

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