the education efforts.

MR. SANDAL MOVED APPROVAL OF THE HEALTH SAVINGS ACCOUNT ADMINISTRATIVE SERVICES AGREEMENT. THE MOTION WAS SECONDED BY MS. EHRHARDT.

Ayes: Ms. Ehrhardt, Mr. Sandal, Mr. Trenbeath and Mr. Sage.

Nays: None

Absent: Mr. Erdmann, Ms. Smith and Chairman Strinden

MOTION PASSED

Memorandums of Understanding with BCBS

Mr. Collins referred the Board to the three memorandums of understanding (MOU) with BCBS to cover additional program efforts for the wellness program, the tobacco cessation program, and the Rx disease management program. These are similar to what was executed last biennium. The Board discussed each MOU and had suggested changes on costs and fees. The Board concurred that staff will work with BCBS on the changes to the MOU's for review and approval at the next Board meeting.

MediQHome Program

Mr. Collins shared information with the Board relating to this program and its importance for helping to reduce health plan costs. Ms. Hundley with BCBS explained to the Board she has been meeting with both St. Alexius and Mid Dakota Clinic on this program. After legal review and HIPAA concerns, both have decided to partner with BCBS on this program; however, Mid Dakota Clinic will be limiting its participation at this time to Blue Cross members only.

RETIREMENT

Job Service COLA

Ms. Allen informed the Board that the Bureau of Labor Statistics publicized there will be a 3.6 percent COLA increase for the federal Civil Service Retirement Plan. The Board is authorized under Article VII (3) of the Job Service Plan document to give an increase to Job Service retirees based on what is provided to federal employees. The last increase for annuitants in this system was 5.8% effective December 1, 2008. It was also noted that this increase is less than the actuarial assumed increase and that the plan is presently fully funded.

MS. EHRHARDT MOVED APPROVAL OF A 3.6 PERCENT INCREASE FOR JOB SERVICE ANNUITANTS EFFECTIVE DECEMBER 1, 2011. THE MOTION WAS SECONDED BY MR. ERDMANN.

Ayes: Ms. Ehrhardt, Mr. Sandal, Mr. Erdmann, Mr. Trenbeath, and Mr. Sage

Nays: None

Absent: Ms. Smith and Chairman Strinden

MOTION PASSED

Mr. Collins reported to the Board that it will be a challenge for the staff to get this implemented in December but we will do everything possible to implement this on time. Specifically, in November we must wrap up the actuarial report and have the TIAA-CREF transition to complete. In addition, we have annual enrollment and the City of Fargo coming on the health plan. If, for some reason, we can't meet the December 1 date, it will be retroactive for the Job Service retirees and this will be communicated to them. Mr. Collins indicated he will keep the Board informed.

PERS Retirement Update

Mr. Collins provided the Board an update on the retirement plan including projections of the funded status of the plans after the contribution increase and the return for this last year. A similar presentation has been shared with the members in the form of a webcast that is available on the PERS website at

http://www.ndhealth.gov/webcasthtml/20111018_NDPERS/

The primary legislative activity next session will be addressing the challenge our retirement plans face as a result of the financial markets. Staff will be meeting with the PERS Benefits Committee in December. This sets the beginning of our planning process prior to the Board Planning Meeting in January. Segal will be reviewing various calculations relating to possible contribution increases, benefit reductions, and retirement deferrals. The Board had questions of staff and discussed the various options that will be covered at the January planning meeting.

DEFERRED COMPENSATION/DEFINED CONTRIBUTION

Transition Update

Mr. Collins reported the transition process has started. State-wide and one-on-one meetings are being held. Webinars continue to be held. TIAA-CREF put together statistics on attendance at these meetings/webinars that was shared with the Board. Before the November meeting, the funds will have been transferred from Fidelity to TIAA-CREF, there will be a blackout period, and at the end of the month the first upload will be done into the TIAA-CREF system. PERS will be in communication with the members once these events have been successful.

Financial Hardship #51

Ms. Allen presented detailed information to the Board on a deferred compensation hardship withdrawal in the amount of \$785 to cover tax and license fees. The Board discussed this financial hardship request.

MR. SANDAL MOVED TO DENY THE FINANCIAL HARDSHIP REQUEST. THE MOTION WAS SECONDED BY MR. TRENBEATH.

Ayes: Mr. Trenbeath, Ms. Ehrhardt, Mr. Sandal, Mr. Erdmann, and Mr. Sage

Nays: None

Absent: Ms. Smith and Chairman Strinden

MOTION PASSED

Financial Hardship #41

Ms. Allen presented detailed information to the Board on a deferred compensation hardship withdrawal in the amount of \$850 to cover expenses incurred as a result of a loss of income due to the spouse's medical condition. The Board discussed this financial hardship request.

MR. TRENBEATH MOVED TO DENY THE FINANCIAL HARDSHIP REQUEST. THE MOTION WAS SECONDED BY MR. SANDAL.

The Board further discussed the request and determined that additional information was needed before a decision could be made. Mr. Trenbeath withdrew the motion and Mr. Sandal withdrew the second to the motion. This financial hardship was deferred to the next meeting.

Mr. Sage informed the Board that the NCPERS Conference is scheduled for May 2012 and requested approval for two members to attend.

MR. TRENBEATH MOVED APPROVAL OF TWO BOARD MEMBERS TO ATTEND THE NCPERS CONFERENCE. THE MOTION WAS SECONDED BY MR. ERDMANN.

Ayes: Ms. Ehrhardt, Mr. Erdmann, Mr. Sandal, Mr. Trenbeath and Mr. Sage

Nays: None

Absent: Ms. Smith and Chairman Strinden

MOTION PASSED

NDPERS Board Meeting
October 20, 2011
Page 5 of 5

Acting Chairman Sage called for any other business or comments. Hearing none, the meeting adjourned at 10:00 a.m.

Prepared by,

Cheryl Stockert
Secretary to the Board

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13th Ave SW, Fargo

Thursday, November 17, 2011

8:30 A.M.

Members Present: Mr. Levi Erdmann
Mr. Howard Sage
Mr. Mike Sandal
Ms. Arvy Smith
Mr. Thomas Trenbeath

Member Absent: Ms. Joan Ehrhardt

Via Videoconference: Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. Jan Murtha, Attorney General's Office
Mr. John Geissinger, RIO
Mr. Brad Ramirez, Segal
Mr. Jay Kloepfer, Callan

Via Videoconference: Mr. Kevin Schoenborn, BCBSND
Ms. Jodi Crouse, BCBSND
Mr. Mike Carlson, BCBSND
Ms. Tara Roberts, BCBSND
Ms. Onalee Sellheim, BCBSND

MINUTES

Chairman Strinden called for any questions or comments regarding the minutes of the October 20, 2011 Board meeting.

MR. TRENBEATH MOVED APPROVAL OF THE OCTOBER 20, 2011 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MR. SAGE. THE MINUTES WERE APPROVED.

RETIREMENT

Asset Liability Study

Mr. Collins reported that the Asset Liability Study has been reviewed by the PERS Investment Subcommittee and they have recommended changes based upon the study. Mr. Kloefer from Callan reviewed with the Board the Asset Liability Study which had been an approximately eleven month process. The process involved review of PERS' current investment program, evaluation of potential new asset classes/strategies, construction of a preliminary asset-liability evaluation, and development of the final asset-liability study. Mr. Kloefer explained that this was reviewed utilizing various funding levels. He further explained that defining risk tolerance is one of the biggest challenges in this process. The Board had questions of Mr. Kloefer and further discussed the study, specifically the Mix 3b which is a newly recommended asset allocation to be included in the PERS investment policy.

Investment Policy

Mr. Collins indicated that in addition to review of the Asset Liability Study, the Investment Subcommittee reviewed the investment policy, and as was noted by Mr. Kloefer, the subcommittee is recommending investment asset allocation Mix 3b. Mr. Collins reviewed with the Board a comparison of the existing investment policy with the proposed changes to the investment policy. Changes included updating the goals of the Board and updating the investment performance objectives. Mr. Geissinger, RIO, explained it is important to have objectives that are achievable and actionable as well as have a risk governor in place for the portfolio. He further reviewed with the Board the proposed investment policy which includes a three-part objective. He recommended that the policy be reviewed yearly, with a five year look back. The Board had questions of Mr. Geissinger and discussed the policy.

MR. ERDMANN MOVED TO APPROVE CHANGES TO THE NDPERS INVESTMENT POLICY AND TO USE 3b ASSET ALLOCATION MIX. THE MOTION WAS SECONDED BY MR. SAGE.

There was discussion on the motion relating to the investment policy objectives.

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

Nays: None

Absent: Ms. Ehrhardt

MOTION PASSED

Chairman Strinden thanked the Investment Subcommittee for their efforts.

Actuarial Valuation

Mr. Brad Ramirez reviewed with the Board the Actuarial Valuation results as of July 1, 2011. Specifically, he reviewed the results for the Main, Judges, National Guard, Law Enforcement, Job Service and Highway Patrol plans. In addition, he reviewed the results

for the Retiree Health Credit Program. This is an annual process which is an estimate of the Plans' liabilities. It determines the recommended contribution for 2011-12, provides information for annual financial statements and identifies emerging trends. The following are the results for each system:

➤ Recommended contribution as a percent of payroll

	2011-2012	2010-2011	Statutory/ Approved 2011-2012	Ultimate Statutory/ Approved Effective 2013
Main	11.36%	10.76%	4.12%-5.12%	6.12%
Judges	15.96%	14.10%	14.52%-15.52%	16.52%
National Guard	7.08%	7.00%	6.50%	6.50%
Law Enforcement (with Prior Service)	10.96%	10.80%	8.31%	8.31%
Law Enforcement (without Prior Service)	7.56%	7.53%	6.43%	6.43%
Highway Patrol	27.13%	22.54%	16.70%-17.70%	18.70%
Retiree Health	0.88%	0.89%	1.14%	1.14%
Job Service	0.00%	0.00%	0.00%	0.00%

It was concluded that there are potential risks to the system which include continued aging of the population, unforeseen demographic shocks, and changes in asset return environment. It was also noted that the return for 2011 and the contribution increases for the Plans were very helpful in stabilizing them. It was recommended to the Board that they consider projections and studies to help quantify additional actions that may need to be taken in the future. The Board had questions of Mr. Ramirez which were discussed.

GROUP INSURANCE

Wellness Program Update

Mr. Carlson, BCBSND, reviewed with the Board the MyHealthCenter platform. He explained that BCBSND surveyed wellness coordinators and found they were not fully satisfied with this product. He also noted that since the upgrade to the new platform, the performance has been less than adequate. Consequently, BCBS is considering changing vendors. The company being considered is PUREWellness. Mr. Carlson indicated that the wellness coordinators participated in a PUREWellness demo with a 96% favorability of the product. Presently the product is being reviewed by a BCBS committee, and Mr. Carlson indicated it could be January-February before this could be implemented. The Board had questions relating to the change to the new provider which were answered by Mr. Carlson.

Quarterly Executive Summary

Mr. Schoenborn, Mr. Carlson, Ms. Crouse, and Ms. Roberts with BCBS presented the quarterly executive summary to the Board. BCBS reported they have made some improvements on this report. Information included: the 12 month moving trend analysis; membership comparison; paid PMPM by claim type; health club credit participation; MyHealthCenter participation; employers participating in member education; financial/trend analysis; membership and health utilization summary for actives, early

retirees, Medicare retirees, state employees and political subdivisions; claims paid per member per month; high dollar claims and prescription drugs; performance standards and guarantees; wellness programs, including information relating to the health club credit program participation, member engagement, opportunities and activities. The Board had questions of BCBS staff relating to this report.

Memorandums of Understanding with BCBS

Mr. Collins reported that the three memorandums of understanding with BCBS relating to the Wellness Program, the Tobacco Cessation Program, and the Rx Disease Management Program were updated since the last meeting and incorporated the Board's suggestions.

MR. SANDAL MOVED TO APPROVE THE MEMORANDUMS OF UNDERSTANDING WHICH ARE EFFECTIVE THROUGH JUNE 30, 2013. THE MOTION WAS SECONDED BY MR. TRENBEATH.

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

Nays: None

Absent: Ms. Ehrhardt

MOTION PASSED

High Deductible Health Plan Update

Mr. Collins provided the Board with an update on this plan. BCBS and Discovery Benefits held numerous meetings around the state with good attendance. Enrollments are now being received through the annual enrollment process, and by December staff will be able to determine the numbers. One question that came up related to eligibility of temporary employees in the HDHP plan. After a review by legal counsel, it was determined that temporary employees are not eligible. The Board had questions relating to this plan.

DEFERRED COMPENSATION/DEFINED CONTRIBUTION

Transition Update

Mr. Collins provided the Board with an update on the transition to TIAA-CREF. An issue that has occurred since the last meeting related to the number of days the monies were out of the market during the transition. PERS received notice that the monies transferred from Fidelity to TIAA-CREF on November 1. We inquired about when the monies would be reinvested and TIAA-CREF indicated the monies were going in the end of the day on November 1. Mr. Collins indicated that later that week he was informed that no, it actually went in on November 3. At that point, he requested they send an explanation of exactly how this transferred. Mr. Collins indicated that it was his understanding that generally these transfers take one day, assuming the monies come over early in the day and it's in good order. TIAA-CREF indicated the reason the monies took longer than one day was because PERS elected to do an employer directed transfer of having the monies defaulted to a Lifestyle Fund unless the member specified an asset allocation during October. The PERS Board took this action at the July meeting because this was the best

opportunity for individuals to make individual decisions. This decision was based on TIAA-CREF recommendation that this was the best option for engaging the member during the transition. It was noted that during the discussion of the method of transfer it was never mentioned that selecting an employer directed transfer would take longer and that as a result that was never communicated to the members. As a result, TIAA-CREF has indicated that they will reverse the November 3, transfer and repost it on November 1. The Board had questions and discussed this issue.

MISCELLANEOUS

PERSLink Update

Mr. Collins reported that the PERSLink member self-service portal for retirees will be rolled out in February 2012 and the active portal will be rolled out in May 2012. The goal with implementing these member self-service portals is to ensure they are user friendly. PERS has reported to the appropriate oversight committees on these project changes. The project remains within budget, and 98% of the project was completed on time.

December 28 Board Meeting

Mr. Collins indicated the next PERS Board meeting is scheduled for December 28, and since it is during the holidays, we will be in contact with the Board members to ensure we have a quorum. He shared the proposed 2012 schedule with the Board.

Financial Hardship #41

Ms. Allen presented detailed information to the Board on a deferred compensation hardship withdrawal in the amount of \$850 to cover expenses incurred as a result of a loss of income due to the spouse's medical condition. This hardship was provided to the Board at its October meeting and since that time staff has received updated information on the request. The Board discussed this financial hardship request.

MR. SANDAL MOVED TO DENY THE FINANCIAL HARDSHIP REQUEST. THE MOTION WAS SECONDED BY MR. TRENBEATH.

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

Nays: None

Absent: Ms. Ehrhardt

MOTION PASSED

NDPERS Board Meeting
November 17, 2011
Page 6 of 6

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 11:55 a.m.

Prepared by,

Cheryl Stockert
Secretary to the Board

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13th Ave SW, Fargo

Wednesday, December 28, 2011

8:30 A.M.

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

Member Absent: Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Kathy Allen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. Jan Murtha, Attorney General's Office

Via Videoconference: Ms. Miriam Griffin, BCBSND
Ms. Onalee Sellheim, BCBSND

MINUTES

Acting Chairman Sage called for any questions or comments regarding the minutes of the November 17, 2011 Board meeting.

MR. TRENBEATH MOVED APPROVAL OF THE NOVEMBER 17, 2011 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MR. SANDAL. THE MINUTES WERE APPROVED.

RETIREMENT

Job Service COLA

Mr. Collins reported to the Board that the Job Service cost of living adjustments that were approved at the October meeting were paid out on time in December.

Public Pension Coordinating Council Public Pension Standards Award

Mr. Collins reported that staff submitted an application for the Public Pension Standards Award which is sponsored by the Public Pension Coordinating Council comprising a

coalition of three associations – National Association of State Retirement Administrators (NASRA), National Council on Teacher Retirement (NCTR) and National Conference on Public Employee Retirement Systems (NCPERS) which was approved. The Board expressed positive comments on this achievement and indicated this information should be communicated to the membership.

Retirement Contribution Increase

Mr. Collins reviewed with the Board the retirement contribution increase communications that have occurred with payroll and membership. Members have been informed through emails, newsletters, webcasts, and letters sent to member's home addresses. It was further noted that while the contribution increase was effective January 1st it would be reflected in most members pay checks that are received in February.

GROUP INSURANCE

BCBS Member Advocate Program

Ms. Griffin, BCBSND, reviewed the Member Advocate Program (MAP) with the Board. This program was designed to give members personal, tailored customer service and assistance after a life-changing medical event and to guide members through the health insurance process. She also presented information relating to what cases MAP serves, how MAP works, activities to date, next steps and member feedback information. The Board had questions of Ms. Griffin.

Health Reform

Mr. Collins shared with the Board a recent guidance bulletin issued by the Insurance Commissioner relating to dependent coverage. PERS will be working with BCBS and will update internal procedures as needed to comply.

HDHP/HSA Update

Mr. Collins reported that the open enrollment for this plan has concluded and there were 74 enrollments, with half of those members enrolled from Higher Education. Staff is working with Higher Education relating to the flexible spending accounts being exhausted by December 31, 2011 to be eligible for the HSA contribution starting January 1, 2012. All enrolled members will be sent a letter acknowledging their enrollment and providing information relating to the FSA medical spending account being exhausted by the end of the year.

Mr. Collins indicated to the Board that staff inadvertently did not include a rate in the HDHP plan for employees who are on leave of absence and therefore requested the boards approval of this premium.

MR. TRENBEATH MOVED APPROVAL OF THE RATE IN THE HIGH DEDUCTIBLE HEALTH PLAN FOR THOSE EMPLOYEES ON A LEAVE OF ABSENCE. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

OPEB Valuation

Mr. Collins reported that the Governmental Accounting Standards Board requires NDPERS to report Postemployment Benefit Plans Other than Pension Plans (GASB 43) on the financial reports. To comply PERS must go through a process to determine what those costs are. There are explicit and implicit costs. Segal determines the explicit costs which relate to the retiree health credit program. In addition there are the implicit costs for our pre-Medicare retirees. The last study was conducted in 2009 and Van Iwaarden was the successful bidder. Van Iwaarden has submitted a proposal to conduct the full GASB 45 actuarial valuation of NDPERS' retiree health program for a not-to-exceed fee of \$8,900 which was the same fee they bid in 2009. The Board had questions relating to the proposal.

MR. SANDAL MOVED TO HAVE VAN IWAARDEN CONDUCT THE OPEB ACTUARIAL VALUATION PURSUANT TO THEIR PROPOSAL. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

Rate Increase

Ms. Allen reported that the Medicare Part D and the Cigna dental premiums will increase January 1, 2012. Part D premiums increased by 7.8% and the dental premiums increased by 3.32% for all coverage levels. Retirees were sent notice of the increases which were mailed out by December 1, 2011.

Vision Plan Update

Ms. Allen provided an update to the Board on the Superior Vision plan. The update included information relating to member utilization, enrollment numbers and the provider network.

Pre-Medicare Plan

Ms. Allen reported that in August 2010 NDPERS was approved from Department of Health and Human Services to participate in the Early Retiree Reinsurance Program (ERRP). On November 14, 2011 PERS made a request for a second reimbursement since being approved for this program in the amount of \$1,354,590. The amount requested and reimbursed for 2010 was \$1,723,732. The Board had questions relating to this program.

DEFERRED COMPENSATION/DEFINED CONTRIBUTION

Transition Update

Mr. Collins provided an update on the TIAA-CREF transition. PERS is in the final stages of integrating the business processes, with the goal of having it being finalized by the end of December. The Board had further questions relating to the transition.

Investment Options Summary

Mr. Reinhardt updated the Board on the Investment Options Summary which is available on the PERS website. This summary provides members information on all the deferred compensation providers, contacts, and all investment options available through each provider. The Board had questions relating to communicating this information to PERS members and Mr. Reinhardt responded that this information is included in the Perspectives newsletter.

3rd Quarter Investment Report

Mr. Reinhardt presented the first TIAA-CREF quarterly report to the Board. The 401(a) defined contribution plan had approximately \$20.2 million. Most of the funds are in the Lifestyle Funds (65%). In the 457 Companion Plan just over \$35 million was transferred. The active participants number 3,365. There is approximately \$26.2 million in the Lifestyle Funds. For the quarter most of the funds performed very well. The Investment Subcommittee reviewed this report and did not mark any funds as underperforming.

FLEXCOMP PLAN

Plan Document Amendment

Ms. Allen indicated to the Board that with the implementation of the high deductible health plan, including health savings account (HSA), it is necessary to amend the FlexComp Plan Document to add the HSA as a qualified benefit offered under the plan. Segal has developed Amendment No. 9 which has also been reviewed by legal counsel. The Board had questions relating to the amendment.

MS. EHRHARDT MOVED TO APPROVE AMENDMENT NO. 9 TO THE FLEXCOMP PROGRAM PLAN DOCUMENT. THE MOTION WAS SECONDED BY MR. TRENBEATH.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

MISCELLANEOUS

Administrative Rules

Mr. Collins reported to the Board the status of PERS administrative rulemaking process. A public hearing was held on November 16, 2011 and no written or oral comments were received from the public. He indicated that staff was seeking the Board's approval of the rules and authorization to submit the rules to the Attorney General's Office and Legislative Council for final promulgation.

MR. TRENBEATH MOVED APPROVAL OF THE ADMINISTRATIVE RULES AND GAVE APPROVAL TO STAFF TO SUBMIT THE RULES TO THE ATTORNEY GENERAL'S OFFICE AND LEGISLATIVE COUNCIL FOR FINAL PROMULGATION. THE MOTION WAS SECONDED BY MR. ERDMANN.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

Annual Enrollment

Mr. Collins updated the Board on annual enrollments for 2012. There were 3,574 flexcomp enrollments; 2,193 health/dental/vision enrollments; and 477 life insurance enrollments. PERS also enrolled 792 members from the City of Fargo into the health plan effective January 1, 2012. Mr. Collins indicated that next year's enrollments can be done online by members through PERSLink member self-service portal.

Audit Committee Minutes

The Audit Committee minutes from the August 17, 2011 meeting were provided to the Board for their information.

Acting Chairman Sage called for any other business or comments. Hearing none, the meeting adjourned at 10:10 a.m.

Prepared by,

Cheryl Stockert
Secretary to the Board