

MINUTES

North Dakota Public Employees Retirement System

Thursday, January 18, 2007
ND Association of Counties, Bismarck
BCBS, 4510 13th Ave SW, Fargo
8:30 A.M.

Members Present: Ms. Joan Ehrhardt
Mr. Ron Leingang
Mr. Howard Sage
Mr. Thomas Trenbeath

Via Video Conference: Ms. Rosey Sand
Chairman Jon Strinden

Member Absent: Ms. Arvy Smith

Others Present: Mr. Sparb Collins, Executive Director, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Sharmain Dschaak, NDPERS
Mr. Aaron Webb, Attorney General's Office
Mr. Kevin Schoenborn, BCBSND
Ms. Onalee Sellheim, BCBSND
Ms. Gisele Thorson, NDPEA, AFT
Ms. Laurie Sterioti Hammeren, HRMS
Mr. Weldee Baetsch

Via Video Conference Mr. Larry Brooks, BCBSND

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

MINUTES

Chairman Strinden called for any comments or corrections to the December 21, 2006 Board meeting minutes.

THERE BEING NONE, MS. EHRHARDT MOVED APPROVAL OF THE DECEMBER 21, 2006 BOARD MEETING MINUTES. MR. SAGE SECONDED THE MOTION. THE MINUTES WERE APPROVED.

LASR UPDATE

Ms. Knudsen presented the monthly LASR status report through December 31, 2006 to the Board. The deadline for submission of proposals was Tuesday, January 16, 2007 and Ms. Knudsen reported that the procurement process was on track and staff were ready to begin the evaluation process. Mr. Collins indicated that since NDPERS is in the procurement phase of the project, the Board may wish to discuss strategy. Pursuant to NDCC 44-04-19.2, the Board discussed whether to proceed into executive session.

MS. SAND MOVED TO GO INTO EXECUTIVE SESSION TO DISCUSS STRATEGY RELATING TO THIS PROCUREMENT. THE MOTION WAS SECONDED BY MS. EHRHARDT.

MOTION PASSED

The Board proceeded into executive session at 8:45 a.m.

MS. EHRHARDT MOVED TO RETURN TO OPEN SESSION. THE MOTION WAS SECONDED BY MR. TRENBEATH.

MOTION PASSED

Executive session closed at 8:55 a.m. The public was invited back into the Board meeting.

LEGISLATIVE UPDATE

Mr. Collins stated that hearings have been held regarding the PERS bills and provided an update. Mr. Collins explained that, relating to engrossed Senate Bill 2050, there had been an oversight in the bill. He noted that while the bill provided an increase in the employer contribution of .15%, the bill as proposed did not provide for a similar increase for temporary employees and employees that purchase service. Mr. Collins noted the bill was amended in committee to make the contribution for this group equivalent. Mr. Collins indicated that relating to House Bill 1244 issues have been raised regarding confidentiality of the pharmacy benefit manager. Pursuant to NDCC 44-04-19.2 and because of the confidential information assertion raised by BCBSND relating to the pharmacy benefit manager, the Board discussed whether to proceed into executive session.

MR. LEINGANG MOVED TO GO INTO EXECUTIVE SESSION TO DISCUSS HOUSE BILL 1244. THE MOTION WAS SECONDED BY MS. EHRHARDT.

MOTION PASSED

The Board proceeded into executive session at 9:05 a.m.

MR. TRENBEATH MOVED TO RETURN TO OPEN SESSION. THE MOTION WAS SECONDED BY MR. SAGE.

MOTION PASSED

Executive session closed at 9:15 a.m. The public was invited back into the Board meeting.

GROUP INSURANCE

ANNUAL NDPERS UTILIZATION STUDY

Mr. Schoenborn, BCBSND, presented information to the Board relating to the NDPERS Annual Management Information System Study. The study included information relating to claims incurred, annual, membership and discount comparisons, demographics, high dollar claims, prescription drug information, member education, wellness benefit programs update, smoking cessation program, health dialog update, and projects in progress.

DENTAL ENROLLMENT

Ms. Knudsen provided information to the Board relating to the dental enrollment with the new dental insurance provider CIGNA. There was an increase of 551 contracts for the active group.

HEART OF AMERICA HEALTH PLAN

Ms. Knudsen stated that Heart of America in Rugby has requested to continue to offer its health plan membership to state employees in the Rugby service area for the period July 1, 2007 through June 30, 2008.

MR. SAGE MOVED TO ACCEPT THE HEART OF AMERICA REQUEST TO CONTINUE TO OFFER ITS HEALTH PLAN TO PERS MEMBERSHIP IN THE RUGBY SERVICE AREA. THE MOTION WAS SECONDED BY MR. LEINGANG.

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

Nays: None

Absent: Ms. Smith

MOTION PASSED

SURPLUS/AFFORDABILITY UPDATE

Mr. Reinhardt presented the surplus/affordability update for November and reviewed the estimated surplus projection figures with the Board.

FINANCIAL HARDSHIP PRESENTATION

Ms. Walker, Segal Company, presented information relating to the state of North Dakota 457 deferred compensation plan, specifically relating to interpretation of the regulations relating to unforeseeable emergency distributions.

PROVIDER TRAINING COMPLIANCE

Ms. Allen stated that the provider training compliance issue has been resolved; therefore, no Board action was necessary.

MISCELLANEOUS

BOARD ELECTION

Chairman Strinden indicated that the Board must appoint a committee of three to be on the election committee as the term of Board member Rosey Sand expires on June 30, 2007. Mr. Sage, Ms. Ehrhardt, and Mr. Leingang volunteered to serve on the committee. Mr. Sage will chair this committee. The Board discussed the need to review the current election rules as reviewed by legal counsel for possible updates.

MR. SAGE MOVED TO APPOINT MS. EHRHARDT, MR. LEINGANG AND MR. SAGE TO THE ELECTION COMMITTEE, WITH MR. SAGE ACTING AS CHAIR. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

Absent: Ms. Smith

MOTION PASSED

2006 ANNUAL REPORT

The 2006 Comprehensive Annual Financial Report was provided to the Board for information. A copy of this report is available on the NDPERS website at <http://www.nd.gov/ndpers/>

The meeting adjourned at 10:15 a.m.

Prepared by,

Cheryl Stockert
Secretary to the NDPERS Board

MINUTES

North Dakota Public Employees Retirement System

Thursday, February 15, 2007
ND Association of Counties, Bismarck
BCBS, 4510 13th Ave SW, Fargo
8:30 A.M.

Members Present: Ms. Joan Ehrhardt
Mr. Ron Leingang
Mr. Howard Sage
Ms. Rosey Sand
Ms. Arvy Smith
Mr. Thomas Trenbeath

Via Video Conference: Chairman Jon Strinden

Others Present: Mr. Sparb Collins, Executive Director, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Deb Knudsen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Sharmain Dschaak, NDPERS
Ms. Sharon Schiermeister, NDPERS
Mr. Ron Gilliam, NDPERS
Mr. Aaron Webb, Attorney General's Office
Mr. Larry Brooks, BCBSND
Mr. Brad Bartle, BCBSND
Ms. Gisele Thorson, NDPEA, AFT
Mr. Weldee Baetsch
Ms. Sheila Marquart, Job Service ND
Ms. Mary Schwab, Job Service ND
Ms. Sherry Neas, State Procurement Office
Mr. Mark Hardy, ND Pharmacists Association

Via Video Conference Mr. Gary Dauenhauer, BCBSND
Mr. Don Schott, BCBSND
Mr. Steve Webster, BCBSND

Chairman Jon Strinden called the meeting to order at 8:35 a.m.

MINUTES

Chairman Strinden called for any comments or corrections to the January 18, 2007 meeting minutes. Mr. Trenbeath stated there was a discrepancy in the minutes relating to the times the executive sessions convened. The minutes will be corrected and presented to the Board for approval at the next meeting.

Chairman Strinden called for any comments or corrections to the February 1, 2007 Board meeting minutes.

THERE WERE NONE, MR. SAGE MOVED APPROVAL OF THE FEBRUARY 1, 2007 BOARD MEETING MINUTES. MS. SMITH SECONDED THE MOTION. THE MINUTES WERE APPROVED.

GROUP INSURANCE

BCBS RATE REPROJECTION

Mr. Brooks and Mr. Bartle of BCBS reviewed the rate rejections with the Board. Mr. Bartle explained that they re-rated for the 2007-2009 biennium using updated experience, as provided for in the agreement with PERS. Using the updated experience, there was an increase of approximately 1.5% higher than the originally calculated 18.0%. BCBS will not offer a reduction in rates from those originally offered in August. Mr. Bartle stated that upon review of the Health Dialog fees for the 2007-2009 biennium, the rates have been revised from \$3.30 to \$3.14 and from \$4.08 to \$3.88 which means PERS gains \$.20. Mr. Collins indicated we will be encouraging all members to go out on the Health Dialog web site and complete a health risk appraisal with a chance of winning an iPod (given by BCBS).

PLAN DESIGN AND BENEFITS

The Board discussed what additional benefit could be offered to members at a cost of approximately \$.20 per contract.

MS. SMITH MOVED TO ADD TO THE PLAN A FULLY PAID IMMUNIZATION BENEFIT FOR CHILDREN UP TO AGE 18 FOR CDC APPROVED IMMUNIZATIONS AT A COST OF \$.19 PER CONTRACT. THE MOTION WAS SECONDED BY MR. SAGE.

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

Nays: None

MOTION PASSED

Mr. Collins stated that he will report to the Legislature that an additional \$.20 per contract has been added to the plan design to include the fully paid immunizations for children up to age 18.

EPO REPORT/UPDATE

Mr. Don Schott and Mr. Steve Webster, BCBSND, presented NDPERS Exclusive Provider Organization (EPO) performance to the Board. Mr. Webster provided an update on the EPO activity to date. Out of the six EPO providers, he stated they have received four tentative responses and two that have not responded regarding participation for the 2007-2009 biennium. Two of the networks have serious reservations about continued participation in the EPO product. If these two networks elect not to participate, that would represent approximately 46% of the population that is currently being served. Mr. Collins requested BCBS obtain the information as to who will participate by early March so this information can be shared with the Legislature. He also requested BCBS provide PERS with a formal actuarial analysis to determine if there are cost implications. Staff will work with BCBS to evaluate the approaches and present this information at the March Board meeting.

BCBS 2006 CLAIMS REVIEW

Mr. Reinhardt reported a review was conducted of BCBS claims in late January of claims incurred during 2006. The conclusion reached is that many of the claims reviewed were isolated incidents and resulted in no plan payment because the amounts went towards the member's deductible and/or coinsurance. BCBS appears to have the plan design changes in place and applied properly.

SURPLUS/AFFORDABILITY UPDATE

Mr. Reinhardt presented the surplus/affordability update for December and reviewed the estimated surplus projection figures with the Board.

2007 FLEXCOMP ENROLLMENT UPDATE

Mr. Reinhardt presented 2007 flexcomp plan annual enrollment information to the Board. Dependent care account participation for 2007 is 4 more than 2006 and in medical spending accounts is 63 less than 2006. Mr. Collins added that this year there is a grace period which allows participants to file claims for 2006 through March 31, 2007. The required PeopleSoft software upgrade is in the process of being updated resulting in unpaid claims.

RETIREMENT

JOB SERVICE

Ms. Dschaak presented a proposed processing change relating to the Job Service retirement plan application for benefits, specifically retirement benefits and establishing a termination of employment policy. The intent of this proposal is to adopt procedures to insure that the Job Service retirement plan is administered in the same manner as other NDPERS retirement plans.

MR. TRENBEATH MOVED TO ACCEPT STAFF RECOMMENDATION TO ADOPT THE PROPOSED PROCEDURES WHICH WILL BE EFFECTIVE MARCH 1, 2007 TO ENSURE THAT THE JOB SERVICE RETIREMENT PLAN IS ADMINISTERED IN THE SAME MANNER AS OTHER NDPERS RETIREMENT PLANS. THE MOTION WAS SECONDED BY MS. SAND.

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

Nays: None

MOTION PASSED

MISCELLANEOUS

EMPLOYEE ASSISTANCE PROGRAM

Mr. Reinhardt stated that PERS will submit a request for proposal for the employee assistance program (EAP) for the 2007-2009 biennium next month for the new contract period beginning July 1, 2007. Staff is requesting concurrence to move forward with the request for proposal.

MR. LEINGANG MOVED TO APPROVE THE REQUEST FOR PROPOSAL ENROLLMENT IN THE STATE OF NORTH DAKOTA'S EMPLOYEE ASSISTANCE PROGRAM. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

MOTION PASSED

LEGISLATIVE UPDATE

Mr. Collins stated that an update is provided for your information. All bills are moving forward, starting in the Senate and will cross over to the House. Chairman Strinden thanked Mr. Collins for doing an excellent job in presenting the Board's position and wished him success after crossover.

LASR UPDATE

Mr. Collins stated staff would need Board concurrence relating to the mainframe migration, Sagitec proposal, quality assurance/project management, and the appropriations process. Regarding the mainframe migration, Mr. Collins indicated that ITD is behind schedule in migrating our business system from the mainframe to servers. PERS staff recommends we move our project start date from June 1 to October 1 in order to provide additional time for the migration, if needed, to allow time to train new staff, and to avoid the busy time of the year during August-September.

MS. SAND MOVED TO CHANGE THE START DATE OF THE LASR PROJECT FROM JUNE 1, TO OCTOBER 1, 2007. THE MOTION WAS SECONDED BY MS. SMITH.

Ayes: Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Smith, Ms. Ehrhardt, and Chairman Strinden.

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

Mr. Collins continued to report that when we bid over a year ago to obtain our current consultant, L. R. Wechsler, we included an optional Phase 4 to retain the consultant to do project management and quality assurance for an additional three years. Staff is satisfied with L. R. Wechsler and is recommending PERS obtain a updated proposal from them to do project management.

MS. EHRHARDT MOVED TO RECOMMEND L. R. WECHSLER FOR PHASE 4 AND TO OBTAIN A PROPOSAL. THE MOTION WAS SECONDED BY MR. SAGE.

Ayes: Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Smith, Ms. Ehrhardt, and Chairman Strinden.

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

Mr. Collins indicated to the Board that because PERS is still in the procurement phase that the issue relating to the Sagitec Proposal is confidential and the Board may want to go into executive session to discuss this procurement.

MS. SMITH MOVED TO PROCEED INTO EXECUTIVE SESSION TO DISCUSS STRATEGY RELATING TO THIS PROCUREMENT. THE MOTION WAS SECONDED BY MR. LEINGANG.

MOTION PASSED

The Board proceeded into executive session at 10:00 a.m.

MS. SAND MOVED TO RETURN TO OPEN SESSION. THE MOTION WAS SECONDED BY MR. SAGE.

MOTION PASSED

Executive session closed at 10:15 a.m. The public was invited back into the Board meeting.

MS. SAND MOVED TO SEEK ADDITIONAL APPROPRIATION AUTHORITY IN THE AMOUNT OF \$694,000 TO COVER THE BUSINESS SYSTEM REPLACEMENT PROJECT EFFORT. THE MOTION WAS SECONDED BY MS. SMITH.

Ayes: Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Smith, Ms. Ehrhardt, and Chairman Strinden.

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

Mr. Collins stated that the PERS appropriations bill has passed through the Senate. Our ability to move forward with the business system replacement project is contingent on PERS receiving approval to backfill 4 FTE's. One issue relates to the possibility of PERS having to go out to bid again having to possibly ask for additional contingency funding. Currently \$7.9 million is budgeted with a 10% contingency in the amount of \$700,000.

MS. SAND MOVED TO ASK FOR LEGISLATIVE AUTHORITY TO GO TO THE EMERGENCY COMMISSION TO INCREASE PERS SPENDING AUTHORITY FOR THE BUSINESS SYSTEM REPLACEMENT PROJECT OR ASK THEM TO APPROPRIATE ADDITIONAL CONTINGENCY FUNDS FOR THE BUSINESS SYSTEM. THE MOTION WAS SECONDED BY MR. SAGE.

Ayes: Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Smith, Ms. Ehrhardt, and Chairman Strinden.

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

Mr. Sage requested to attend the Stars and Stripes Conference in April.

MR. LEINGANG MOVED TO APPROVE MR. SAGE'S ATTENDANCE AT THE STARS AND STRIPES CONFERENCE IN APRIL. MS. SMITH SECONDED THE MOTION.

Ayes: Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Smith, Ms. Ehrhardt, and Chairman Strinden.

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

BOARD MEMBER REQUESTS

Mr. Smith requested that PERS inform members that effective July 1, 2007 immunizations for children up to age 18 will be covered at 100% in the new plan. She also requested that members were informed that the HPV vaccine was only paid for children up to the age of 19. Mr. Sage requested PERS inform members that, even though the flex comp claims are delayed because of the PeopleSoft software issue, that members can still submit claims.

The meeting adjourned at 10:40 a.m.

Prepared by,

Cheryl Stockert
Secretary to the NDPERS Board

MINUTES

North Dakota Public Employees Retirement System

Wednesday, March 28, 2007
ND Association of Counties, Bismarck
BCBS, 4510 13th Ave SW, Fargo
8:30 A.M.

Members Present: Ms. Joan Ehrhardt
Mr. Ron Leingang
Mr. Howard Sage
Ms. Arvy Smith
Mr. Thomas Trenbeath

Via Video Conference: Chairman Jon Strinden
Ms. Rosey Sand

Others Present: Mr. Sparb Collins, Executive Director, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Deb Knudsen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Sharmain Dschaak, NDPERS
Ms. Rebecca Fricke, NDPERS
Mr. Aaron Webb, Attorney General's Office
Ms. Gisele Thorson, NDPEA, AFT
Mr. David Peske, ND Medical Association

Via Video Conference Mr. Kevin Schoenborn
Mr. Steve Webster, BCBSND
Mr. Brad LaPorte, Health Dialog

Chairman Jon Strinden called the meeting to order at 8:40 a.m.

MINUTES

Chairman Strinden called for any comments or corrections to the January 18, 2007, February 15, 2007 and March 13, 2007 Board meeting minutes.

THERE WERE NONE, MR. LEINGANG MOVED APPROVAL OF THE JANUARY, FEBRUARY AND MARCH 2007 BOARD MEETING MINUTES. MS. SMITH SECONDED THE MOTION. THE MINUTES WERE APPROVED.

GROUP INSURANCE

HEALTH DIALOG

Mr. Brad LaPorte from Health Dialog presented Year 1 overall NDPERS program results (through September 2006). Medical cost savings from the chronic population segment was about \$1.4 million. Estimated total PMPM cost savings equal \$2.43. Eight of ten members indicate they are satisfied with the program, while nine in ten would recommend it to a friend or family member. All operational performance metrics are exceeding contractual standards program-to-date.

EPO UPDATE

Mr. Steve Webster, BCBS, stated they received confirmation from the existing EPO members of their acceptance of the revised arrangement. At the last Board meeting it was approved to remove the risk component of the current EPO provider agreement. Consequently, BCBS was able to secure all existing EPO networks for the next biennium.

SURPLUS/AFFORDABILITY UPDATE

Mr. Reinhardt presented the February surplus projection and affordability analysis for the NDPERS group medical plan and reviewed the estimated surplus projection figures with the Board.

2006 EAP UTILIZATION RATE

Mr. Reinhardt presented information regarding the utilization rate for 2006 for the Employee Assistance Program and it was about 8.9% which is comparable to previous years. The RFP for EAP for the 2005-07 biennium was recently issued.

CIGNA PERFORMANCE GUARANTEE AGREEMENT

Ms. Allen stated that the CIGNA Performance Guarantee Agreement for the group dental plan has been revised and reviewed by PERS staff and legal counsel. CIGNA has made the requested revisions.

MS. SAND MOVED TO APPROVE THE CIGNA PERFORMANCE GUARANTEE AGREEMENT. THE MOTION WAS SECONDED BY MR. SAGE.

Ayes: Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Smith, Ms. Ehrhardt, and Chairman Strinden.

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

RETIREMENT

4TH QUARTER 2006 INVESTMENT REPORT

Mr. Reinhardt presented the 4th quarter investment report as reviewed by the Investment Subcommittee. The number of participants in the 401(a) plan remains around 300 and the funds increased to approximately \$16.2 million as of December 31, 2006. The number of participants in the 457 Companion Plan dropped from 1,319 after the transition to Fidelity, but is now at 1,555 and the funds increased to \$20.9 million as of December 31, 2006 (73% increase from December 31, 2003). All fund returns for the quarter were positive. Mr. Reinhardt stated that the Investment Subcommittee recommended adding the Goldman Sachs Mid Cap Value Fund to the core lineup and approved putting the Fidelity Dividend Growth Fund and the Fidelity Blue Chip Growth Fund on formal watch. With this action, PERS will mark these funds as "Under Watch" on reports and notify the membership through an article in the next newsletter.

MR. SAGE MOVED TO ADD THE GOLDMAN SACHS FUND TO THE CORE LINEUP AND AS RECOMMENDED PUT THE TWO FIDELITY FUNDS ON FORMAL WATCH. THE MOTION WAS SECONDED BY MR. LEINGANG.

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

Nays: None

MOTION PASSED

FIDELITY RECORDKEEPING AGREEMENT AMENDMENTS

Mr. Collins stated the Fidelity Recordkeeping Agreement Amendments were not received from Fidelity so this item will be carried over to the April Board meeting.

INVESTMENT POLICIES

Mr. Reinhardt reported that the Investment Subcommittee, including Mr. Sage, Mr. Leingang, Ms. Sand and Mr. Reinhardt, reviewed the Statement of Investment Goals, Objectives and Policies for NDPERS, the NDPERS Retiree Health Insurance Credit Fund, the Investment Policy Statement for Job Service of North Dakota, Statement of Investment Policy for the Deferred Compensation Companion Plan and the Defined Contribution Plan. The policies were revised to make the language more consistent and uniform in format across all policies as well as easier to understand. Mr. Reinhardt explained that no asset allocation, monthly employee contributions or actuarial assumed rates of return on assets were changed on any of the policies.

MR. SAGE MOVED TO APPROVE THE INVESTMENT POLICIES AS PRESENTED. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

MOTION PASSED

LASR UPDATE

Ms. Knudsen presented a status report for the business system replacement project. Staff conducted site visits to Kansas PERS and also to the Colorado Fire and Police. The procurement is progressing on schedule.

MISCELLANEOUS

AUDIT COMMITTEE MINUTES

The minutes of the December 6, 2006 PERS Audit Committee were presented with no discussion or questions.

LEGISLATIVE UPDATE

Mr. Collins stated that the amended agency budget bill came out of the House Appropriations Committee with a do pass. The bill will go to the full House, and if accepted, will continue to conference committee.

MEMBER REQUEST

Mr. Collins stated one of the members has asked staff to share his information with the Board. The member understands that the Board does not handle appeals. The Board asked BCBS to respond to the issues relating to acupuncture and member relation procedures and report back at a subsequent meeting.

The meeting adjourned at 9:50 a.m.

Prepared by,

Cheryl Stockert
Secretary to the NDPERS Board

MINUTES

North Dakota Public Employees Retirement System

Thursday, April 19, 2007
ND Association of Counties, Bismarck
BCBS, 4510 13th Ave SW, Fargo
8:30 A.M.

Members Present: Ms. Joan Ehrhardt
Mr. Ron Leingang
Mr. Howard Sage
Mr. Thomas Trenbeath

Via Video Conference: Chairman Jon Strinden
Ms. Rosey Sand

Member Absent: Ms Arvy Smith

Others Present: Mr. Sparb Collins, Executive Director, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Deb Knudsen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Sharon Schiermeister, NDPERS
Mr. Aaron Webb, Attorney General's Office
Ms. Gisele Thorson, NDPEA, AFT
Mr. Kevin Schoenborn, BCBSND
Ms. Onalee Sellheim, BCBSND

Via Video Conference Mr. Larry Brooks, BCBSND
Dr. Jon R. Rice, BCBSND
Ms. Jodi Carlisle, BCBSND
Ms. Shamayne Gerlach, BCBSND
Ms. Cheryl Wiggington, BCBSND

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

MINUTES

Chairman Strinden called for any comments or corrections to the March 28, 2007 Board meeting minutes.

THERE WERE NONE, MS. EHRHARDT MOVED APPROVAL OF THE MARCH 28, 2007 BOARD MEETING MINUTES. MS. SAND SECONDED THE MOTION. THE MINUTES WERE APPROVED.

GROUP INSURANCE

MEDICAL MANAGEMENT UPDATE

Ms. Wiggington, BCBSND, presented the Medical Management report for NDPERS Non-retirees and Retirees to the Board for the years 2004, 2005, and 2006. The five general categories presented related to case management, utilization management, disease management, reporting, and pharmacy management initiatives. The following were suggestions for future enhancements of Medical Management services: Health Dialog and Prevention Programs; Generic Rx Awareness; Member Education Opportunities. To view the full report, go to the NDPERS website.

Ms. Gerlach, BCBSND, presented the NDPERS Tobacco Program Update as of February 2007 to the Board. A total of 498 members began the smoking cessation program since its start in July 2003. At the end of June, BCBSND will report the success rate of those who began the smoking cessation program.

MEMBER ISSUE

Mr. Collins indicated that BCBSND will address an appeal for non-coverage of acupuncture services as well as the tone of the correspondence from BCBS. Mr. Brooks stated that acupuncture benefits are excluded from the PERS Plan. There currently are only two groups in the state that cover acupuncture services - one is for the federal employees and a large self-funded group. Concerning the complaint relating to the tone of the letters, Mr. Brooks reported that BCBS sends out many letters on a daily basis and they are all reviewed by a team before being used. Unfortunately, denial letters are perceived as very negative. Mr. Brooks suggested that BCBS include a question on the member survey form relating to the quality and clarity of correspondence to members.

PLAN DESIGN UPDATE

Mr. Webb provided the Board an update on the lawsuit relating to coverage of prescription contraceptives being heard in the U.S. Court of Appeals for the Eighth Circuit involving female employees of Union Pacific Railroad. The main issue related to whether the employer's health care plan violated federal antidiscrimination laws (Title VII). The first finding of the court was that the pregnancy discrimination act did not apply to the issue of contraception. The second finding found that Union Pacific's health care plans did not cover any contraception used by women or men; therefore, the court concluded that the coverage provided to women was not less favorable than that provided to men. The Eighth Circuit Court decision is the controlling law in North Dakota on this matter; however, Mr. Webb will continue to monitor this case should it be accepted for review by the U.S. Supreme Court.

HEALTH RATES

Ms. Allen presented the proposed health rates to the Board which will be in effect for the next biennium (2007-2009).

MS. SAND MOVED TO APPROVE THE HEALTH RATES FOR THE 2007 TO 2009 BIENNIUM. THE MOTION WAS SECONDED BY MR. LEINGANG.

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

Nays: None

Absent: Ms. Smith

MOTION PASSED

EMPLOYEE ASSISTANCE PROGRAM UPDATE

Mr. Reinhardt reported that the EAP request for proposal responses were due April 13 and PERS received 4 proposals (same vendors as two years ago). Staff will move forward with review of the proposals and notification to agencies within the next few weeks.

RETIREMENT

FIDELITY RECORDKEEPING AGREEMENT AMENDMENT

Mr. Allen presented two recordkeeping agreement amendments to the Board for review and approval. One amendment relates to the 401(a) defined contribution plan and the other for the 457 deferred compensation companion plan. The Board adopted the lifecycle fund default option for the companion plan last year. The Board also approved the addition of the Goldman Sachs Mid Cap Value Fund at its March 28, 2007 meeting.

MS. SAND MOVED APPROVAL OF THE RECORDKEEPING AGREEMENT AMENDMENTS TO ADOPT THE LIFECYCLE FUNDS AS THE DEFAULT OPTION FOR THE 401(a) DEFINED CONTRIBUTION PLAN AND TO ADD THE GOLDMAN SACHS MID CAP VALUE FUND. THE MOTION WAS SECONDED BY MR. SAGE.

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

Nays: None

Absent: Ms. Smith

MOTION PASSED

DEFINED CONTRIBUTION PLAN – 2006 ENROLLMENT

Mr. Allen stated in 2006 100 members were offered the DC plan option and 12 transferred to this plan.

LASR

UPDATE

Ms. Knudsen presented the monthly report to the Board. Staff is moving ahead with the procurement activities and the project status is on schedule and within budget.

VENDOR PROPOSALS

Mr. Collins reviewed with the Board the methodology staff used to assess this vendor proposal. He noted that each section of the proposal was rated on a scale of 0 to 10. Based on the positive scoring by the review team and a proposed budget within the available funds, staff recommends beginning contract negotiations with Sagitec for the business system replacement project. The goal would be to bring the final contract to the Board by June or July. The plan is to start this project in October.

MR. LEINGANG MOVED TO ACCEPT STAFF RECOMMENDATION TO MOVE FORWARD WITH THE CONTRACT NEGOTIATIONS WITH SAGITEC WITH THE INTENT TO AWARD THEM THE CONTRACT. THE MOTION WAS SECONDED BY MS. SAND.

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

Nays: None

Absent: Ms. Smith

MOTION PASSED

Mr. Collins stated that, as reported at the February meeting, the starting date for the business system replacement project was moved back from July to October as a result of an ITD schedule changes in the system migration project. PERS has contracted with L. R. Wechsler (LRWL) for a fixed price for the RFP development, analysis and contract negotiations. It had been agreed that LRWL may also be contracted with for assistance in project management/quality control during the LASER project. Since the starting date for the project has been moved to October, PERS is suggesting deferring the decision on the project management portion until the vendor selection is completed and ITD has confirmed the mainframe migration schedule. However, staff would recommend beginning the development of the Requirements Traceability Matrix (RTM) or the project scope and contract with LRWL for this service. LRWL estimates that this effort will take between 80 to 100 hours at an estimated cost of \$22,000 to \$25,000.

MR. TRENBEATH MOVED TO APPROVE STAFF RECOMMENDATION TO CONTRACT WITH LRWL FOR THE DEVELOPMENT OF THE REQUIREMENTS TRACEABILITY MATRIX (RTM). THE MOTION WAS SECONDED BY MS. SAND.

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

Nays: None

Absent: Ms. Smith

MOTION PASSED

MISCELLANEOUS

NDPERS PERSONNEL POLICY MANUAL

Ms. Allen stated that staff has updated the personnel policy manual relating to computer access and internet use. The OMB policy for the use of electronic communication devices (ECD's) was used as the model.

**MS. SAND MOVED APPROVAL OF THE PERS PERSONNEL POLICY UPDATES.
THE MOTION WAS SECONDED BY MR. LEINGANG.**

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

Nays: None

Absent: Ms. Smith

MOTION PASSED

CONSULTANT FEES

Consulting, investment and administrative fees paid during the quarter ending March 31, 2007 was given to the Board for their information.

EXECUTIVE DIRECTOR REVIEW

Chairman Strinden stated that a year ago Mr. Leingang and he served on the committee to conduct the annual performance review of the Executive Director. Mr. Leingang and Ms. Ehrhardt volunteered to serve on this committee. Within the next couple of weeks Board members will receive the evaluation form to complete and return to Mr. Leingang.

The meeting adjourned at 9:45 a.m.

Prepared by,

Cheryl Stockert
Secretary to the NDPERS Board

MINUTES

North Dakota Public Employees Retirement System

Tuesday, May 1, 2007
A-V Room 212, Judicial Wing, State Capitol, Bismarck
BCBS, 4510 13th Ave SW, Fargo
8:30 A.M.

Members Present: Ms. Joan Ehrhardt
Mr. Ron Leingang
Mr. Howard Sage
Ms. Arvy Smith
Mr. Thomas Trenbeath

Via Conference Call: Chairman Jon Strinden
Ms. Rosey Sand

Others Present: Mr. Sparb Collins, Executive Director, NDPERS
Ms. Cheryl Stockert, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Sharmain Dschaak, NDPERS
Mr. Bill Kalanek, AFPE/INDSEA

Via Conference Call: Mr. Kevin Schoenborn, BCBSND
Dr. Jon R. Rice, BCBSND
Mr. Tom Christensen, BCBSND
Ms. Onalee Sellheim, BCBSND
Mr. Jim Sorenson, BCBSND
Mr. Gary Dauenhauer, BDBSND
Ms. Suzanne Michelson, BCBSND
Ms. Linda Merck, BCBSND

Chairman Jon Strinden called the meeting to order at 8:35 a.m.

HEALTH PLAN

Mr. Collins reported that BCBSND had conducted a review of their plan design, and they are recommending changing the method relating to maintenance drugs for all their fully insured plans. Currently, if a member receives a 90 day supply of a maintenance drug which is on the list, the member pays one co-payment to fill the prescription instead of three co-payments for filling it three times. If the drug is not on the maintenance drug list, the member can get a 30 day supply with one co-payment. BCBS is changing its policy in fully insured plans to eliminate the maintenance drug list. It will now be up to the physician to decide how long a drug should be prescribed. If the physician prescribes the drug for 90 days, then the member could receive the

90-day supply, except, with the proposed change, there will be two co-payments instead of one. If this change is applied to the PERS Plan (does not affect the Part D Plan), our costs will do down by \$1.08 per contract per month. These savings can be allocated to other plan design enhancements.

Mr. Schoenborn stated that every two years BCBSND conducts a thorough review of all benefits and Summary Plan Descriptions (SPD). This is done to ensure all benefits and processes are staying current with the market demands and regulatory requirements. Based on their actuary review, the re-write change providing the largest impact to PERS is for applying the two prescription co-payments for quantities greater than 34 days. If this change is made, the savings amount of \$1.08 per contract per month and could be offset against some of the variances provided at the February Board meeting as follows: Gardisil (\$0.32); Tetanus (adult immunizations) (\$0.18); Flu Shots (pay at 100%) (\$0.09); Well Child (\$0.11); Chiropractic (\$0.20); routine circumcisions (\$0.16) for a total \$1.06 per contract per month. The emphasis with these changes is on prevention and wellness. Dr. Rice, BCBSND, explained the specific ACIP and/or CDC recommendations relating to these optional benefits.

The Board discussed the fact that keeping members on their maintenance drugs and providing wellness coverage is of equal importance. Mr. Christensen stated that the decision by BCBS to pursue the change relating maintenance drugs was one of a member satisfaction issue. The Board expressed concern that this issue could adversely affect over 14,000 members (25%) of PERS on maintenance drugs.

MR. SAGE MOVED TO REJECT THE RECOMMENDATION TO ADOPT THE CHANGE RELATING TO MAINTENANCE DRUGS AND NOT ADD THE PROPOSED ENHANCEMENTS TO THE PLAN. THE MOTION WAS SECONDED BY MR. TRENBEATH.

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

Nays: None

MOTION PASSED

The meeting adjourned at 9:20 a.m.

Prepared by,

Cheryl Stockert
Secretary to the NDPERS Board

MINUTES

North Dakota Public Employees Retirement System

Thursday, May 17, 2007
ND Association of Counties, Bismarck
BCBS, 4510 13th Ave SW, Fargo
8:30 A.M.

Members Present: Ms. Joan Ehrhardt
Mr. Ron Leingang
Mr. Howard Sage

Via Conference Call: Ms. Rosey Sand

Members Absent: Ms. Arvy Smith
Chairman Jon Strinden
Mr. Thomas Trenbeath

Others Present: Mr. Sparb Collins, Executive Director NDPERS
Ms. Kim Humann, NDPERS
Ms. Kathy Allen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Sharmain Dschaak, NDPERS
Mr. Aaron Webb, Attorney General's Office
Ms. Gisele Thorson, NDPEA
Mr. Dave Peske, ND Medical Association
Ms. Onalee Sellheim, BCBSND
Mr. Larry Brooks, BCBSND
Mr. Kevin Schoenborn, BCBSND
Mr. Tom Tupa, AFPE/INDSEA

Via Conference Call: Mr. Gary Dauenhauer, BCBSND

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

MINUTES

Acting Chairman Sage called for any questions or comments regarding the minutes of the April 19, 2007 and May 1, 2007 meetings.

MR. LEINGANG MOVED APPROVAL OF THE APRIL 19, 2007 AND MAY 1, 2007 NDPERS BOARD MINUTES. MS. EHRHARDT SECONDED THE MOTION.

Ayes: Mr. Leingang, Mr. Sage, Ms. Sand, and Ms. Ehrhardt

Nays: None

MOTION PASSED

GROUP INSURANCE

Summary Plan Document (SPD) Revisions Matrix

Included with the Board materials was a matrix that outlined the benefit rewrites proposed by Blue Cross Blue Shield (BCBS) for the summary plan description for active employees. It referenced the page and section where the change is located as well as comments related to the reason for the rewrite and a description of the change. Staff reviewed the proposed revisions and recommended approval to incorporate them in the updated SPD for the 2007-2009 biennium.

MS. SAND MOVED TO ADOPT THE CHANGES TO THE SPD. MS. EHRHARDT SECONDED THE MOTION.

Ayes: Mr. Leingang, Mr. Sage, Ms. Sand, and Ms. Ehrhardt

Nays: None

MOTION PASSED

Heart of America Contract

Included with the Board materials was the provider contract for Heart of America Health Plan for the period July 1, 2007 through June 30, 2008. At the January meeting, the Board approved Heart of America to continue offering its plan to members in the Rugby service area. This contract was referred to Mr. Webb, legal counsel, for his review. Ms. Allen distributed a copy of the contract which shows the changes recommended by Mr. Webb. Staff recommended approval of the Heart of America contract for the July 1, 2007 through June 30, 2008 contract period.

MR. LEINGANG MOVED TO APPROVE THE HEART OF AMERICA CONTRACT FOR THE JULY 1, 2007 THROUGH JUNE 30, 2008. MS. SAND SECONDED THE MOTION.

Ayes: Mr. Leingang, Mr. Sage, Ms. Sand, and Ms. Ehrhardt

Nays: None

MOTION PASSED

PPO Update

Ms. Allen conveyed PERS staff requested the annual update from BCBS regarding the activity relative to additions to the PPO network. BCBS indicated for 2006, 1,037 professional pins were issued and 20 facilities and 9 institutions were added to the PERS directory.

Minimum Participation Requirements

Ms. Allen indicated BCBS completed its annual compliance review of the participating employers for the 2006 calendar year. All participating groups responded and there were no employers found to be out of compliance with the minimum participation and contribution requirements.

Group Life Plan Renewal Options

Effective July 1, 2005 Prudential was awarded the bid for the group life insurance plan and provided PERS with a three year rate guarantee. Pursuant to the bid process, the contract was for a 6 year period subject to 2 year renewal intervals. At this time staff would normally require the carrier to provide a renewal for the next two-year period; however, as a result of Prudential's

proposal, staff is requesting guidance on how to proceed at this time. The following are the options identified by staff and discussed with Prudential:

- 1) Retain the current renewal for July 1, 2008 and request a subsequent 3-year renewal.
- 2) Retain current renewal of July 1, 2008 after which time PERS could renew for a 2 year and 1 year period.
- 3) Request a renewal for a 2-year period at this time.

Based on discussions with Prudential, the active group experience is within the bid projections; the retiree group experience is exceeding the projections. Therefore, opening up the contract for renewal at this time may have an adverse effect on the retiree rates. This could also be true for subsequent renewal periods for a one or two year period. Staff recommended approval of option number one. Discussion followed.

MS. EHRHARDT MOVED APPROVAL TO RETAIN THE CURRENT RENEWAL FOR JULY 1, 2008 AND REQUEST A SUBSEQUENT 3-YEAR RENEWAL. MS. SAND SECONDED THE MOTION.

Ayes: Mr. Leingang, Mr. Sage, Ms. Sand, and Ms. Ehrhardt

Nays: None

MOTION PASSED

Employee Assistance Program

Mr. Reinhardt conveyed there were four responses to the EAP Request for Proposal (RFP). The four were: St. Alexius, Medcenter One, The Village, and Deer Oaks. These were the same four providers that responded in 2005. PERS staff reviewed the RFP proposals and found that all four again met the minimum qualifications. Included with the Board materials was the summary matrix from each of the four RFP responses. Each state agency will select a single vendor for the 2007-2009 biennium. Staff recommended approving the four EAP vendors as agency choices for the 2007-2009 biennium.

MR. LEINGANG MOVED TO APPROVE STAFF'S RECOMMENDATION. MS. EHRHARDT SECONDED THE MOTION.

Ayes: Mr. Leingang, Mr. Sage, Ms. Sand, and Ms. Ehrhardt

Nays: None

MOTION PASSED

Surplus/Affordability Update

The March 2007 surplus projection and affordability analysis for the NDPERS group medical plan were included with the Board materials.

Quarterly Health Graphs

The quarterly health utilizations graphs for the fourth quarter of 2006 were included with the Board materials.

Legislation

Mr. Collins provided an overview of the legislation which was considered at the legislative session relating to the PERS Group Insurance program. Mr. Collins discussed HB 1433 and the requirement that it be funded from available PERS funds or a premium increase. He highlighted the fiscal note on the bill was \$900,000. Mr. Collins indicated that at this time PERS is estimating it will be able to fund this from available resources. Discussion followed.

Wellness

Employer Renewal Update

PERS staff has been working with the participating employers regarding the renewal of the Employer Based Wellness Program to determine which employers will qualify for the 1% health insurance premium discount. Included with the Board materials was the schedule that was followed during the renewal process. Ms. Fricke provided an update on participation numbers in the wellness program.

Go Red Project

During the past year, PERS has partnered with the American Heart Association and their Go Red Project in North Dakota. Through this partnership, PERS has been able to offer those employers participating in the wellness program the opportunity to relay to their employees information and programs offered through the American Heart Association. PERS has also been able to offer special services funded through the Go Red ND project to three of the wellness employers. The three employers that are participating in these special services are: North Dakota State University, Workforce Safety & Insurance and Morton County. Ms. Joan Enderle, Director of the Go Red project, gave a presentation on the project and services that are being provided to the PERS employers through this partnership.

Pilot Program

Included with the Board materials was a detailed proposal for the third and final year of the North Dakota Worksite Health Promotion pilot program. This amount has been budgeted as part of the premiums for the biennium and is the completion of the effort the Board approved two years ago. Staff requested approval to move forward and complete the third year and complete the program.

MR. LEINGANG MOVED APPROVAL TO FUND THE THIRD YEAR OF THE WELLNESS PILOT PROGRAM. MS. EHRHARDT SECONDED THE MOTION.

Ayes: Mr. Leingang, Mr. Sage, Ms. Sand, and Ms. Ehrhardt

Nays: None

MOTION PASSED

Coordination of Programs

Over the past several months, staff has been working on the coordination of the Employer Based Wellness Program and the Wellness Benefit Funding Program. The Employer Based Wellness Program is the 1% premium discount that applies to employers who have submitted an approved wellness application outlining the wellness activities that they are going to promote on an annual basis. The Wellness Benefit Funding Program provides dollars as funding assistance to employers to promote wellness activities for their employees. Through previous Board action, in order to apply for funding assistance through the wellness benefit program, an employer must be an approved wellness employer who is receiving the 1% premium discount. Staff recommended

that for the upcoming fiscal year 2007-2008, any funding applications submitted on behalf of an employer would need to be signed by the agency's wellness coordinator. Staff also recommended that the funding application demonstrate the direct correlation between the request for funding dollars and the wellness activities that were approved to receive the 1% premium discount. If approved by the Board, staff would discuss these procedural changes at the Payroll Conference on June 13 and would send separate notice to the designated wellness coordinators. Discussion followed.

MS. SAND MOVED APPROVAL OF STAFF'S RECOMMENDATION. MS. EHRHARDT SECONDED THE MOTION.

Ayes: Mr. Leingang, Mr. Sage, Ms. Sand, and Ms. Ehrhardt
Nays: None

MOTION PASSED

IPOD

Ms. Fricke indicated during the month of March, PERS conducted a promotion through the wellness program in order to encourage employees and their eligible dependents age 18 or over to complete the health risk assessment survey available on the Health Dialog website. The incentive to participate was an opportunity to win an iPod. The iPod was donated by BCBS. Information was posted on the PERS website and also sent to the wellness coordinators weekly throughout the month of March. During the month of March, a total of 1,216 eligible employers and dependents completed the health risk assessment survey. PERS staff performed the random drawing of the iPod winner and the winner has been contacted. PERS staff plans to run a similar promotion later this year as there is an additional iPod available that was donated for this purpose by BCBS.

RETIREMENT

Disability Consulting Contract

Ms. Allen indicated the contract with Mid Dakota Clinic for disability consulting services expires June 30, 2007. Mid Dakota Clinic has indicated they wish to continue to perform these services for NDPERS at the rate they are currently charging for the July 1, 2007 through June 30, 2008 contract period. Ms. Allen conveyed staff was satisfied with the services provided by the Mid Dakota staff. A copy of the clinic's acceptance was included with the Board materials. Staff recommended renewing the disability consulting contract for the period July 1, 2007 through June 30, 2008 at the rate of \$160 per hour.

MR. LEINGANG MOVED TO APPROVE RENEWAL OF THE DISABILITY CONSULTING CONTRACT WITH MID DAKOTA CLINIC FOR THE PERIOD JULY 1, 2007 THROUGH JUNE 30, 2008 AT THE RATE OF \$160 PER HOUR. MS. EHRHARDT SECONDED THE MOTION.

Ayes: Mr. Leingang, Mr. Sage, Ms. Sand, and Ms. Ehrhardt
Nays: None

MOTION PASSED

Legislation

Mr. Collins provided an overview of the legislation which was considered at the legislative session relating to the PERS Retirement plans. Discussion followed.

LASR PROJECT

Update

A copy of the monthly status report was included with the Board materials. Progress continues to be made on the project and staff is currently engaged in contract negotiations with Sagitec. Staff anticipates remaining on schedule and as of this date, this phase of the project is coming in under budget.

Contract

At the April meeting the Board approved moving to the final stages of the RFP process for the LASR project which is the contract negotiations with Sagitec. Due to the nature of the material involved, it has been suggested that PERS retain additional assistance in the legal review of the contract by retaining a law firm that specializes in this area and has assisted with other public projects. Included with the Board materials was a letter from the law firm outlining their proposed services.

MISCELLANEOUS

2006 and 2007 Business Plans

Included with the Board materials were the agency business plans for 2006 and 2007. The 2006 plan was provided for information and gave an update on the activities for that year. The 2007 plan was provided to give the Board a perspective of the activities for the upcoming year and to see if the Board had any items they wished to add. Mr. Sage requested that this item be placed on the agenda for the June meeting to allow Board members additional time to review these documents.

PERS Payroll Conference

Biennially PERS provides a day long conference for our participating employers. The purpose of this meeting is to discuss changes that may be occurring in each of the programs and to highlight administrative process/changes. This year the meeting is on June 13 at the Heritage Center. The conference will be webcast by the Health Department and will be available on the PERS web site for later viewing by those who could not attend. Included with the Board materials was the proposed agenda for the conference.

Board Election Update

Ms. Allen provided an update on the nominees for the vacancy on the PERS Board and the schedule for the election process.

State Investment Board (SIB) Agenda

SIB agenda for the May 18, 2007 and minutes from the March 16, 2007 meeting were distributed at the Board meeting.

Other

Mr. Collins indicated Ms. Ehrhardt attended the first part of the International Foundation Certificate of Achievement on Public Pension Policy (CAPP) program last July and would like to attend the second part of the program this year. Staff requested Board approval for Ms. Ehrhardt to attend the program.

MR. LEINGANG MOVED APPROVAL FOR MS. EHRHARDT TO ATTEND THE SECOND PART OF THE CAPP PROGRAM. MS. EHRHARDT SECONDED THE MOTION.

Ayes: Mr. Leingang, Mr. Sage, Ms. Sand, and Ms. Ehrhardt

Nays: None

MOTION PASSED

Mr. Collins conveyed the Health Department will be extending a grant to NDPERS for continuation of the Smoking Cessation program for the next two years. Ms. Allen will be working with the Health Department and BCBS to get the continuation of the contract in place.

Acting Chairman Sage called for any other business or comments. Hearing none, the meeting adjourned at 10:25 a.m.

Prepared by,

Kim Humann
Administrative Assistant

MINUTES

North Dakota Public Employees Retirement System

Thursday, June 21, 2007
ND Association of Counties, Bismarck
BCBS, 4510 13th Ave SW, Fargo
8:30 A.M.

Members Present: Ms. Joan Ehrhardt
Mr. Ron Leingang
Mr. Howard Sage
Ms. Rosey Sand
Ms. Arvy Smith
Mr. Thomas Trenbeath

Via Conference Call: Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Sharmain Dschaak, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. Diane Heck, NDPERS
Mr. Dave Peske, ND Medical Association
Ms. Onalee Sellheim, BCBSND
Mr. Kevin Schoenborn, BCBSND
Mr. Tom Tupa, AFPE/INDSEA
Mr. Weldee Baetsch
Mr. Mike Sandal

Via Conference Call: Mr. Larry Brooks, BCBSND
Mr. Tom Christensen, BCBSND

Chairman Strinden called the meeting to order at 8:40 a.m.

MINUTES

Chairman Strinden called for any questions or comments regarding the minutes of the May 17, 2007 Board meeting.

**MR. SAGE MOVED APPROVAL OF THE MAY 17, 2007 NDPERS BOARD MINUTES.
MS. SAND SECONDED THE MOTION. THE MINUTES WERE APPROVED.**

GROUP INSURANCE

RETIREE COMMITTEE

Mr. Collins stated that PERS proposes to establish a retiree committee to review the retiree health plan and make recommendations for changes based upon legislation that was passed last session. It is suggested the committee be composed of two retirees from each of the retiree organizations, one representative from the staff of each of the retiree organizations, past PERS retiree representatives, and Mr. Leingang from the Board.

MR. LEINGANG MOVED TO PROCEED IN ESTABLISHING A RETIREE COMMITTEE AND GIVE FORMER NDPERS BOARD MEMBERS AN OPPORTUNITY TO PARTICIPATE. THE MOTION WAS SECONDED BY MR. SAGE.

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

Nays: None

MOTION PASSED

MEDICARE PART D UPDATE

Mr. Brooks from BCBSND presented an overview of activity relating to the Medicare Part D program for Medicare retirees. The following information was presented to the Board: a new option for handling the formulary; the 2006 utilization summary; implemented changes for 2007 and proposed changes for 2008 including timelines. The 2008 rating will be up for Board consideration at its September meeting. After discussion, the Board concurred the retiree committee would meet and make a recommendation to the Board.

ASHEVILLE PROJECT

Mr. Collins stated that House Bill 1433 directs PERS to establish a collaborative drug therapy program to improve the health of individuals with diabetes. The Asheville Project is what brought this legislation forward. Mr. Barry Bunting, Pharm.D, Clinical Manager of Pharmacy Services at Mission Hospitals, Asheville, North Carolina, presented the Board with information relating to the Asheville Project which is a case management model for 7 employers. The program targets high risk populations, provides intense self-care education, provides frequent face-to-face follow-up by a personal health coach (which are specially trained community pharmacists/educators), and financial incentives encourage patient participation. Significant outcomes experienced through this project are a net decrease in total health care costs and a decrease in missed work hours by 50%. PERS staff approach to implementing the bill include: beginning July-August, request a proposal from the ND Pharmacy Association; September-November work with the Pharmacy Association to refine the proposal, work with BCBS to identify possible cost incentives; in November-December, present the proposal to the Board; in January report on the RFP for a consultant to evaluate the project. Board discussion followed.

MR. SAGE MOVED TO PROCEED WITH STAFF RECOMMENDATION RELATING TO IMPLEMENTATION OF HOUSE BILL 1433. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

MOTION PASSED

SMOKING CESSATION PROGRAM

Ms. Allen reported that the Health Department has approved funding in the amount of \$150,000 to continue tobacco prevention activities for state employees for the 2007-09 biennium. This project is a joint effort among PERS, BCBS and the Health Department. A grant application must be submitted.

MR. TRENBEATH MOVED TO APPROVE THE CONTINUATION OF THE SMOKING CESSATION PROGRAM FOR THE 2007-09 BIENNIUM AND DIRECTED STAFF TO SUBMIT THE GRANT. THE MOTION WAS SECONDED BY MR. LEINGANG.

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

Nays: None

Absent: Ms. Sand

MOTION PASSED

TEMPORARY EMPLOYEES

Ms. Allen stated that Senate Bill 2045 passed by the legislature and effective August 1, 2007 contains a provision to allow employers the option to pay the health premium (subject to budget authority) on behalf of temporary employees. Staff recommends for employers electing to pay the premium for temporary employees that they be assessed the single and family rates instead of the flat rate. The Board discussed this issue.

MS. SMITH MOVED TO ACCEPT STAFF RECOMMENDATION TO ESTABLISH THE SINGLE AND FAMILY RATES FOR TEMPORARY EMPLOYEES THAT HAVE BEEN USED IN THE PAST. THE MOTION WAS SECONDED BY MR. LEINGANG.

Ayes: Ms. Ehrhardt, Mr. Leingang, Ms. Sand, Ms. Smith, and Chairman Strinden

Nays: Mr. Sage, Mr. Trenbeath

MOTION PASSED

RETIREE MEDICAL

Ms. Fricke reported that health insurance increase notices were sent to retirees and COBRA participants on May 31, 2007. Because there was a large volume of calls and comments received relating to this issue, staff shared information with the Board.

SURPLUS/AFFORDABILITY UPDATE

Mr. Collins presented the April surplus projection and affordability analysis for the NDPERS group medical plan and reviewed the estimated surplus projection figures with the Board.

DEFERRED COMPENSATION

457 AND 401(a) PLANS 1st QUARTER 2007 REPORTS

Mr. Collins reported the NDPERS Investment Subcommittee has met and recommends moving Mutual Shares A (TESIX) to a Large Cap Value Fund which would involve a change in Appendix 1 of the Companion Plan and Defined Contribution Statement of Investment Policy.

MR. SAGE MOVED TO APPROVE MOVING MUTUAL SHARES A (TESIX) FROM A MID CAP VALUE FUND TO A LARGE CAP VALUE FUND. THE MOTION WAS SECONDED BY MS. SAND.

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

Nays: None

MOTION PASSED

DEFERRED COMPENSATION AUTOMATIC ENROLLMENT UPDATE

Ms. Allen stated that during this last legislative session Senate Bill 2047, which would have allowed for automatic enrollment of employees in the deferred compensation program, was vetoed by the Governor. In 2005 the Board approved the concept of an expedited enrollment for employees (PEP). She indicated the expedited process will continue as a result of the veto of SB 2047. Also staff will continue to promote awareness of PEP and encourage participation in supplemental retirement savings plans.

ING REQUEST

Ms. Allen reported that ING was put on a Loss of Active Provider Status by the Board at its July 2005 meeting. Under this status, providers may not enroll new participants, but may continue to receive contributions from existing participants. Senate Bill 2205 was passed this last legislative session which provides that child enforcement officers that are employees of a regional office must transfer to the Department of Human Services effective July 1, 2007. There are five Ward County enforcement officers currently enrolled with ING who would like to roll over their accounts to the ING group established for the state's 457 plan. ING is requesting that the Board consider allowing an exception to the suspension to allow the five Ward County employees to roll over their accounts to ING under the state's plan. The Board discussed this issue.

MS. SAND MOVED TO GRANT ING AN EXCEPTION IN ORDER TO ALLOW ANY INDIVIDUALS AFFECTED BY SENATE BILL 2205 WHO ARE ENROLLED WITH ING TO ROLL OVER THEIR ACCOUNTS TO ING UNDER THE STATE'S PLAN. THE MOTION WAS SECONDED BY MS. EHRHARDT.

Discussion followed.

Ayes: Ms. Ehrhardt, Mr. Leingang, Ms. Sand, Ms. Smith, and Chairman Strinden.

Nays: Mr. Sage, Mr. Trenbeath

MOTION PASSED

LASR UPDATE

Mr. Collins reported staff is currently in its final stages of contract negotiations with Sagitec.

MISCELLANEOUS

2006 AND 2007 BUSINESS PLANS

Mr. Collins stated these business plans were presented to the Board at its May meeting for information. The Board requested educational information be presented relating to retiree cost of living adjustments. In response to this request, Mr. Collins stated staff would initiate topics as part of the Board education relating to possible methods and options.

BOARD ELECTION

Ms. Allen stated that canvassing was conducted on Monday, June 18, 2007 in accordance with the election rules. The Election Committee reviewed and accepted the results of the election as presented. Mr. Mike Sandal will be the newly elected active member to the PERS Board for a 5 year term beginning July 1, 2007 ending June 30, 2012.

MR. TRENBEATH MOVED TO ACCEPT THE ELECTION RESULTS. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

MOTION PASSED

LEGISLATIVE EMPLOYEE BENEFITS COMMITTEE

Mr. Collins provided information to the Board relating to the appointments to the interim Legislative Employee Benefits Committee.

AUDIT COMMITTEE MINUTES

The February 21, 2007 minutes were provided to the Board for information with no discussion or questions.

NAGDCA MEETING

Mr. Collins indicated that the annual NAGDCA conference is being held this fall and Mr. Leingang is interested in attending.

MS. SAND MOVED TO ALLOW TWO BOARD MEMBERS TO ATTEND THE NAGDCA CONFERENCE. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

MOTION PASSED

EXECUTIVE DIRECTOR REVIEW

Chairman Strinden thanked Mr. Leingang for his efforts in coordinating the executive director evaluation process with the Board members. Prior to the next Board meeting, Chairman Strinden will discuss the evaluation results with Mr. Collins. Chairman Strinden indicated to the Board that action must be taken on the resolution passed in 2006 which would allow the salary of the Executive Director to increase to \$146,839 effective July 1, 2007 subject to approval of the 2007-2009 budget. Mr. Strinden indicated that this was approved in the budget.

MS. SAND MOVED TO APPROVE THE SALARY INCREASE. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

MOTION PASSED

Chairman Strinden announced that this was Ms. Sand's last Board meeting. He expressed his appreciation for her efforts and thanked her for her valuable service to the Board. A plaque was presented to Ms. Sand.

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 11:15 a.m.

Prepared by,

Cheryl Stockert
Secretary to the Board

MINUTES

North Dakota Public Employees Retirement System

Thursday, July 19, 2007
ND Association of Counties, Bismarck
BCBS, 4510 13th Ave SW, Fargo
8:30 A.M.

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

Via Conference Call: Chairman Jon Strinden

Others Present: Ms. Cheryl Stockert, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Sharmain Dschaak, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Diane Heck, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Barbara Dammen, NDPERS
Mr. Dave Peske, ND Medical Association
Mr. Bill Kalanek, AFPE/INDSEA
Ms. Gisele Thorson, NDPEA, AFT #4660
Mr. Weldee Baetsch

Via Conference Call: Mr. Sparb Collins, NDPERS
Mr. Larry Brooks, BCBSND
Mr. Rick Deschler, Sagitec
Mr. Jeff Adair, Sagitec

Mr. Sage called the meeting to order at 8:40 a.m.

MINUTES

Mr. Sage called for any questions or comments regarding the minutes of the June 21, 2007 Board meeting.

MS. SMITH MOVED APPROVAL OF THE JUNE 21, 2007 NDPERS BOARD MINUTES. MR. TRENBEATH SECONDED THE MOTION. THE MINUTES WERE APPROVED.

RETIREMENT

Ms. Dschaak introduced Ms. Barbara Dammen, newly hired Benefits Administrator, to the Board.

DEFERRED NORMAL RETIREMENT OPTION

Ms. Dschaak reported that Senate Bill 2048 provides for an actuarially increased retirement benefit as an option for retiring members who delay or inadvertently fail to apply for retirement benefits at their earliest full retirement age. Staff has worked with Segal and determined to use the tables as approved in 2005 for the partial lump sum option and would recommend the Board adopt the tables and method of calculation as provided by Segal.

MR. TRENBEATH MOVED TO ACCEPT STAFF RECOMMENDATION TO ADOPT THE TABLES AND METHOD OF CALCULATION AS PROVIDED BY SEGAL FOR THE DEFERRED NORMAL RETIREMENT OPTION. THE MOTION WAS SECONDED BY MS. SMITH.

Discussion followed. The Board requested staff review whether there is statutory authority to pay interest on the lump sum.

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

Nays: None

MOTION PASSED

RETIREE HEALTH CREDIT

Ms. Dschaak stated that Senate Bill 2045 provides, effective August 1, 2007, spouses who have both earned retiree health insurance credit may combine their respective credits and apply it toward the premium for NDPERS group health insurance coverage. Staff presented information relating to operating policies and procedures until implementation of this legislation and requested approval.

MR. LEINGANG MOVED APPROVAL OF STAFF RECOMMENDATION TO IMPLEMENT OPERATING POLICIES AND PROCEDURES ON THE RETIREE HEALTH INSURANCE CREDIT LEGISLATION. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

MOTION PASSED

CAREER AND TECHNICAL EDUCATION

Ms. Dschaak reported that House Bill 1078 provides that employees of the State Board for Career and Technical Education may elect to transfer from TFFR to PERS. This would affect 16 individuals. Ms. Dschaak provided the Board with the timeline of activities relating to implementation of this bill.

13TH CHECK

Mr. Collins reported that Senate Bill 2044 provides retirees with a 13th check equal to 75% of their monthly annuity, paid in January 2008, if the return is 9.06% or greater. The estimated return for the PERS fund for the year ending June 30, 2007 was approximately 18% (per RIO). The 13th check will be given to retirees. Board discussion related to exploring the possibility of future increases in the form of a graduated increase based on the estimated rate of return.

GROUP INSURANCE

DRUG FORMULARY EDUCATION

Mr. Larry Brooks, BCBSND, presented information to the Board relating to how the drug formulary is developed and how development of the Part D formulary differs from development of the BCBSND commercial formulary. Mr. Brooks stated that pharmacy staff from BCBSND will present information at the next Board meeting relating to removal of a drug from the formulary as well as how members are notified when a drug is removed.

COORDINATION OF BENEFITS

Mr. Brooks, BCBSND, reported to the Board relating to the change in the coordination of benefits procedure. The change in procedure is going from pursue and then pay the claim, to a pay the claim then pursue. Approximately 98% of the time, claims should have been paid. This new procedure, which was implemented July 9, 2007, should increase member satisfaction.

BCBS CONTRACT

Mr. Collins discussed the proposed administrative agreement for the 2007-2009 biennium with the Board (changes highlighted in red). The agreement has been reviewed and approved by the Attorney General's office. The SPD will be printed and sent to members within the next few weeks. The Board discussed the definition of Subscriber (page 2 of the Agreement) which will be reviewed by the Attorney General's office.

MR. LEINGANG MOVED TO APPROVE THE BCBSND ADMINISTRATIVE AGREEMENT FOR 2007-2009 BIENNIUM, REQUESTING REVIEW OF THE DEFINITION OF SUBSCRIBER BY THE ATTORNEY GENERAL'S OFFICE. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

MOTION PASSED

HEALTH DISTRICTS/GARRISON DIVERSION CONSERVANCY

Ms. Allen stated that House Bill 1179 authorizes, effective August 1, 2007, the Garrison Diversion Conservancy District and district health units may participate in the uniform group insurance program under the same terms and conditions as state agencies. Passage of this bill means they are required to offer their employees enrollment in health, life, dental, vision, long term care and employee assistance program. PERS has assisted these entities with enrollment. Mr. Collins stated that some of the smaller health districts have indicated the provisions of this bill are presenting a hardship.

SURPLUS/AFFORDABILITY UPDATE

Mr. Collins presented the May surplus projection and affordability analysis for the NDPERS group medical plan and reviewed the estimated surplus projection figures with the Board.

LASR

MONTHLY STATUS REPORT

Ms. Knudsen presented the monthly status report to the Board, indicating that during June, staff had been involved in contract negotiations.

SAGITEC CONTRACT

Mr. Collins presented the proposed contract with Sagitec for the business system replacement project to the Board for approval. The contract has been approved by the Attorney General's office as well as with the Ice Miller Law Firm that has extensive experience with IT contracts.

Mr. Knudsen reported that the intent to award will be posted to the procurement website at which time there will be seven days for appeal.

MR. EHRHARDT MOVED APPROVAL OF THE SAGITEC CONTRACT. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

MOTION PASSED

SAGITEC INFORMATION

Mr. Rick Deshler and Mr. Jeff Adair presented information about their company, Sagitec, as well as critical success factors of project management. Mr. Collins informed the Board that staff will present an update at each monthly meeting. Staff will also be required to report to ITD as a requirement of the Large Project Management process through SITAC.

MISCELLANEOUS

BOARD COMMITTEES

Mr. Collins indicated to the Board that the Wellness Committee should also be included as a standing committee; Ms. Smith is on that committee. Chairman Strinden welcomed Mr. Sandal to the Board. Board members will continue to serve as currently assigned with the following changes: Mr. Trenbeath will serve on the Benefits Committee; Mr. Sandal will replace Ms. Sand to serve on the Investment Committee; and Mr. Trenbeath will serve as the alternate on the Investment Committee.

MS. SMITH MOVED TO ACCEPT THE APPOINTMENT CHANGES TO THE STANDING COMMITTEES. THE MOTION WAS SECONDED BY MR. SAGE.

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

Nays: None

MOTION PASSED

CONSULTANT FEES

The consultant fees paid during the quarter ending June 30, 2007 report was presented to the Board for their information.

STATE INVESTMENT BOARD

SIB agenda and minutes were distributed at the Board meeting.

Chairman Strinden 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

MINUTES

North Dakota Public Employees Retirement System

Thursday, August 16, 2007
ND Association of Counties, Bismarck
BCBS, 4510 13th Ave SW, Fargo
8:30 A.M.

Members Present: Mr. Ron Leingang
Mr. Howard Sage
Mr. Mike Sandal
Ms. Arvy Smith
Mr. Thomas Trenbeath

Via Conference Call: Chairman Jon Strinden

Member Absent: Ms. Joan Ehrhardt

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Sharmain Dschaak, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Diane Heck, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Rebecca Fricke, NDPERS
Mr. Dave Peske, ND Medical Association
Mr. Dirk Huggett, ITD
Mr. Leon Wechsler, LRWL
Mr. Andy Flewelling, LRWL
Ms. Onalee Sellheim, BCBSND
Mr. Weldee Baetsch

Via Conference Call: Mr. Larry Brooks, BCBSND
Mr. Tom Christensen, 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 July 19, 2007 Board meeting.

MR. LEINGANG MOVED APPROVAL OF THE JULY 19, 2007 NDPERS BOARD MINUTES. MS. SMITH SECONDED THE MOTION. THE MINUTES WERE APPROVED.

RETIREMENT

COST OF LIVING ADJUSTMENT

Mr. Collins stated that several meetings ago it was suggested that the Board add to the work plan for this year a review of cost of living adjustments (COLA's) for retirement plans. Mr. Collins outlined a possible approach for discussion of COLA's. The Board directed Mr. Collins to proceed as proposed.

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 4% for the first year of 2007-09 and employees were to receive a minimum monthly increase of \$75. The North Dakota Highway Patrol leadership is recommending that deferred members in its system have their final average salary indexed by 4%.

MR. LEINGANG MOVED APPROVAL OF A FOUR PERCENT ANNUAL INCREASE IN THE FINAL AVERAGE SALARY INDEXING FOR HIGHWAY PATROL MEMBERS. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

Absent: Ms. Ehrhardt

MOTION PASSED

PUBLIC SAFETY OFFICERS TAX-FREE DISTRIBUTIONS FOR HEALTH PREMIUMS

Ms. Allen reported that the Pension Protection Act of 2006 permits eligible retired public safety officers to take a credit on their tax return of up to \$3,000 for the cost of their qualified health insurance premiums if they retire at normal retirement age or due to disability. The Segal Company has reviewed this provision and has concluded that it is the responsibility of the retired officer to claim the premium payments that were subtracted from their pension as a reduction in taxable income on their Form 1040 up to the eligible amount of \$3,000 per year. There is no special requirement that the employer provide this reporting on Form 1099-R. Staff would communicate and educate our membership and would proceed with development of the necessary communication materials to disseminate on or before December 1, 2007.

MR. SANDAL MOVED THAT STAFF SHOULD MOVE FORWARD WITH DISSEMINATING THE NECESSARY COMMUNICATION AND EDUCATION MATERIALS TO THE MEMBERSHIP ON OR BEFORE DECEMBER 1, 2007. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

Absent: Ms. Ehrhardt

MOTION PASSED

DEFERRED NORMAL RETIREMENT OPTION

Mr. Webb, Assistant Attorney General, reported back to the Board that the Board does not have legal authority to make payment of interest on back payments, unless there is express legislative authority. Current statutes make it clear that interest is not included in the back payment of benefits.

GROUP INSURANCE

BCBS EFFORTS

Mr. Collins reviewed with the Board several draft attachments to the administrative agreement that document work efforts BCBS is doing relating to Tobacco Cessation, the Wellness Benefit Program, the Wellness Pilot Project, and Disease Management Services. The final agreement will be presented at the September meeting for Board approval.

SPD RATE REQUEST

Mr. Collins reported to the Board PERS had received two resolutions requesting that we consider adding a single plus dependent rate for political subdivisions. Staff suggests that BCBS be asked to determine if such a change can be made and if so, what the effect will be on the rates for political subdivisions (usually under a three tier structure, the family rate rises and the SPD rate will fall somewhere between the old family rate and the single rate). Once information is received from BCBS, we can forward this information onto the political subdivisions to determine if they would like to see their rates modified to include the SPD rate.

MS. SMITH MOVED TO APPROVE STAFF RECOMMENDATION TO EXPLORE WITH BCBS THE IDEA OF ADDING A SINGLE PLUS DEPENDENT RATE AND HOW IT WILL AFFECT THE POLITICAL SUBDIVISIONS. THE MOTION WAS SECONDED BY MR. SAGE.

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

Nays: None

Absent: Ms. Ehrhardt

MOTION PASSED

DRUG FORMULARY

Mr. Christensen, Director of Pharmacy Management with BCBS, presented the Board with information relating to the process of removing a drug from the formulary and how notification is made to the members, and the process for notifying members of changes to the formulary. Discussion followed and the Board suggested that members should be educated about asking physicians questions relating to their medication, if there is a generic equivalent, etc. Also, it was noted that BCBS does send pharmacists out to clinics to provide physicians with education on how on the formulary and how to prescribe in a more cost effective manner. The Board requested that BCBS provide a presentation on this program at the next meeting.

EPO OPEN ENROLLMENT UPDATE

Mr. Collins stated that the Board memo includes information relating to the EPO open enrollment for 2007 as compared to the contracts for 2006.

SURPLUS/AFFORDABILITY UPDATE

Mr. Reinhardt presented the June surplus projection and affordability analysis for the NDPERS group medical plan and reviewed the estimated surplus projection figures with the Board.

EMPLOYEE ASSISTANCE PROGRAM UPDATE

Mr. Reinhardt reported that the EAP selection process has concluded for the 2007-2009 biennium and agencies choose their EAP provider. One agency switched providers and 20 new groups chose their provider for the first time. We now have 4 providers: St. Alexius, Medcenter One, The Village, and Deer Oaks.

HEALTH REPORT 2006

Mr. Reinhardt reported that every year PERS compiles a group health insurance comparison report for groups of agencies over 100 employees (37 agencies). The report compares the agency against the total group relating to hospitalizations, physician visits, and pharmacy utilization.

GASB

Mr. Collins stated that the Government Accounting Standards Board (GASB) has new requirements that requires the state to report any financial obligations it has relating to providing health insurance benefits to retirees. Staff received cost proposals from Gallagher Benefit Services and Segal Company to complete a GASB 45 valuation. Gallagher Benefit Services had calculated this in 2005 for OMB and the Legislative Council. Their cost proposal was less than Segal Company and staff is recommending contracting with Gallagher Benefit Services for this service.

MS. SMITH MOVED TO AWARD THE CONTRACT TO GALLAGHER BENEFIT SERVICES TO COMPLETE THE GASB 45 VALUATION. THE MOTION WAS SECONDED BY MR. LEINGANG.

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

Nays: None

Absent: Ms. Ehrhardt

MOTION PASSED

LASR

Ms. Knudsen stated that included in the Board book was the monthly update.

Mr. Collins introduced the LRWL firm who was present to give the Board an overview of the development phase of IT projects. Mr. Leon Wechsler presented information to the Board relating to the project, its functionality, the integration capabilities, the work plan, what the probable challenges and risks are, and the trustee's role in the project.

Mr. Collins stated pursuant to the RFP that resulted in the selection of L.R. Wechsler it included the option for the Board to continue their contract for the development phase if their work efforts in the initial phases was acceptable. It was noted that all efforts to date were acceptable and staff recommended continuing them for the next phase. Their role as identified in the RFP for the next phase is to provide oversight project management and quality assurance support for the project at a projected cost for the services in this phase ranging from \$956,894 to \$1,050,499 over the next 36 months. These costs were included in the budget approved by the Governor and legislature. Staff recommendation is to continue the relation with LRWL for Phase IV.

MR. SAGE MOVED TO RETAIN THE WECHSLER FIRM (LRWL) TO PROVIDE OVERSIGHT PROJECT MANAGEMENT AND QUALITY ASSURANCE SUPPORT DURING PHASE IV OF THE LASR PROJECT. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

Absent: Ms. Ehrhardt

MOTION PASSED

MISCELLANEOUS

ADMINISTRATIVE RULES

Ms. Knudsen reported that the draft administrative rules are complete (included in the Board book). Staff will bring the final draft of the rules to the September meeting for Board approval. A Small Entity Regulatory Analysis will also need to be conducted and information will be presented at the September Board meeting. Ms. Allen reported the Election Committee met to review the election rules. After Board discussion, it was decided that the Election Committee will meet to review the proposed rules before they are brought before the Board in September.

MAINFRAME MIGRATION

Mr. Collins reported to the Board that NDPERS will not be going through the mainframe migration this summer. Instead it has been decided that PERS will migrate when the new business system is completed.

BOARD PLANNING MEETING

Mr. Collins stated that a couple of years ago a Board planning meeting was held in the fall which focused on the PERS goals and programs. At that time it was suggested that this type of meeting should be done every several years. Keeping with that schedule consideration should be given to such a meeting in November or December. This timeframe would be timely since the Board will have had an opportunity to view the annual valuations and the suggestions of the benefits committee and retiree committee. The Board directed staff to schedule another planning meeting in November or December 2007.

LEGISLATIVE EMPLOYEE BENEFITS PROGRAMS COMMITTEE

Mr. Collins shared the agenda with the Board for the August 21, 2007 scheduled meeting of the Legislative Employee Benefits Programs Committee.

STATE INVESTMENT BOARD

SIB agenda and minutes were distributed at the Board meeting.

HARDSHIP WITHDRAWAL

Ms. Allen presented detailed information to the Board relating to a participant requesting a hardship withdrawal to cover expenses accrued as a result of loss of income due to spouse's unemployment earlier this year. Ms. Allen also presented information relating to the IRC section 457 regulations, specifically the definition of financial hardship. The Board discussed this hardship withdrawal case.

MR. SAGE MOVED TO DENY THE REQUEST FOR HARDSHIP WITHDRAWAL. THE MOTION WAS SECONDED BY MR. LEINGANG.

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

Nays: None

Absent: Mr. Ehrhardt

MOTION PASSED

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 10:45 a.m.

Prepared by,

Cheryl Stockert
Secretary to the Board

MINUTES

North Dakota Public Employees Retirement System

Thursday, September 20, 2007
ND Association of Counties, Bismarck
BCBS, 4510 13th Ave SW, Fargo
8:30 A.M.

Members Present: Mr. Howard Sage
Mr. Mike Sandal
Mr. Thomas Trenbeath

Via Conference Call: Ms. Arvy Smith
Chairman Jon Strinden

Member Absent: Ms. Joan Ehrhardt
Mr. Ron Leingang

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Sharmain Dschaak, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. Barbara Dammen, NDPERS
Mr. Kevin Schoenborn, BCBSND
Ms. Onalee Sellheim, BCBSND
Ms. Bethany Pfister, Prime Therapeutics
Mr. Michael Schwab, ND Pharmacists Association
Mr. Dave Zentner

Via Conference Call: Mr. Larry Brooks, BCBSND
Mr. Tom Christensen, BCBSND
Mr. Brent Solseng, BCBSND
Dr. Jon Rice, BCBSND

Chairman Strinden called the meeting to order at 8:35 a.m.

MINUTES

Chairman Strinden called for any questions or comments regarding the minutes of the August 16, 2007 Board meeting.

MR. TRENBEATH MOVED APPROVAL OF THE AUGUST 16, 2007 NDPERS BOARD MINUTES. MR. SAGE SECONDED THE MOTION. THE MINUTES WERE APPROVED.

RETIREMENT

COST OF LIVING ADJUSTMENT INFORMATION

Mr. Collins reviewed with the Board material relating to a survey done by the Public Pension Coordinating Council regarding how 48 states manage retirement increases.

ANNUAL INVESTMENT REPORT

Mr. Cochrane presented the 2007 Annual Report of the ND State Investment Board to the Board. A copy of the complete annual report is available at the PERS office. Mr. Cochrane indicated to the Board that the asset allocation is fairly well grounded and the portfolio is well diversified and he responded to Board questions. PERS total return for the fiscal year ending June 30, 2007 was 18.93%.

SUPPLEMENTAL RETIREE PAYMENT

Mr. Collins reported that Senate Bill 2044 authorizes supplemental retiree payment for PERS members, except for judges, if the rate of return is 9.06% or more as of June 30. This supplemental payment is 75% of the members retirement check. Mr. Cochrane reported that there is an 18.93% return for the year end.

MR. SAGE MOVED TO GRANT THE SUPPLEMENTAL RETIREE PAYMENT IN THE AMOUNT OF 75% OF THE MEMBER'S JANUARY RETIREMENT ALLOWANCE. THE MOTION WAS SECONDED BY MR. SANDAL.

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

Nays: None

Absent: Ms. Ehrhardt, Mr. Leingang

MOTION PASSED

ON-SITE BENEFIT COUNSELING SERVICE

Ms. Allen reported that the business strategy for 2007 was to develop an on-site benefit counseling service and pilot it during the second half of 2007. The purpose of this program is to allow members to receive private pre-retirement counseling from a PERS representative without having to travel to Bismarck. Ms. Allen stated that the response from participating employers has been good. Numerous agencies have requested this service and will be scheduled in the next few months.

GROUP INSURANCE

DIABETES PROGRAM

Mr. Collins stated that the ND Pharmacists Association is in the process of developing the diabetes program pursuant to HB 1433. Mr. Michael Schwab presented an update to the Board, explaining how it will be patterned after the Asheville Project. The major goal of

this project is to improve the health of the participants, to reduce health care costs, to reduce the short and long term complications of diabetes, accomplish medication utilization, and educate and consult with the participants. In November a detailed proposal will be presented to the Board for approval.

CLINICAL PHARMACY UPDATE

Ms. Bethany Pfister, Clinical Pharmacy Program Manager, with Prime Therapeutics, presented information to the Board relating to drug trends, recap of pharmacy costs, significant drug classes, utilization management tools, formulary management, generic opportunities, the focus on medication compliance and adherence. The presentation included the next steps to managing drug spending for 2007/2008 including formulary management, increasing generic utilization, and appropriate brand utilization. Ms. Pfister responded to Board member questions. Mr. Brent Solseng, BCBSND Pharmacy Department, also provided information relating to provider podcasts, medication adherence, and compliance.

MEDICARE PART D RENEWAL

Mr. Collins reviewed with the Board possible options available for the Part D renewal. The Retiree Committee met with PERS staff and BCBSND staff to discuss this issue. The Committee recommended implementing a new formulary for its MedicareBlue Rx lines of business which would result in a 6.15% decrease in member premium (premiums would decrease from \$60.14 to \$56.44). This formulary is used by all MedicareBlue plans. Changing to this new formulary will affect approximately 555 individuals who are now taking a drug that is on our current formulary that would not be on the new formulary. Mr. Zentner informed the Board that this new formulary includes an appeal process for those individuals who would be on a nonformulary drug if the new formulary were approved. Without the change in formulary the renewal premium would have increased from \$60.14 to \$71.79 or about 19%.

MR. SAGE MOVED TO ACCEPT THE RETIREE RECOMMENDATION TO IMPLEMENT THE NEW FORMULARY TO REDUCE MEMBER PREMIUMS BY 6.15% AND RENEW THE PLAN FOR 2008. THE MOTION WAS SECONDED BY MR. TRENBEATH.

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

Nays: None

Absent: Ms. Ehrhardt, Mr. Leingang, and Ms. Smith

MOTION PASSED

TEMPORARY/PART TIME EMPLOYEE PARTICIPATION

Ms. Dschaak presented information to the Board relating to Senate Bill 2045, passed by the last legislature, which modifies the eligibility requirements for temporary/part-time employees employed on or after August 1, 2007. She informed the Board that testimony presented to the legislature explained that for those temporary employees that work at least 20 hours per week for at least 20 weeks per year, the purpose of the amendment

was to reduce the possibility of adverse selection against the plan. The question has arisen regarding temporary/part-time employees working less than 20/20 prior to August 1, 2007 who had been terminated prior to August 1, 2007, are now on COBRA and being rehired by their employer as a temporary individual. Staff recommends that for temporary/part-time employees who are terminated each year by their employer then rehired be considered employed prior to August 1, 2007 if they meet the following 3 conditions: enrolled and participating in the group health and life plans prior to August 1, 2007; continued their participation either through the employer billing or on COBRA during the months they were not working; and returned to employment within 12 months.

MR. TRENBEATH MOVED TO ACCEPT THE STAFF RECOMMENDATION TO ADOPT THE POLICY RELATING TO THE TEMPORARY/PART-TIME EMPLOYEES, WITH THE INTENTION THAT THIS POLICY MAY NEED TO BE AMENDED IN THE FUTURE. THE MOTION WAS SECONDED BY MR. SANDAL.

Further Board discussion followed. Mr. Collins indicated PERS would advise participating employers regarding this policy.

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

Nays: None

Absent: Ms. Ehrhardt, Mr. Leingang, and Ms. Smith

MOTION PASSED

EMPLOYER BASED WELLNESS & WELLNESS BENEFIT PROGRAM

Ms. Fricke reported to the Board that staff has been working to coordinate the Employer Based Wellness Program and the Wellness Benefit Program. To better coordinate these two programs, staff is recommending a change to require that requests for the wellness benefit application be submitted at the same time as employers submit the 1% premium discount application effective with the 2008-2009 wellness plan year. If the Board approves this change, this information will be presented to the wellness coordinators at the Wellness Forum scheduled for November 14.

MR. SAGE MOVED TO APPROVE THE CHANGE TO REQUIRE REQUESTS FOR THE WELLNESS BENEFIT APPLICATION BE SUBMITTED AT THE SAME TIME AS EMPLOYERS SUBMIT THE 1% PREMIUM DISCOUNT APPLICATION. THE MOTION WAS SECONDED BY MR. SANDAL.

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

Nays: None

Absent: Ms. Ehrhardt, Mr. Leingang, and Ms. Smith

MOTION PASSED

FLU SHOT PROGRAM

Ms. Allen presented information to the Board relating to the annual flu shot program in Bismarck and reported that PERS was notified by UND Center for Family Medicine that

they will provide flu shots to state employees at a cost of \$15. Employees will also have the choice to receive the FluMist® nasal spray.

SURPLUS/AFFORDABILITY UPDATE

Mr. Collins provided the July surplus projection and affordability analysis for the NDPERS group medical plan.

DEFERRED COMPENSATION

457 AND 401(A) PLANS 2ND QUARTER 2007 REPORTS

Mr. Collins provided a report relating to the assets in the 401(a) plan and the 457 Companion Plan.

LASR

MONTHLY UPDATE

Mr. Collins reported that we PERS will be starting the implementation phase of the project in October. Ms. Knudsen had been the project manager for the initial phases and Ms. Schiermeister will be the project manager during the implementation phase.

PROJECT CHARTER

Ms. Schiermeister reviewed with the Board the Project Charter for the integrated benefits administration system. The Board agreed that a quarterly report on this project would be acceptable.

SAGITEC ADDENDUM

Mr. Collins reviewed with the Board the contract addendum relating to the performance bond with Sagitec that provides the option to go forward with a performance bond that is renewed by the underwriter each year with the addition of a letter of credit option should the bond not be renewed. This contract addendum, as approved by the Attorney General's office, guarantees PERS the continuity of coverage for the duration of the project.

MR. TRENBEATH MOVED TO DEEM A YEARLY PERFORMANCE BOND WITH YEARLY RENEWALS UNACCEPTABLE, AND TO ACCEPT A ONE YEAR PERFORMANCE BOND WITH YEARLY RENEWAL OPTION UNDERWRITTEN BY A FIRM IN THE FORM OF A LETTER OF CREDIT. THE MOTION WAS SECONDED BY MR. SAGE.

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

Nays: None

Absent: Ms. Ehrhardt, Mr. Leingang, and Ms. Smith

MOTION PASSED

WECHSLER CONTRACT

Mr. Collins stated that at the last meeting, the Board approved retaining LRWL to provide oversight project management and quality assurance. Mr. Collins reviewed the proposed contract with the Board.

MR. SANDAL MOVED TO APPROVE THE CONTRACT WITH LRWL (WECHSLER) FOR OVERSIGHT PROJECT MANAGEMENT AND QUALITY ASSURANCE SERVICES. THE MOTION WAS SECONDED BY MR. SAGE.

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

Nays: None

Absent: Ms. Ehrhardt, Mr. Leingang, and Ms. Smith

MOTION PASSED

MISCELLANEOUS

ADMINISTRATIVE RULES

Mr. Collins stated the proposed administrative rules will need final approval by the Board to begin the hearing process. The rules are in response to recent legislation. A public hearing has been scheduled for November 21, 2007.

MR. SAGE MOVED TO APPROVE THE PROPOSED ADMINISTRATIVE RULES TO GO OUT FOR PUBLIC HEARING. THE MOTION WAS SECONDED BY MR. TRENBEATH.

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

Nays: None

Absent: Ms. Ehrhardt, Mr. Leingang, and Ms. Smith

MOTION PASSED

BOARD PLANNING MEETING

Mr. Collins stated that the Board Planning Meeting will be held on Monday, December 3, 2007 and suggested this meeting could be in lieu of the December Board meeting. The Board concurred.

NDPERS BENEFITS COMMITTEE

The September 4, 2007 minutes were shared with the Board.

NDPERS AUDIT COMMITTEE

The May 23, 2007 minutes were shared with the Board.

FLEX COMP APPEAL

Ms. Allen presented detailed information to the Board relating to a participant appealing a denial of payment from their 2006 medical spending account to cover expenses incurred

during the grace period from January 1 through March 15, 2007. The Board discussed this flex comp appeal case.

MR. TRENBEATH MOVED TO ACCEPT THE FLEX COMP APPEAL AND REPROCESS THE CLAIMS. IT WAS ALSO MOVED BY MR. TRENBEATH TO REVIEW THIS POLICY AT THE NEXT BOARD MEETING. THE MOTION WAS SECONDED BY MR. SAGE.

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

Nays: None

Absent: Ms. Ehrhardt, Mr. Leingang, and Ms. Smith

MOTION PASSED

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 11:27 a.m.

Prepared by,

Cheryl Stockert
Secretary to the Board

MINUTES

North Dakota Public Employees Retirement System

Thursday, October 18, 2007
ND Association of Counties, Bismarck
BCBS, 4510 13th Ave SW, Fargo
8:30 A.M.

Members Present: Ms. Joan Ehrhardt
Mr. Ron Leingang
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
Ms. Kathy Allen, NDPERS
Ms. Sharmain Dschaak, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Diane Heck, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Rebecca Fricke, NDPERS
Mr. Kevin Schoenborn, BCBSND
Ms. Onalee Sellheim, BCBSND
Dr. Vogeltanz-Holm, UND
Ms. Jeanne Prom, UND
Mr. Mike Moehle, Segal
Mr. Kurt Schneider, Segal
Mr. Bill Kalanek, AFPE
Mr. Dave Zentner

Via Conference Call: Mr. Larry Brooks, BCBSND

Chairman Strinden called the meeting to order at 8:35 a.m.

MINUTES

Chairman Strinden called for any questions or comments regarding the minutes of the September 20, 2007 Board meeting.

MR. SAGE MOVED APPROVAL OF THE SEPTEMBER 20, 2007 NDPERS BOARD MINUTES. MS. EHRHARDT SECONDED THE MOTION. THE MINUTES WERE APPROVED.

RETIREMENT

ANNUAL VALUATIONS

Mr. Mike Moehle and Mr. Kurt Schneider from Segal Company presented an overview of the Actuarial Valuation Reports as of July 1, 2007 for the retirement system, retiree health insurance credit fund, ND Highway Patrolmen's retirement system, and the Job Service retirement plan. A complete report is on file at the NDPERS office. After questions and discussion, the Board requested Segal to provide additional information for discussion at the December planning meeting.

JOB SERVICE COST OF LIVING ADJUSTMENT

Ms. Allen reported that the Federal Civil Service Plan provides an annual adjustment of 2.3%. A cost of living adjustment increase is in line for the Job Service retirees paid by both NDPERS and The Travelers. The actuarial assumption used in the annual valuation for the adjustment is 5% per year, so the 2.3% increase represents a gain to the system.

MR. LEINGANG MOVED TO APPROVE THE 2.3% COST OF LIVING INCREASE TO JOB SERVICE RETIREES PAID BY NDPERS AND THE TRAVELERS EFFECTIVE DECEMBER 1, 2007. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

SB2044 – JUDGES

Mr. Collins stated that SB2044 authorized an increase for the Judges retirement system if there was sufficient actuarial margin to do so. The actuarial report shows that the Judges retirement system has an actuarial margin of 5.21%. The cost of the 2% increase is 4.06% of active payroll. Based on this information, it was recommended to approve the 2% increase.

MR. TRENBEATH MOVED TO PROVIDE A 2% INCREASE TO THE JUDGES RETIREES EFFECTIVE JANUARY 1, 2008. THE MOTION WAS SECONDED BY MR. SANDAL.

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

MOTION PASSED

HB 1078 - CAREER & TECHNICAL EDUCATION

Mr. Collins presented information to the Board regarding the progress to date in implementing this legislation. Pursuant to legislation, TFFR will transfer funds from their trust fund to the NDPERS trust fund that is the actuarial equivalent of the benefit being transferred.

PREP, BISMARCK

Mr. Collins informed the Board that 209 members and 68 spouses attended the Pre-Retirement Education Program conducted in Bismarck on October 10.

COST OF LIVING ADJUSTMENTS, IMPLICATIONS FOR RETIREMENT PLANS

Mr. Moehle from Segal reviewed with the Board approaches for providing cost of living adjustments to retirees. Board discussion occurred and requests were made of Segal to provide additional information relating to the COLAs to be discussed at the December planning meeting.

GROUP INSURANCE

WELLNESS PILOT PROJECT

Dr. Nancy Vogeltanz-Holm, UND Center for Health Promotion and Prevention Research, presented the wellness program update to the Board, including an overview of the program, chronology of the program services and activities to date, participation data, and worksite initiatives. Four state agencies are involved in this program: Office of Management and Budget, State Historical Society, Department of Commerce, and Tax Department. The program is in its third and final year.

WELLNESS FORUM

Ms. Fricke presented the Board with an update on the upcoming Wellness Forum to be held at the Bismarck Heritage Center, November 14, 2007. An agenda was provided.

SURPLUS/AFFORDABILITY UPDATE

Mr. Reinhardt presented the August surplus projection and affordability analysis for the NDPERS group medical plan.

2005 NDPERS COMPARISON

Mr. Reinhardt reviewed with the Board the 2005 inpatient comparison which is a tool to use to benchmark or compare our health plan to the nation. Overall, NDPERS has about 68% of the 2005 national average hospital episodes.

DEFINED CONTRIBUTION

DEFERRED COMPENSATION AND COMPANION PLAN DOCUMENTS

Ms. Allen presented the restated plan documents for the 457 Deferred Compensation Plan and the Deferred Compensation Companion Plan for Board review and approval. The plan documents were revised to incorporate provisions of the Pension Protection Act of 2006 which allows non-spouse beneficiaries the option to rollover eligible amounts to inherited IRAs. Adopting this change will permit the option of a rollover which is a non-taxable event.

MR. TRENBEATH MOVED TO ADOPT THE RESTATED PLAN DOCUMENTS FOR THE 457 DEFERRED COMPENSATION PLAN AND THE DEFERRED COMPENSATION COMPANION PLAN. THE MOTION WAS SECONDED BY MR. SAGE.

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

Nays: None

MOTION PASSED

DEFINED CONTRIBUTION PLAN DOCUMENT

Ms. Allen presented the restated plan document for the 401(a) Defined Contribution Plan for Board review and approval. Three sections were revised, one to allow participants who attain age 65 while employed to become 100% vested in their employer contributions; one to reduce mandatory cash out amount from \$5,000 to \$1,000 in order to comply with Code Section 401()(31)(b), and one to permit non-spouse beneficiaries to rollover eligible amounts to inherited IRAs.

MR. SANDAL MOVED TO APPROVE THE RESTATED PLAN DOCUMENT FOR THE 401(a) DEFINED CONTRIBUTION PLAN. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

MOTION PASSED

HARDSHIP WITHDRAWALS

Mr. Collins referred the Board to an excellent article on unforeseeable emergency deferred compensation hardship withdrawals which was presented at the NAGDCA conference.

FLEX COMP

FLEX COMP PLAN GRACE PERIOD REVIEW

Ms. Allen followed up with the Board in response to their request at the September 20, 2007 meeting to evaluate whether the flexcomp administrative policy relating to grace period claims should be changed. Ms. Allen stated that the policy gives the participant the authority and responsibility to make the election to have expenses paid out of either the current plan year or the previous plan year (if submitted during the grace period which is January 1 through April 30). After Board discussion, it was decided to leave the current policy in place which gives the participant the decision making authority of what plan year they request their funds to be taken from.

LASR

POST IMPLEMENTATION REPORT

Ms. Knudsen presented the post implementation report to the Board. This report was submitted to ITD at the end of Phase III of the LASR project. Phase III of the project was completed successfully and under budget.

MISCELLANEOUS

QUARTERLY CONSULTANT FEES

The consultant fees paid during the quarter ending September 30, 2007 report was presented to the Board for their information.

UPDATES

Mr. Collins reported that there are 60 individuals registered for the Retiree Forum scheduled to be held at the Bismarck Civic Center Exhibit Hall meeting rooms on Monday, November 19, at 1:00 p.m. Registration closes November 9. Mr. Collins stated that the flu shot program ran for two nights and approximately 600 vaccinations were given.

The GASB 45 Report and BSBSND Schedules that were on this month's agenda will be deferred to the November meeting.

NDPERS Board Meeting
October 18, 2007
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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

Thursday, November 15, 2007
ND Association of Counties, Bismarck
BCBS, 4510 13th Ave SW, Fargo
8:30 A.M.

Members Present: Ms. Joan Ehrhardt
Mr. Ron Leingang
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
Ms. Sharmain Dschaak, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Sharon Schiermeister, NDPERS
Mr. Aaron Webb, Attorney Generals Office
Mr. Kevin Schoenborn, BCBSND
Ms. Onalee Sellheim, BCBSND
Mr. David Peske, ND Medical Association

Via Conference Call: Mr. Larry Brooks, BCBSND
Mr. Steve Lindemann, BCBSND
Dr. Jon Rice, BCBSND
Mr. Rob Schering, BCBSND
Mr. Brad Bartle, BCBSND
Ms. Shamayne Gerlach, BCBSND
Mr. Bill Robinson, Gallagher Benefit Services
Mr. Tom Skurat, Gallagher Benefit Services

Chairman Strinden was absent and Mr. Sage chaired the meeting. Mr. Sage called the meeting to order at 8:35 a.m.

MINUTES

Mr. Sage called for any questions or comments regarding the minutes of the October 18, 2007 Board meeting.

MR. SANDAL MOVED APPROVAL OF THE OCTOBER 18, 2007 NDPERS BOARD MINUTES. MS. SMITH SECONDED THE MOTION. THE MINUTES WERE APPROVED.

GROUP INSURANCE

GASB 45 REPORT

Mr. Bill Gallagher and Mr. Tom Skurat, Gallagher Benefit Services, reviewed with the Board the Actuarial Valuation of Retiree Health Plans as of July 1, 2007, prepared October 1, 2007. Also reviewed with the Board was the Government Accounting Standards Board (GASB) Statement No. 43. This reporting standard establishes uniform accounting and financial reporting standards for plans such as the NDPERS retiree health insurance credit plan which were implemented for the fiscal year ending June 30, 2007.

MINUTE CLINIC YEAR 1 UPDATE

Mr. Steve Lindemann, BCBSND, reviewed with the Board the effectiveness of the minute clinic concept during 2007. The Board previously approved waiving discount for the Meritcare Minute Clinic which is located in Hornbachers grocery store in south Fargo. Claims were processed on site (real time). Patients seem to be satisfied with this clinic concept, it is convenient, quick and easy. Average cost per visit is approximately 50% less. Mr. Lindemann asked the Board to consider support of this clinic during the next year. The Board requested that the customer satisfaction survey should include a utilization question so more specific data can be gathered for future consideration.

MR. LEINGANG MOVED TO CONTINUE THE MINUTE CLINIC AT THE HORNBACHER'S LOCATION IN FARGO FOR ONE YEAR (2008) WITH A REPORT BACK TO THE BOARD. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

MEMBER SERVICES SURVEY

Ms. Onalee Sellheim, BCBSND, reviewed with the Board the Member Services Survey report of February 2007. Overall member satisfaction increased since February 2006. The Board had questions of BCBSND staff.

MEDICAL MANAGEMENT REPORTS

Ms. Shamayne Gerlach and Dr. Jon Rice, BCBSND, reviewed with the Board the 2003-2007 outcomes of the NDPERS tobacco cessation program and the 2005 and 2006 Utilization Analysis reports for NDPERS active members and retiree members. The NDPERS tobacco cessation program has been positive in terms of helping members remain tobacco free. Ms. Gerlach and Dr Rice reviewed the 2005 – 2006 utilization analysis for PERS active members and retiree members.

HEALTH TRENDS

Mr. Reinhardt reviewed with the Board implications of various medical trend rates on the state health insurance premium and planning projections for 2009-11. Mr. Don Schott, BCBSND, presented information to the Board relating to the key drivers of health care cost. The major contributing factors to health care costs are cost shifting, aging population, technology, and leveraging of cost share (deductibles/coinsurance/copayments). Mr. Rob Scherring presented information on PERS trend rates which are running at approximately 11%.

UND REQUEST

Mr. Collins indicated UND is proposing a pilot study on various health support interventions at its worksite wellness center with the goal to learn more about health coaching and how it affects physical activity and nutrition, overall health and health care costs. BCBS will assist with the study in covering 66% of the cost of the study as well as provide group aggregate information back to the UND researchers. Support has been requested of NDPERS to cover one third of the cost at \$4,875.

MR. TRENBEATH MOVED TO APPROVE NDPERS PARTICIPATION IN THE UND PILOT WORKSITE WELLNESS STUDY IN THE AMOUNT OF \$4,875. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

SURPLUS/AFFORDABILITY UPDATE

Mr. Reinhardt presented the September surplus projection and affordability analysis for the NDPERS group medical plan.

QUARTERLY GRAPHS

Mr. Reinhardt reviewed the quarterly health graphs for the period January 2006 through June 2007 with the Board. The graphs show the trends for total membership in the health insurance plan, which includes active employees, active dependents, retired employees,

and retired dependents. The overall NDPERS health plan is running approximately 7.5% annual trend.

PRESCRIPTION DRUGS UPDATE

Mr. Reinhardt reviewed with the Board the NDPERS health plan cost sharing for prescription drugs, the top ten prescription drugs, and the top five mail order prescription drugs for the 2007-09 biennium. Mr. Reinhardt did report that the plan would have saved approximately \$240,000 if all \$4 qualifying generic drugs were filled at Wal Mart stores.

DEFERRED COMPENSATION

Mr. Collins shared with the Board the 2007-08 Investment Options Summary which contains all the products being offered to NDPERS 457 plan participants. This information is available on the NDPERS website and an email sent to all employers asking them to notify employees that the updated information is available.

MISCELLANEOUS

2008 NDPERS BOARD MEETING DATES

Mr. Sage stated the Board was provided with the 2008 meeting dates and to mark their calendars. This information will be filed with the ND Secretary of State.

BOARD PLANNING MEETING

Mr. Collins indicated that the Board planning meeting is scheduled for December 3 and we will begin at 9:30 a.m. Ms. Smith will be unable to attend.

The State Investment Board agenda and approved minutes were shared with the Board.

RETIREMENT

MEMBER APPEAL

Mr. Collins highlighted with the Board the administrative rules at 71-02-04-10 and 71-02-04-12 relating to overpayments and member appeals on erroneous payments and presented detailed information to the Board relating to a retirement appeal (#2007-001R). The Board discussed the information with questions of staff.

AFTER DISCUSSION, MR. TRENBEATH MOVED TO DENY THE APPEAL OF OVERPAYMENT. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

Mr. Sage informed the Board his last meeting will be in December as he is leaving state employment.

Mr. Sage called for any other business or comments. Hearing none, the meeting adjourned at 10:55 a.m.

Prepared by,

Cheryl Stockert
Secretary to the Board

MINUTES

North Dakota Public Employees Retirement System

Monday, December 3, 2007
Harold Schafer Leadership Center
University of Mary, Bismarck, ND
9:30 a.m.

Members Present: Ms. Joan Ehrhardt
Mr. Ron Leingang
Mr. Howard Sage
Mr. Mike Sandal
Mr. Thomas Trenbeath
Chairman Jon Strinden

Member Absent: Ms. Arvy Smith

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Kathy Allen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Sharon Schiermeister, NDPERS
Mr. Aaron Webb, Attorney General's Office

Chairman Strinden called the meeting to order at 9:40 a.m.

UPDATE ON PROGRESS SINCE 2005 PLANNING MEETING

Mr. Collins reviewed with the Board the issues discussed at the last Board planning meeting in October 2005 and actions taken on those issues since then:

- Retiree inflation Increases: Two years ago the Board decided to go to the legislature for a 2% increase, fully funded in two years. This proposal was included in SB2051, it passed the Senate, however it did not pass the House.
- 13th Check: Included in SB2044 which passed the last legislative session.
- Airtime Purchases: Segal came to several Board meetings to discuss this issue and it was determined that our practice was consistent with federal requirements.
- Interest on Member Accounts: Have not got to this issue, will be carried forward.

- Combining Health Credits: Included in SB2045 which passed this last legislative session.
- Retiree Health Credit Increase: Included in SB2050, passed the Senate and did not pass in the House.
- VEBA: The Board looked into this and decided not to pursue it due to the mandatory requirements for all members.
- Staffing Issues: As a result of Board action, additional staffing was included in our budget (SB2022) and was passed this last session.
- Equity Adjustments: Included in SB2022 and passed.
- Business System Replacement (LASR): Was included in SB2022 and passed. PERS has completed the feasibility study, went through the RFP process, selected a vendor and we are now engaged in a 3 year project to develop an updated integrated business system.
- Board Website and Orientation: Implemented this for the Board. All new Board members who have come on during the last 2 years have gone through the orientation. PERS website updated to include specific link for Board members with resources.
- HDHP: Board heard presentations from Gallagher Benefit Services and the state of Colorado.
- Education: Wellness and health programs have come out of this goal. PERS has started one-on-one onsite benefit counseling sessions at employer worksites as a result of additional staffing.
- Gain Sharing: Will be carried forwarded.

PERS staff reviewed with the Board strengths, weaknesses, opportunities and threats (SWOT) assessment:

Strengths:

- Strong funded status in our retirement plans.
- The health plan is fully funded, we have no deficits. We also have no deficits in any of our plans at this time.
- We have growing membership in all of our programs.
- There are no real marketplace issues at this time such as credibility.
- We have experienced staff in the office which is positive.
- Investment returns

Weaknesses:

- Whatever we do is in the public eye so we must always have to be careful about what we do.
- Have limited ability to respond to situations as a public sector entity.
- Inability to control health care costs. We do things to help contain costs, but we really can't control health care costs.

- At this time, we have no long term plans for retiree increases. Need to discuss cost of living adjustments (COLA's) to see how we can accomplish something in this area.

Opportunities:

- New directions for our programs. We need to take a new look at how we do things, incorporate changes to make it better.
- Economic benefits of our retirement plan. Some states distribute information out to the public relating to the economic benefits of their plan. We put into the state of North Dakota around \$65 million a year in benefits. Most of this comes from investments. This information is presented in legislative committees relating to how much money goes out. We haven't gone to the next step to show how this does affect our state's economy. Some states have done studies to show the broad based economic effect of retirement benefits.
- More member services – we are doing more onsite benefit counseling to employees in other communities without them having to come to Bismarck.

Threats:

- Economic downturns and the associated impact on our plans. We can limit this liability through investment practices, but we can't control it.
- Benefits envy. Public sector benefits may be envied by others.
- Special interest legislation is always a threat to the system.
- Scandals or perceived scandals can be a threat.
- Not living up to promises. Once we get that perception in the marketplace, it is something that takes a long time to recover.
- Rising health care costs are a threat.
- Period of high inflation threaten the defined benefit plan.
- Negative public and member perception are a threat. We need to take a close look at any issues we get involved with to make sure they are appropriate.

The Board discussed what should be some sustaining objectives for the agency:

- Never take on issues that do more harm than good.
- Maintain positive public perceptions.
- Maintain affordable, fair and defensible benefits.
- Must have realistic assumptions.
- Must have honest straight forward accounting and financial records and procedures in place. We want to protect this. We've gotten the GFOA award for excellence in financial reporting for many years.
- We need to plan from our strengths.
- Never make promises we cannot keep.

The Board reviewed the agency's overall philosophy:

Agency Drivers and Philosophy

Driver: Provide an employee benefit package that is among the best available from public and private employers in the upper Midwest.

Philosophy: Exercise prudent risk taking; administering the law effectively, efficiently and fairly; operating at the highest ethical and professional standards; and providing the highest quality services and benefit programs.

Concerning the Retirement Plan, the Board discussed:

Retirement Plan

Statistics

Mr. Collins reported the active membership is now at 18,790. With Fargo (city and park district) coming on in January, we will go over the 19,000 mark. Retirees are at 6,500; they are a fairly silent group for now. Annual benefits are \$65 million; \$18 million of that is in Burleigh County, \$6 million in Cass County.

Actuarial Valuation

Mr. Collins reviewed with the Board the funding status of the retirement systems. Currently, 8% is our investment return. The margin, which is the actuarial required contribution compared to the statutory contribution; the difference between the two is a negative 1.96. When we have positive margins, they are reinvested.

Goals for the Retirement Plan

Four main goals: (1) Enable career employees to care for themselves and dependents at retirement and provide plan that will reduce personnel turnover, (2) provide a mechanism to insure the purchasing power of current retirement benefits, (3) to develop more options on a how a member could access, contribute to supplement, and draw their retirement funds, and (4) to allow members to better care for themselves and their dependents in retirement and reward members who engage in supplemental retirement savings.

Status of Retirement Goals:

On the first goal, we wanted to give 90% of final average salary to a member when they retire, assuming a 25 year career. We have achieved this with the multiplier at 2.00. The second goal is to maintain the purchasing power of current retirement benefits. As fund margins become available, the Board has recommended cost of living increases, and provided full retirement benefits (90%) for any member with combined years of service plus age equaling 85 or with a minimum of 25 years of service. In the past, when retirees were given increases, they were given the equivalent of what the actives received.

Mr. Collins reviewed with the Board a chart illustrating the effect of the CPI, showing what a 1980 retiree with a \$500 benefit received, and what their purchasing power was up to 2006. Purchasing power in 1980 was 100%, now it is at 87.6%.

It was noted that North Dakota legislators do not support automatic cost of living adjustments. However, 77 systems do have automatic COLA's; 27 have ad hoc adjustments. NDPERS has been able to provide an ad hoc "thirteenth" check twice. The 2005 check was the equivalent of a 4% increase for 2 years, and in 2007 it was the equivalent of a 6% increase.

The Retiree Subcommittee suggests a 3% increase in January 2010 and a 3% increase in January 2011. Every 1% increase in retiree benefits requires a .06% increase in employer contributions to support this. A 6% increase would require a .36% increase in contributions.

Today PERS services most of the counties, 100 school districts (non teacher staff), 71 cities, and 57 other entities.

Action Item:

The Board would like to explore the possibility of a tiered system approach. They requested a study of the 13th check approach using a graduated system based on returns in lieu of the fixed amount (50% or 75%). Mr. Collins stated staff will present information relating to these approaches at future Board meetings.

On the issue of COLA's, it was noted that PERS does not have a plan for approaching these types of adjustments.

Action Items:

The Board requested that Segal prepare a proposal to provide assistance to the Board in developing an approach to retirement increases.

Another goal of PERS is to develop more options on how a member could access, contribute to, supplement, and draw their retirement funds. Mr. Collins reported during recent legislative sessions we have added the partial lump sum option, 20 year term certain and conducted a major rewrite of dual member statute. The PERS Benefits Committee recommendations are as follows:

- Allow retirees to designate a subsequent beneficiary. For example, if you retire and take a joint and survivor benefit and your spouse passes away or divorces you, the retiree could designate a new beneficiary.
- Allow additional generic service to be purchased exceeding the present 60 month limitation on but not allowing it to count towards the rule of 85.
- Remove the 5 year payment option from the existing retirement plan. There are various problems and difficulties with this and it is not an option that is used much. This option gets taxed pretty heavily. Secondly, with PEP now in place, there are more monies in the account balance than is provided for in a five year payout.
- Provide a joint and survivor benefit to a non-spouse beneficiary.

- Add a graduated benefit option to the plan. When someone retires, there might be a 2% graduated benefit option, a normal retirement benefit might be \$1,000 per month, with the 2% graduated, you would start out saying you want a 2% increase each year for life. Then you may start with \$850 per month, with a 2% increase each year. This would be self-funding a cost of living adjustment.

The Board would like additional information relating to phasing out the Rule of 85 and re-instituting the Rule of 90.

Retiree Health Insurance Credit Program

Mr. Collins reported the benefit formula is based on \$4.50 for each year of credited service. The goal has been to increase the prefunded health credit as funds become available. Specifically the goal states the Board will recommend the prefunded health credit be increased to fund, at a minimum, a single retiree health premium for a "career" employee. It was noted that approximately 66% of the members participate in the retiree health credit program. On the Medicare side, we have 62%. This program is not designed for 100% participation. Mr. Collins reviewed with the Board the 2007 average premiums and health credit and remaining benefit. The credit has not increased since 1993 because there has been no margin for funding.

Last session in Senate Bill 2050, the governor included a .15% increase in contributions to pay for a 50 cent increase in his budget. The bill passed the Senate, but failed in the House.

The Retiree Subcommittee is recommending an increase to the retiree health credit program by 50 cents in January 2010 and 50 cents in January 2011 and suggesting it be funded by an increase in employer contributions. Other suggestions/considerations would be to utilize the margin and include legislators in the retiree health credit program.

Action Item

The Board would like to obtain additional information relating to bringing the legislators onto the Retiree Health Insurance Credit program. The Board also requested actuarial cost information relating to increasing the health credit by 75 cents.

Investments

Investment Board Membership

Mr. Collins discussed with the Board the suggestion to amend the North Dakota Century Code to allow the PERS Board to expand its authority in its appointments on the State Investment Board. It was noted that the statute presently limits PERS membership on the SIB to elected members. The Board discussed changing this to allow non elected Board members to be appointed to the SIB, similar to what RIO currently has in place.

Action Item

Draft legislative language to provide for a change in statute to allow non elected members to serve on the SIB.

Investment Board Review

Mr. Collins reported that the Audit Committee is reviewing topics relating to the State Investment Board. This includes inviting the RIO auditors to the next investment subcommittee meeting. The Board also discussed several other topics relating to investments including reviewing the diversification strategy of the SIB and asset classes.

Action Items:

The Audit Committee should review and examine the usefulness of hiring an independent firm such as CEM to review the effectiveness of our investment program.

The Audit Committee should also meet with the SIB to discuss the various asset classes, the types of investments in the classes and the effect, if any, on the overall plan risk.

The Audit Committee should periodically review and monitor the investment management fees.

Health Plan

Dakota Plan

Mr. Collins covered with the Board information relating to the current number of contracts, health insurance premium rates, percentage increases, non-Medicare and Medicare premium rates, central states employer contributions for single and family health coverage, deductible amounts, co-payment amounts, coinsurance amounts, annual out of pocket maximums, prescription information, EPO networks and enrollment, and basic utilization information.

The Board reviewed the goals for the health plan which include:

- Promote positive competition through purchasing initiatives: This has been stymied, EPO have expanded back to full coverage in the last year. PPO continues to grow. Quality efforts can be improved.
- Develop and maintain an information database on quality and costs: It is established.
- Consider modifications and improvements to the benefit plan design that can be accomplished within the constraint of available funding.
- Encourage healthy lifestyles and preventative attitudes. We are conducting the Wellness Program, My Health Connection, Health Dialog.

The Board discussed how the plan was doing in relation to each of the goals. It was noted that:

- Our health care premiums compare favorably to other states.
- Health plan increases are projected by BCBS to be 10% a year in the next couple of years due in large part to provider increases.
- Our scope of benefits does not include benefits that are a part of the BCBS standard coverages.
- That PERS has implemented and expanded the employer based wellness program in the last couple of years.
- PERS is implementing a diabetes disease management program pursuant to HB 1433.
- PERS has offered a tobacco cessation program to members for the last 3 years.

Several topics were discussed in more detail by the Board including:

Scope of Benefits

Mr. Collins reviewed with the Board the plan design differences that BCBSND has in their plan that the Dakota Plan does not include in our plan.

Action item:

The Benefits Committee has recommended, at a minimum, to increase our plan to include the CDC approved immunizations. The Board suggested that this be included in the list of options when it considers the health plan renewal.

Plan Design Options

Mr. Collins indicated we will need to start looking at the plan design prior to the next renewal. Costs are continuing to rise (trend rate in last renewal was 9%). Several alternative designs were reviewed

EPO

Mr. Collins indicated that as the EPO program developed in the 90's, it was a capitated product. The goal of the EPO program was to transfer risk to the health care providers and encourage managed care. It was noted that as of 2007 the providers would no longer accept the risk transfer method. However, they indicated that they would continue to provide managed care. At this point the challenge is where to go with this program. One option is to discontinue it in 2011 since providers are no longer willing to share in risk.

A second idea would be to move the program to a wellness based plan design. This would help us move to the next level in the wellness effort. . One concept would be to do a tiered level, gold, silver, and bronze and relate this to the EPO, PPO, or basic plan level. This concept demonstrates how the EPO could be retained and coordinated with wellness efforts. Members could access the higher benefit level, but in order to get to this higher level, they would have to accomplish a wellness effort. The Benefits Committee has looked at this concept and believes it has merit.

A third option would be to continue it as presently defined.

Mr. Collins reported that approximately 40% of our members are enrolled in the EPO. So, if 70% of our members attain the EPO level of benefit, it could cost us more.

Action Item:

PERS should further develop the second concept by May or June.

Other Issues Discussed:

- Pharmacy issues, ND limitation on ownership.
- Employer sponsored clinics, should we have a clinic of this type?
- The Pharmacy Benefits Management (PBM) audit is something the Audit Committee is working on.
- The next health insurance bid in 2011.

Action Items:

Review with the ND Pharmacy Association why there are no pharmacy programs like Wal Mart's \$4 program.

The Board requested that a series of educational programs on health insurance in North Dakota be requested from the Insurance Department and other health plans such as Medica who is doing business in the eastern part of the state.

Agency Based Wellness Programs

Mr. Collins presented information relating to the PERS wellness program. It was noted that worksite wellness programs should try to encourage comprehensive programs including health risk assessment. For PERS it was noted that ideas to consider would be to have health coaching availability, specific employees dedicated to wellness, services and assistance provided from worksite wellness professionals, and possibly having discretionary funds available at worksites that can be used for incentive programs. These incentives should be standardized across all employers. Evidence shows that comprehensive programs provide the greatest potential for positive health changes as well as cost reductions.

Action Item:

Staff should prepare options for the employer based worksite wellness programs based on the suggestions from wellness coordinators.

Pre Medicare Retirees

Mr. Collins reported that rates continue to increase and that their rates are set in statute. Last year based on the current rate structure, there was a \$2 million loss for the biennium. This is the implicit liability that Gallagher Benefit Services has discussed with the Board. This cost shift must be reported on our financial statements. The average age of a pre-Medicare retiree is 61. The BCBS rates compare with our rates on pre Medicare.

Mr. Collins indicated we could put in place a high deductible health insurance plan option for pre Medicare retirees. If this is combined with an HSA, the individual could put \$2,900 per year into their account to offset expenses. This HSA account is an individual account and can be used to pay expenses for a prior year.

Possible Design

The Retiree Subcommittee has indicated we should take a look at the HDHP for pre Medicare retirees, but the goal would be not to have this carry over to the active employees. A review of the present index for pre-Medicare retirees is needed, with the goal of reducing premiums.

Action Items:

The Board would like to have staff collect information relating to adding a pre Medicare HDHP option, as well as information on the effect of changing the ratio. Both these issues require legislation so will be discussed with the Board in February.

Medicare Retirees

The Retiree Subcommittee is looking at various issues relating to coverage such as reviewing the benefit of separating the medical and Rx coverages and having a Medigap plan instead of a carve out. The Retiree Subcommittee will continue to work on issues and will report to the Board this spring.

Life Insurance

Currently the basic life insurance for state employees is \$1,300. There was a bill to increase it to \$5,000 last session, but it did not pass. The Benefits Committee is recommending increasing life insurance to \$10,000.

Action Item:

The Board suggests that staff obtain information on the cost of providing \$10,000 life insurance coverage to state employees.

Deferred Compensation Program

As a result of PEP, enrollment has increased. During the last session, the bill to auto enroll participants was vetoed by the Governor.

Action Items:

The Benefits Committee has suggested that we look at the option of auto enrollment with possible legislation this next session. Staff will provide more education and outreach to the Governor and Higher Education. We could talk with the employee organizations as well.

Legislation could be developed as an incentive to participating in the 457 program to allow 457 PEP contributions to purchase service credit at 9.12% on a per month basis for up to 1, 2, or 3 years.

Administrative Update

Mr. Collins reported that the equity adjustment package passed this last session and 4 additional FTE were approved, 2 in accounting and 2 in benefits. Staff was very appreciative of the adjustments. As of January we will be fully staffed. The project to replace our business system with an integrated system has begun and will continue for 3 years.

Board Election

Mr. Collins reviewed with the Board information relating to filling the unexpired term of elected Board member Howard Sage which ends June 30, 2008. The Board discussed the situation, reviewed the information with legal counsel, and decided to hold a regular general Board election during the normal time frame. The next five year term will begin July 1, 2008.

Chairman Strinden called for any other business or comments. Hearing none, the meeting was adjourned at 2:15 p.m.

Prepared by,

Cheryl Stockert
Secretary to the Board