

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13th Ave SW, Fargo

Thursday, January 22, 2009

8:30 A.M.

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

Via Conference Call: Chairman Jon Strinden

Others Present: Ms. Kathy Allen, NDPERS
Ms. Cheryl Stockert, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Deb Knudsen, NDPERS
Mr. Aaron Webb, Attorney Generals Office
Ms. Onalee Sellheim, BCBSND
Ms. Jodi Crouse, BCBSND

Via Conference Call: Mr. Kevin Schoenborn, 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 December 16, 2008 Board meeting.

MS. SMITH MOVED APPROVAL OF THE DECEMBER 16, 2008 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MR. SANDAL. THE MINUTES WERE APPROVED.

Chairman Strinden called for any questions or comments regarding the minutes of the December 30, 2008 Board meeting.

MR. LEINGANG MOVED APPROVAL OF THE DECEMBER 30, 2008 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MS. SMITH. THE MINUTES WERE APPROVED.

RETIREMENT

Public Fund Survey Summary 2007

The Public Fund Survey Summary of Findings for FY 2007 as prepared by the National Association of State Retirement Administrators was shared with the Board.

Pension Protection Act

The Pension Protection Act technical amendments as signed into law December 10, 2008 information was shared with the Board.

Public Pension Coordinating Council Award

Mr. Knudsen reported that NDPERS received the Recognition Award for Administration for 2008 from the Public Pension Coordinating Council. The Public Pension Standards are intended to reflect minimum expectations for public retirement system management and administration.

IRS Letter of Determination Update

Ms. Knudsen reported to the Board that Segal Company has been working with staff and Segal has prepared everything necessary for the IRS filing and Voluntary Compliance Program (VCP) submission for both the hybrid plan and Highway Patrol plan. Cycle C submissions must be submitted to the IRS by Monday, February 2, 2009.

GROUP INSURANCE

BCBS Annual Report

Ms. Jodi Crouse and Mr. Kevin Schoenborn, BCBSND, reviewed with the Board the NDPERS Annual Health Care Utilization Study. Highlights were presented on the following topics: incurred claims; annual PMPM costs of total PERS, total actives, EPO actives and PPO actives; membership comparisons of EPO actives and PPO actives; retiree membership and payments per member per month, and PMPM costs for COBRA, and political subdivisions; discount comparisons; plan demographics; high dollar claims (actives and retirees); prescription drug utilization (actives and retirees); member education efforts; wellness programs update; smoking cessation update; health dialog update; and the pharmacy disease management program. Board discussion and questions followed.

Heart of America Health Plan

Ms. Allen reported that Heart of America Health Plan in Rugby has requested to offer its health plan to PERS membership in the Rugby service area for the renewal term of July 1, 2009 through June 30, 2010. Premiums increased by about 3.8% from the previous year.

MR. SANDAL MOVED TO RENEW HEART OF AMERICA HEALTH PLAN FOR THE PERS MEMBERSHIP IN THE RUGBY SERVICE AREA FOR THE REQUESTED RENEWAL TERM. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

MOTION PASSED

ICD9 Inpatient Comparison

The 2006 NDPERS inpatient comparison data was shared with the Board. Our inpatient claims data is compared against the National Hospital Discharge Summary.

Prescription Drug Update

Mr. Reinhardt presented a prescription drug update to the Board. The data used was for the latest year (July 2007 through June 2008). Board discussion and questions followed.

Surplus/Affordability Update

Mr. Reinhardt presented the November projections to the Board. At this time the projected gain for the 2007-09 biennium is \$0.

DEFINED CONTRIBUTION PLAN

2008 Enrollment

Ms. Allen reported that of 82 eligibles, there were a total of six transfers to the DC plan in 2008.

FLEXCOMP PLAN

2009 Enrollment

Ms. Allen shared with the Board the 2009 flexcomp plan year enrollment figures. Participation in medical spending accounts increased by 2.6% and decreased for dependent care accounts by 7.7%.

MISCELLANEOUS

2008 Comprehensive Annual Financial Report

The 2008 comprehensive annual financial report was shared with the Board. This report is available on the NDPERS website at <http://www.nd.gov/ndpers/forms-and-publications/index.html>

Quarterly Consultant Fees

The report of consultant fees paid during the quarter ending December 31, 2008 was presented to the Board for their information.

The State Investment Board agenda and minutes were distributed.

Mr. Sandal reported he has attended many legislative hearings that Mr. Collins and PERS staff has presented to. He complimented staff that the quality and the reception by legislators of those presentations has been excellent, given there are a number of difficult issues. The presentations made by PERS staff and the Executive Director have been second to none.

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 9:28 a.m.

Prepared by,

Cheryl Stockert
Secretary to the Board

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13th Ave SW, Fargo

Thursday, February 19, 2009

8:30 A.M.

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

Via Conference Call: Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. Diane Heck, NDPERS
Mr. Srinivas Goluguri, NDPERS
Mr. Aaron Webb, Attorney Generals Office
Ms. Onalee Sellheim, BCBSND
Ms. Gisele Thorson, NDPEA
Mr. Bill Kalanek, AFPE

Via Conference Call: Mr. Kevin Schoenborn, BCBSND
Ms. Jodi Crouse, BCBSND
Mr. Rob Schering, 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 January 22, 2009 Board meeting.

MR. TRENBEATH MOVED APPROVAL OF THE JANUARY 22, 2009 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MR. SANDAL. THE MINUTES WERE APPROVED.

RETIREMENT

Experience Study

Mr. Collins reported to the Board that an experience study is done every five years and the last experience study was for the five years ending June 30, 2004. The experience study reviews the economic and demographic assumptions from the past five years to make sure the assumptions remain valid. Another study should be conducted at the end of this next valuation in June 2009. One option is to have Segal do the valuation. Another option would be to prepare a request for proposal, go to bid and select a firm. PERS will be going to market later this year to bid for retirement consulting services for 2010-2016.

The Board discussed this issue.

MR. TRENBEATH MOVED THAT PERS STAFF PROCEED WITH A REQUEST FOR PROPOSAL TO HIRE A CONSULTANT TO CONDUCT AN EXPERIENCE STUDY. THE MOTION WAS SECONDED BY MR. LEINGANG.

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

Nays: None

MOTION PASSED

GROUP INSURANCE

Mr. Collins informed the Board that the Diabetes Management Program update will be scheduled for the March meeting.

Minimum Participation/Contribution Study

Mr. Collins shared a report with the Board relating to its annual compliance review of participating employers for the 2008 calendar year. Compliance is at 100%.

PPO Participation/Discounts

Mr. Collins presented the Board with a PPO network activity update. In 2008, 454 professional pins were issued and 38 facilities and 11 institutional providers were added to the directory. Board questions and discussion occurred.

Go Red ND Initiative

Ms. Joan Enderle, the Director of the Go Red North Dakota Project, a workplace wellness program that is in place in several workplaces, provided the Board with an update relating to this initiative. The goal of this initiative of the American Heart Association and Dakota Medical Foundation is to improve the cardiovascular health of women and their families in North Dakota. The Board had questions of Ms. Enderle.

Health Plan Update

Mr. Schoenborn, BCBSND, presented the health premiums reprojection information to the Board. Trends are higher than what was originally projected for actives and retirees. The actives are trending at about 13-14% and the retirees are at 5% higher, both are higher trends than the original estimates. Board questions and discussion occurred. Mr. Collins presented an update relating to other group insurance issues including rates and funding status.

Pre-Medicare 3+ Rate

Mr. Collins reported the issue of pre-Medicare retiree 3+ rate was brought to the Board's attention several months ago. Seven members transitioned from COBRA erroneously to a non-Medicare family contract instead of a non-Medicare family contract of three or more members (3+ rate). The members' rates have since been adjusted to the correct rate. Mr. Collins also reported that administrative procedures have been modified to require that all members must complete a health insurance application whenever there is a transition to a new rate structure in order to verify covered dependents on the member's contract which ensures they will be set up with the correct premium.

The Board discussed this issue.

MR. TRENBEATH MOVED THAT A PROSPECTIVE ADJUSTMENT FOR THE SUBSCRIBERS WHO WERE IN THE WRONG RATE CATEGORY WAS EQUITABLE UNDER THE UNIQUE FACTS OF THE SITUATION AND THAT NO FURTHER ACTION SHOULD BE TAKEN, AND TO REFUND THE OVERPAYMENT AMOUNTS. THE MOTION WAS SECONDED BY MS. EHRHARDT.

The Board further discussed this motion.

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

Nays: None

MOTION PASSED

Dakota Retiree Plan Design

Mr. Collins reported that the PERS Retiree Subcommittee has been meeting to review the possibility of proposing a change to the retiree health plan from the existing carve out plan to one that would be based on the Medicare supplement Plan F design. The subcommittee met to discuss this change and voted to move forward with that transition. A final decision must be made in March. Mr. Schoenborn, BCBSND, reviewed with the Board the retiree health plan design including the benefit structure/design. The benefit structure follows Medicare Plan F guidelines, wellness benefits are expanded, and coinsurance and deductibles will decrease. For the group on average, there will be a rate reduction of 13.4% in the old plan, but the new plan will increase rates by about 4.9% due to the higher benefits.

MS. EHRHARDT MOVED THAT PERS CONTINUE TO MOVE FORWARD WITH THE DAKOTA RETIREE PLAN DESIGN CHANGES SUBJECT TO FINAL CONSIDERATIONS OF THE RATINGS. THE MOTION WAS SECONDED BY MR. LEINGANG.

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

Nays: None

MOTION PASSED

Employee Assistance Program (EAP) Renewal

Mr. Collins reported that the EAP request for proposal is done every two years and the plan is to issue it next month for the 2009-2011 biennium. There are currently four active EAP contracts. Board discussion occurred.

MR. SANDAL MOVED APPROVAL TO ISSUE A REQUEST FOR PROPOSAL TO SOLICIT EMPLOYEE ASSISTANCE PROGRAM VENDORS. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

The Board further discussed the issue and the motion.

MOTION PASSED

Surplus/Affordability Update

Mr. Reinhardt presented the December projections to the Board. At this time the projected gain for the 2007-09 biennium is \$0.

MISCELLANEOUS

Board Election Committee

Mr. Collins indicated to the Board there is a need to appoint a committee of three, one of whom must be designated as chair, to oversee the election process. Mr. Sandal, Mr. Erdmann, and Mr. Strinden volunteered to be on the election committee.

MR. TRENBEATH MOVED APPROVAL OF MR. SANDAL, MR. ERDMANN, AND MR. STRINDEN TO SERVE ON THE ELECTION COMMITTEE, WITH A CHAIR TO BE SELECTED AMONG THE THREE VOLUNTEERS. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

MOTION PASSED

Legislative Update

Mr. Collins presented the Board with a legislative update, including the current status of bills. PERS budget bill has been approved as amended, with the standard amendment to include reduction of the salary and wage line item by 2%. HB1121, HB1173, HB1575, SB2153 and SB2154 passed the house. HB1120 failed to pass.

PERSLink Quarterly Report

Mr. Reinhardt reviewed with the Board the fourth quarter 2008 PERSLink status report which PERS is required to file with ITD throughout the duration of the project. The project is on time and on budget.

2008 Business Plan

Mr. Collins reviewed with the Board the 2008 business plan which was provided to present a perspective of the activities that occurred last year. The document guides PERS many business activities for the year and is broken out by program agency drivers or guiding principles.

The SIB agenda will be sent to the Board members when available.

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

Prepared by,

Cheryl Stockert
Secretary to the Board

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13th Ave SW, Fargo

Thursday, March 19, 2009

8:30 A.M.

Members Present: Ms. Joan Ehrhardt
Mr. Levi Erdmann
Mr. Ron Leingang
Mr. Mike Sandal
Ms. Arvy Smith

Via Videoconference: Chairman Jon Strinden

Members Absent: Mr. Thomas Trenbeath

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Sharmain Dschaak, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. Diane Heck, NDPERS
Mr. Srinivas Goluguri, NDPERS
Mr. Aaron Webb, Attorney Generals Office
Mr. Kevin Schoenborn, BCBSND
Mr. Stuart Savelkoul, NDPEA
Mr. Al Pertuz, BCBSND/Health Dialog
Ms. Brad LaPorte, BCBSND/Health Dialog
Mr. Bob Thomas, SEI

Via Videoconference: Ms. Jodi Crouse, BCBSND
Ms. Onalee Sellheim, BCBSND
Mr. Rob Schering, BCBSND
Ms. Linda Merck, BCBSND
Mr. Tim Huckle, BCBSND
Mr. Dennis Elbert, BCBSND

Via Conference Call: Ms. Jennifer Podder, SEI

Chairman Strinden called the meeting to order at 8:33 a.m.

MINUTES

Chairman Strinden called for any questions or comments regarding the minutes of the February 19, 2009 Board meeting.

MS. EHRHARDT MOVED APPROVAL OF THE FEBRUARY 19, 2009 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MR. SANDAL. THE MINUTES WERE APPROVED.

GROUP INSURANCE

BCBSND Information

Mr. Collins introduced Mr. Tim Huckle, Executive Vice President and interim CEO of BCBS, and Dr. Dennis Elbert, Chairman of the Board, who were available via conference call. Mr. Huckle indicated they are committed to PERS' customers and look forward to the future with ways to enhance services to meet customer needs. Mr. Elbert indicated the company is very solid with a great executive team and employees. Mr. Collins indicated that staff and the Board will develop some thoughts in letter form, including concerns from both the administrative and member levels and discuss with BCBS by late April. The Board concurred with this approach.

Health Dialog Report

Mr. Al Pertuz and Mr. Brad LaPorte, BCBSND/Health Dialog, reviewed with the Board the Year 3 MyHealthConnection program results including an executive summary, methodology review, total and per member per month savings, total return on fees, per contract per month savings trend, clinical quality indicators overview, and the 2009 member satisfaction survey key indicators. The Board had questions relating to this report which were answered.

Health Plan

Mr. Collins reviewed with the Board the active and pre-Medicare rates and the various options for the Medicare retiree rates. Staff from BCBS was available for questions and reported that the final rates must be to them for filing of the plan by April 1. Mr. Collins indicated that pre-notification letters will be sent to both the active and retired members regarding the health rates. The Board discussed the various options for the Medicare retiree rates at length.

MR. SANDAL MOVED TO ADOPT AS THE RETIREE RATE THE MEDICARE PLAN F LOOKALIKE WITH THE PREMIUMS BASED ON NUMBER OF CONTRACTS (PROGRESSIVE MEDICAL RATES), TO GRANDFATHER 14 CONTRACTS AND NEW RETIREE CONTRACTS WILL BE AT THE HIGHER RATES. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

Mr. Collins reviewed with the Board the schedules for active and pre-Medicare retirees.

MR. LEINGANG MOVED TO ADOPT THE ACTIVE AND PRE-MEDICARE RATE DISTRIBUTION FOR THE 2009-2011 BIENNIUM. THE MOTION WAS SECONDED BY MR. SANDAL.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

Wellness Program Subcommittee

Ms. Allen reported to the Board that PERS has reviewed the composition of this subcommittee and its role. Since the implementation of this program, the role of this subcommittee has become more of an administrative function rather than a policy function. It is recommended that a PERS staff person serve on the committee in lieu of a Board member, with any policy/procedure changes being brought to the full Board for review and approval. The proposed changes to the members on this committee will not affect our agreement with BCBS. The Board discussed this issue.

MR. SANDAL MOVED TO ELIMINATE THE PERS WELLNESS PROGRAM SUBCOMMITTEE AND IN THE FUTURE, ANY POLICY OR PROCEDURE CHANGES BE BROUGHT TO THE FULL BOARD FOR REVIEW AND APPROVAL. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

New COBRA Provision in Economic Stimulus Legislation

Mr. Collins reviewed with the Board the COBRA provision in the recently passed American Recovery and Reinvestment Act of 2009 as signed by the President. The provision provides for a 65% reduction in COBRA premiums for certain assistance eligible individuals for up to nine months. PERS will be issuing guidance to employers within the next couple of weeks and will also notify eligible members.

Surplus/Affordability Update

Mr. Reinhardt presented the January projections to the Board. At this time the projected gain for the 2007-09 biennium is \$0.

EAP Utilization

Mr. Reinhardt reviewed with the Board the self-reported 2008 EAP utilization. The overall utilization rate is 9% which it has been for approximately five years.

RETIREMENT

Asset Allocation Study

Mr. Collins introduced Mr. Thomas and Ms. Podder with SEI. SEI conducted an asset allocation study for the Retiree Health Credit Fund program and the Job Service Plan. Mr. Thomas and Ms. Podder reviewed the asset allocation studies with the Board and answered questions. The study has been reviewed with the Investment Subcommittee which offered recommendations to the Board to transition to the enhanced asset allocation for both the Retiree Health Credit fund and the Job Service plan. The committee also recommended that in the Job Service retirement plan, since the plan is 60% fixed income, to cut its Timberland exposure in half and reallocate the remaining funds pursuant to the new asset allocation. It is also recommended that the \$750,000 settlement relating to the retiree health fund be held in a fixed income account and invested when the new asset allocation for that fund is implemented. There was discussion relating to how to reallocate the Timberland exposure and it was decided that there will be further discussion with RIO and the Investment Subcommittee on how to handle the reduction in the Timberland exposure.

MR. ERDMANN MOVED TO TRANSITION TO THE ENHANCED ASSET ALLOCATION FOR THE RETIREE HEALTH CREDIT FUND AND THE JOB SERVICE PLAN, THE JOB SERVICE PLAN SHOULD CUT ITS TIMBERLAND EXPOSURE IN HALF AND REALLOCATE THE REMAINING FUNDS, AND THE SETTLEMENT RECEIVED PURSUANT TO THE NEW THE RETIREE HEALTH CREDIT FUND ASSET ALLOCATION. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

Graduated Benefit Option

Ms. Fricke reported that SB2153 provides for an actuarially equivalent benefit option with either a one percent or a two percent increase to be applied the first day of January of each year of retirement. Although the effective date of this option is March 1, 2011, staff must begin developing the rules for administration in the new business system. Staff recommends the following parameters for this option which, upon Board approval, will be

implemented in the new business system and added to the administrative rules: 1) limit the option to members retiring on or after their normal retirement date as set by statute; 2) exclude disability and early retirees, beneficiaries of deceased members, and level social security income option; 3) require that the option be a one-time, irrevocable election that is made at the time of the member's retirement; and 4) exclude the benefit in combination with a PLSO or DNRO benefit option.

MR. SANDAL MOVED TO APPROVE THE GRADUATED BENEFIT OPTION PARAMETERS AS OUTLINED BY PERS STAFF. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

Retirement Update

Mr. Collins provided the Board with an update on information provided by RIO relating to the year to date returns (PERS minus 34.33%, Job Service minus 25.34%, and Retiree Health minus 33.45%) and projected funding ratios. Segal has updated its projections and Mr. Collins reviewed that information. Mr. Collins indicated that he will be forwarding his same information to the Chair of the Legislative Employee Benefits committee. .

DEFERRED COMPENSATION

401(a) and 457 Companion Plan 4th Quarter Reports

Mr. Reinhardt reviewed with the Board the 4th quarter 2008 report for the 401(a) and 457 Companion Plan. Assets in the 401(a) plan decreased to \$12.6 million (or about 30% from the same period in 2007) and the Companion Plan decreased to \$18.4 million.

MISCELLANEOUS

Audit Committee Minutes

The November 19, 2008 PERS Audit Committee minutes was shared with the Board. No discussion.

Audit Committee Charter Activity Review

The Audit Committee charter review matrix was shared with the Board. No discussion.

2009 Business Plan

Mr. Collins reviewed with the Board the 2009 PERS business plan which is used to guide business processes throughout the year.

NDPERS Board Meeting

March 19, 2009

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Legislative Update

Mr. Collins shared with the Board the update on bills affecting PERS. No discussion.

NCPERS Update

Mr. Collins reported that the National Council of Public Employees Retirement Systems will have their annual conference in about six weeks. In the past, the Board has approved one or two members to attend this meeting.

MS. SMITH MOVED TO APPROVE TWO TO ATTEND THE NCPERS ANNUAL CONFERENCE IN 2009. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

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

Prepared by,

Cheryl Stockert
Secretary to the Board

MINUTES

North Dakota Public Employees Retirement System

WSI Boardroom, Bismarck

WSI Meeting Room, Fargo

Thursday, April 16, 2009

8:30 A.M.

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

Via Videoconference: Chairman Jon Strinden

Members Absent: Mr. Ron Leingang

Others Present: Ms. Cheryl Stockert, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Sharmain Dschaak, NDPERS
Ms. Rebecca Fricke, NDPERS
Mr. Aaron Webb, Attorney Generals Office
Ms. Onalee Sellheim, BCBSND

Via Videoconference: Mr. Sparb Collins, NDPERS
Mr. Kevin Schoenborn, BCBSND
Ms. Jodi Crouse, 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 March 19, 2009 Board meeting.

MS. EHRHARDT MOVED APPROVAL OF THE MARCH 19, 2009 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MR. SANDAL. THE MINUTES WERE APPROVED.

GROUP INSURANCE

Diabetes Management Program Update

Mr. Jayme Steig, the Clinical Coordinator Provider with Frontier Pharmacy Services, presented a program update on the diabetes management program. A copy of the presentation is available in the PERS office. Board discussion and questions followed.

Disease Management

Mr. Collins reviewed information with the Board relating to the Health Dialog disease management program. The health renewal did not include this program and therefore was not submitted to the Governor. One of the reasons was because BCBS is offering another program called MediQHome Program.

Dr. Rice, BCBS, presented an overview of the MediQHome Program which will be offered through the PERS contract July 1, 2009. This program includes 14 clinical suites of diseases that can be tracked and measured electronically in near real time for multiple diseases with multiple measures. Dr. Rice indicated the goal is to get this program up and running by the middle of the year. The Board had questions of Dr. Rice and discussed this program.

MR. TRENBEATH MOVED TO DISCONTINUE HEALTH DIALOG EFFECTIVE JULY 1, 2009. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

Absent: Mr. Leingang

MOTION PASSED

BCBSND

Mr. Collins reported that at the last meeting the interim BCBS CEO as well as their board president attended via teleconference and the PERS Board agreed that a letter would be drafted and sent to BCBS outlining issues that have transpired within the last year. A draft letter was reviewed and discussed by the Board and suggestions were made. The Board agreed that a letter should be sent to BCBS which Mr. Collins will do.

COBRA Stimulus Bill Provision Update

Mr. Collins updated the Board relating to this provision. The Attorney General's Office reviewed the law and determined that PERS, as a multiemployer plan, could be viewed as the employer and do the Form 941 filing. Based upon this review, staff believes the most efficient method for our participating employers is for PERS to do the filing instead of trying to bill each employer.

Consultant Services

Mr. Collins reported that the Gallagher Benefit Services renewal for group insurance consultant services expires June 30, 2009. There is one more year under the bid arrangement and they have agreed to not increase their fees for this work effort. Their work effort during the last year has met all expectations. The Board discussed this issue.

MR. SANDAL MOVED APPROVAL OF THE RENEWAL WITH GALLAGHER BENEFIT SERVICES FOR THE PERIOD JULY 1, THROUGH JUNE 30, 2010 FOR GROUP INSURANCE CONSULTANT SERVICES. THE MOTION WAS SECONDED BY MR. ERDMANN.

The Board further discussed the motion and noted that additional information would be necessary before final action is taken and requested this be held over until the May meeting. Based on this discussion, Mr. Sandal and Mr. Erdmann withdrew the motion and it will be included on the May agenda.

BCBS 2008 Claims Review

Mr. Reinhardt reported that on a yearly basis PERS staff review a specific sample of 100 PERS claims. He reviewed the results of this claims audit with the Board. The Board had questions and discussed this report.

Surplus Affordability Update

Mr. Reinhardt presented the February projections to the Board. At this time the projected gain for the 2007-09 biennium is \$0.

DEFERRED COMPENSATION

457 Provider Training

Ms. Knudsen reported to the Board that training is conducted on a yearly basis for the 457 providers. Last year, in an effort to make it more convenient for the provider representatives, PERS utilized the GoToMeeting website which was successful. Since there is no new material to present and PERS will have 187 representatives located in 23 communities throughout the state who will require training, PERS staff is proposing to offer the training via the GoToMeeting and also through the web. Those representatives that elect the option through the web will not receive continuing education credits. The Board discussed this issue and had questions of staff.

MS. EHRHARDT MOVED TO APPROVE THE CHANGES THIS YEAR TO ALLOW THE 457 PROVIDER REPRESENTATIVES AN OPPORTUNITY TO TAKE THE REQUIRED TRAINING EITHER THROUGH GOTOMEETING OR THE WEB. THE MOTION WAS SECONDED BY MR. TRENBEATH.

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

Nays: None

Absent: Mr. Leingang

MOTION PASSED

RETIREMENT

Other Post Employment Benefit Plans (OPEB) Valuation

Mr. Collins reported to the Board that the annual OPEB reporting is due for the fiscal year ended June 30, 2009. Gallagher Benefit Services had completed the previous valuation and the Board needed to determine if it should go out for bid or obtain an estimate from GBS. Mr. Collins indicated that PERS will go out to bid on the experience study in the next couple of weeks. The Board discussed this issue.

MR. TRENBEATH MOVED TO GO OUT TO BID FOR THIS VALUATION AND TO INCLUDE IT WITH THE EXPERIENCE STUDY BID OFFERING AS A SEPARATE ITEM. THE MOTION WAS SECONDED BY MR. SANDAL.

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

Nays: None

Absent: Mr. Leingang

MOTION PASSED

MISCELLANEOUS

Legislative Update

Mr. Collins reviewed with the Board the legislative status of PERS bills. He indicated that the retiree health credit bill has passed the House and will go back to the Senate for signature.

Quarterly Consultant Fees

The report of consultant fees paid during the quarter ending March 31, 2009 was presented to the Board for their information.

Executive Director Review

Chairman Strinden asked the Board for volunteers to serve to coordinate the annual review of the Executive Director and to prepare a salary adjustment recommendation. Mr. Sandal and Mr. Erdmann offered to be on the committee. Chairman Strinden will ask Mr. Leingang, who was not in attendance, if he would be willing to serve.

MR. TRENBEATH MOVED TO APPROVE MR. ERDMANN AND MR. SANDAL TO SERVE ON THE COMMITTEE AND TO CONTACT MR. LEINGANG TO SERVE. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

Absent: Mr. Leingang

MOTION PASSED

IFEBP

Mr. Collins reported that he serves on the Public Employees Board of the International Foundation of Employee Benefit Plans for the past 6 years and was recently elected to serve as an officer for the Public Employees Board. Next year he will be secretary, then vice chair, then chair. All expenses for attending the meetings are paid by the Foundation. Mr. Collins seeks approval for the Foundation to pay expenses (per policy).

MS. SMITH MOVED TO APPROVE THE PAYMENT OF EXPENSES BY THE FOUNDATION FOR MR. COLLINS. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

Absent: Mr. Leingang

MOTION PASSED

Financial Hardship #2009-001DC

Ms. Allen presented detailed information to the Board relating to a participant requesting a hardship withdrawal to cover unpaid expenses for the unexpected vehicle repairs that were not covered by warranty. The Board discussed this hardship withdrawal case.

MR. TRENBEATH MOVED TO APPROVE THE HARDSHIP REQUEST. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: Mr. Sandal and Chairman Strinden

Absent: Mr. Leingang

MOTION PASSED

Mr. Erdmann reported that a couple of weeks ago he attended an employee benefits conference for public plans put on by the International Foundation and he was impressed that the sessions were very focused and relevant to his work as an NDPERS trustee.

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 9:55 a.m.

Prepared by,

Cheryl Stockert
Secretary to the Board

MINUTES

North Dakota Public Employees Retirement System
ND Association of Counties, Bismarck
BCBS, 4510 13th Ave SW, Fargo
Thursday, May 21, 2009
8:30 A.M.

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

Via Videoconference: Chairman Jon Strinden

Members Absent: Mr. Ron Leingang

Others Present: Mr. Sparb Collins, NDPERS
Ms. Kim Humann, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Sharmain Dschaak, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Anne Bahr, LR Wechsler
Mr. Aaron Webb, Attorney Generals Office
Ms. Onalee Sellheim, BCBSND
Mr. Kevin Schoenborn, BCBSND
Mr. Stuart Savelkow, NDPEA

Via Videoconference: Dr. Nancy Vogeltanz-Holm, UND
Mr. Jayme Steig, Frontier Pharmacy Services

Via Conference Call: Mr. Bill Robinson, Gallagher Benefit Services

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

MINUTES

Chairman Strinden called for any questions or comments regarding the minutes of the April 16, 2009 Board meeting.

MS. SMITH MOVED APPROVAL OF THE APRIL 16, 2009 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MS. EHRHARDT. THE MINUTES WERE APPROVED.

ADMINISTRATION

PERSLink Update

Ms. Anne Bahr, LR Wechsler, provided an update on the status of the PERSLink project and gave a brief overview of Sagitec's technical quality assurance process they follow when developing systems. Ms. Schiermeister reviewed the budget status for the PERSLink project as of 03/31/2009.

GROUP INSURANCE

Gallagher Benefit Services

The agreement with Gallagher Benefit Services (GBS), the group insurance consultant, expires June 30, 2009. They have one more year under the current bid arrangement where the Board can continue the agreement subject to agreement on the rates and that their work efforts meet expectations. Included with the board materials was GBS rates for the upcoming year. Mr. Collins indicated that the work efforts by GBS during the last year have met all expectations. Staff recommended continuing the relationship with GBS for the next year with no increase in rates.

MS. EHRHARDT MOVED TO CONTINUE THE RELATIONSHIP WITH GBS FOR THE NEXT YEAR. MS. SMITH SECONDED THE MOTION.

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

Nays: None

Absent: Mr. Leingang

MOTION PASSED

Secondary Coverage Eligibility

Mr. Collins conveyed part of the program design and incentive for participation in the Diabetes Program is that a participating member can have their copayments paid by the plan. The process is for the North Dakota Pharmacy Services Corporation (NDPSC) to prepare a list of eligible reimbursements and send them in for approval and then a vendor they have contracted with makes the payment to the member, Mr. Collins indicated a question had arisen concerning the participation of members who NDPERS pays secondary coverage (that is their primary coverage is another plan). Should these members be eligible to have the copayment they have incurred on the secondary coverage paid for participating in the program. If the Board elects to authorize this, the NDPSC has outlined the process to accomplish this payment. Discussion followed.

MR. TRENBEATH MOVED TO APPROVE PAYING THE COPAYMENT FOR MEMBERS WHO PARTICIPATE IN THE DIABETES PROGRAM WHEN NDPERS PAYS SECONDARY. MR. SANDAL SECONDED THE MOTION.

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

Nays: None

Absent: Mr. Leingang

MOTION PASSED

Wellness Program Update

Dr. Nancy Vogeltanz-Holm presented the final report relating to the ND Worksite Health Promotion Program along with the Aggregate Report for Year 3. The ND Worksite Health Promotion Program (HPP) was a pilot program conducted in 2006-2008 that provided 2.5 years of active health promotion services and evaluation of program effectiveness for ND state employees from four agency worksites. The purpose of the program was to develop and implement an evidence based worksite health promotion program that would potentially improve state employees' health, health behaviors, work productivity, work satisfaction, and decrease healthcare costs. The program was sponsored by NDPERS and designed, implemented, and evaluated by health professionals at the University of North Dakota School of Medicine and Health Sciences, Center for Health Promotion and Prevention Research. A copy of the report is available in the PERS office. The Board had questions and discussed this report. Mr. Collins conveyed staff review this information and identify the best practices and lessons learned. Mr. Sandal suggested summarizing this report and sharing the information with the state agencies wellness committee coordinators.

ND Pharmacy Services Corporation Contract

Included with the board materials was a proposal from the North Dakota Pharmacy Services Corporation (NDPSC) relating to implementation of the provisions of HB 1433 for the 2009-2011 biennium. At the last board meeting an update was given on the first year. During the upcoming biennium a report will be done by UND, the consultant, on the value of this effort. Staff recommended moving forward with the project based upon the proposal submitted. The Board discussed this issue. By general consensus, the Board deferred action on this matter until next month. Additional information was requested on the Administrative Fee amount in the cost proposal and the fees for reimbursements which was not included in the cost proposal.

Single Plus Dependent (SPD) Rate

Mr. Collins indicated last year staff received a request from a political subdivision to consider adding a single plus dependent (SPD) rate. With the finalization of the rate structure at the March meeting and pursuant to the Board's action last summer to investigate this suggestion staff did a survey of participating political subdivisions showing how adding a single plus dependent rate would affect the existing rates. A copy of the survey results was included in the board materials. Based upon the results of this survey, staff recommended not changing the existing method of adding a single plus dependent rate.

Employee Assistance Program (EAP) Proposals

Mr. Reinhardt indicated 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 and 2007. 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. Staff recommended approving the four EAP vendors as agency choices for the 2009-2011 biennium. Discussion followed.

MR. SANDAL MOVED TO APPROVE THE FOUR EAP VENDORS AS PROPOSED FOR THE 2009-2011 BIENNIUM. MS. EHRHARDT SECONDED THE MOTION.

NDPERS Board Meeting

May 21, 2009

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

Nays: None

Absent: Mr. Leingang

MOTION PASSED

BCBS Letter

Included with the board materials was the final letter to BCBS which was mailed on April 21, 2009 to Mr. Huckle, Mr. Dennis Elbert, Chair, as well as the Board of Directors.

Member Bill Audit Program

Mr. Collins indicated staff had not reviewed the Member Bill Audit Program with the Board in several years. This program has been a part of the health plan for over ten years. Staff shared this information with the program so the Board could determine if it should continue the program for 2009-2011. The program is described in the SPD as:

5.2 MEMBER BILL AUDIT

Upon receiving notice of a claims payment from BCBSND, the Member is encouraged to audit their medical bills and notify BCBSND of any services which are improperly billed or services that the Member did not receive. If, upon audit of a bill an error of \$40 or more is found, the Member will receive a minimum payment of \$20 or 50% of the resulting savings for paid Covered Services up to a maximum payment of \$500.

To obtain payment through the Member Bill Audit Program, the Subscriber must complete a Member Bill Audit Refund Request Form. Forms are available from Blue Cross Blue Shield of North Dakota's NDPERS Service Unit.

This program does not apply when the NDPERS Benefit Plan is the secondary payor on a claim.

Included in the board materials were statistics on the program. Mr. Collins pointed out if the Board determined not to continue the program there would not be any savings on administrative costs. Staff recommended continuing the Member Bill Audit program for the 2009-2011 biennium.

MR. TRENBEATH MOVED TO CONTINUE THE MEMBER BILL AUDIT PROGRAM. MR. SANDAL SECONDED THE MOTION.

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

Nays: None

Absent: Mr. Leingang

MOTION PASSED

Disability Consultant Contract

Ms. Allen indicated the contract with Mid Dakota Clinic for disability consulting services expires June 30, 2009. Mid Dakota Clinic has indicated they wish to continue to perform these services for NDPERS at the rate of \$200 per hour for the July 1, 2009 through June 30, 2010 contract period. Ms. Allen conveyed staff was satisfied with the services provided by the Mid Dakota staff. A copy of the clinic's proposal was included with the board materials. Staff recommended

renewing the disability consulting contract for the period July 1, 2009 through June 30, 2010 at the rate of \$200 per hour.

MS. EHRHARDT MOVED APPROVAL OF STAFF'S RECOMMENDATION OF RENEWING THE DISABILITY CONSULTING CONTRACT WITH MID DAKOTA CLINIC. MS. SMITH SECONDED THE MOTION.

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

Nays: None

Absent: Mr. Leingang

MOTION PASSED

Dental Plan Renewal

The group dental contract with CIGNA expires on December 31, 2009. The contract has been in effect since January 1, 2007. Last year the Board accepted CIGNA's renewal proposal for a 9% premium increase for 2009 subject to a not to exceed cap of 18% for 2010. NDPERS in conjunction with Gallagher Benefit Services, requested a renewal proposal from CIGNA for January 1, 2010. CIGNA's initial rate proposal was for a 9% across the board increase in dental premiums. In CIGNA's original proposal they also provided some options for consideration which would result in a reduction of this increase. One of these options was a 1% reduction based on a suggested administrative change regarding the billing lines of structure. Staff reviewed this administrative change and determined that this can be accommodated without an adverse effect to the plan participants or the current administrative procedures. As a result, CIGNA revised its original proposal by 1% for the administrative change and further has proposed an additional 1% decrease from its original proposed renewal. This will result in a 2% decrease to their initial proposal or a 7% across the board increase in premium rates. Included with the board materials was the revised renewal projection and rate summary based on the new terms. Staff recommended to accept CIGNA's renewal proposal for an across the board increase in premiums of 7% effective January 1, 2010.

MR. SANDAL MOVED TO RENEW THE DENTAL CONTRACT WITH CIGNA FOR ONE YEAR. MS. EHRHARDT SECONDED THE MOTION.

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

Nays: None

Absent: Mr. Leingang

MOTION PASSED

Surplus/Affordability Update

Mr. Reinhardt presented the April 2009 surplus projection and affordability analysis for the NDPERS group medical.

RETIREMENT

New Federal Tax Withholding Tables

Due to the American Recovery and Reinvestment Act (ARRA) signed into law in February 2009, the Internal Revenue Service issued new tax withholding tables effective April 1, 2009 that are to be used to calculate the federal income tax withholding for pension payments. NDPERS was required to adjust its system to incorporate the new tax withholding tables effective with the April 1 payment. The federal government received a lot of comments about the change since it raised the possibility of retirees not having enough withheld and potentially being exposed to penalties as well. Mr. Collins conveyed it was recently announced by our national organization that the IRS was considering allowing retirement plans to again use the old table or keep the new table. Mr. Collins indicated since staff had already announced this change and had retirees take action based upon this announcement it was staff's plan not to revert back to the old table if that is allowed by the IRS. Staff will continue to include information in the pension checks that are mailed out, retiree newsletter, quarterly retiree statements and PERS web site on this change this year.

MISCELLANEOUS

Legislative Update

Included with the board materials was a summary of actions on proposed legislation relating to PERS.

Board Election Update

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

Update on Request for Proposal

Included with the board materials was the Request for Proposals for the Experience Study and Retiree Health Valuation (Other Post Employment Benefits).

SIB Agenda

The State Investment Board agenda was included with the board materials.

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

Prepared by,

Kim Humann

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13th Ave SW, Fargo

Thursday, June 18, 2009

8:30 A.M.

Members Present: Ms. Joan Ehrhardt
Mr. Levi Erdmann
Mr. Ron Leingang
Mr. Mike Sandal

Via Videoconference: Chairman Jon Strinden

Members Absent: Ms. Arvy Smith
Mr. Thomas Trenbeath

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Sharon Schiermeister, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Sharmain Dschaak, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. Diane Heck, NDPERS
Mr. Aaron Webb, Attorney Generals Office
Ms. Onalee Sellheim, BCBSND
Mr. Steve Cochrane, RIO
Ms. Connie Flanagan, RIO
Mr. Bill Kalanek, AFPE
Ms. Nancy Kopp, ND Optometric Assn.

Via Videoconference: Ms. Jodi Crouse, BCBSND
Mr. Kevin Schoenborn, 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 May 21, 2009 Board meeting.

MS. EHRHARDT MOVED APPROVAL OF THE MAY 21, 2009 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MR. SANDAL. THE MINUTES WERE APPROVED.

RETIREMENT

Retiree Health Insurance Credit Update

Mr. Collins indicated that Mr. Cochrane and Ms. Flanagan were present at the Board meeting to answer questions relating to the Investment Committee considerations relating to the retiree health plan. Mr. Collins reported that the PERS Investment Subcommittee met on May 13 to address the questions referred to it by the PERS Board relating to the RHIC program and determined that the SIB should consider other managers in implementing the RHIC asset allocation; to suggest withdrawing 59% of the funds invested with State Street immediately and 41% over three years; and to also suggest that the SIB hold the withdrawn funds in the Northern Trust STIF account until they can be invested pursuant to the new allocation. Mr. Cochrane reported to the Board that the Investment Subcommittee has made sound suggestions relating to the RHIC fund and they are consistent with his recommendation.

Job Service Retirement Plan

Mr. Collins reviewed with the Board that a Job Service retiree working group has been put together to discuss issues relating to that plan. A meeting was held on May 19 at the Job Service office. One issue that was discussed related to the need to access the federal funds that have been set aside pursuant to the agreement reached in the late 1990's. A letter to the Department of Labor will be drafted to initiate a contract with them should we need to make a formal request.

GROUP INSURANCE

ND Pharmacy Services Corporation Contract and Program Update

Mr. Collins reported that at the May meeting the Board discussed the diabetes program renewal with the ND Pharmacy Services Corporation. The Board requested additional information relating to the administrative fees added to the 2009-2010 cost proposal. Mr. Steig, Clinical Coordinator, reported that due to lower than anticipated enrollments and additional administrative costs, a fee of \$7,000 will be included. He also indicated that they will put additional efforts into marketing this program to increase participation. Mr. Collins assured the Board we were well within budget for the biennium.

Board discussion followed.

MR. SANDAL MOVED TO APPROVE THE AGREEMENT EXTENSION AND TO LIMIT THE ADMINISTRATIVE FEE TO ONE YEAR AND THE BOARD SHOULD RE-EVALUATE IT PRIOR TO THE SECOND YEAR. THE MOTION WAS SECONDED BY MR. LEINGANG.

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

Nays: None

Absent: Ms. Smith and Mr. Trenbeath

MOTION PASSED

BCBS Response

Mr. Collins shared with the Board the response to the letter sent by the PERS Board to the BCBS Board from Mr. Tim Huckle, Interim President and CEO. Mr. Collins recently met with BCBS staff in an effort to open up additional dialog. Additional meetings have also been scheduled for PERS staff. In addition, the Board can expect regular presentations from BCBS on a quarterly basis addressing plan performance and other issues.

BCBS Update

BCBS reviewed with the Board trend data. Mr. Schoenborn explained that within the last few months the trend has dropped. He also presented claims information to the Board.

Group Insurance Renewal Contract

Mr. Collins reviewed the draft contract with BCBS for the 2009-2011 biennium. He noted the contract information is presented for review at this meeting and final documents will be prepared for approval at the July Board meeting. Board members should contact Mr. Collins or Ms. Allen if they any questions or comments relating to this contract

Member Services Survey

Ms. Sellheim from BCBSND reviewed with the Board the 2009 member satisfaction survey results. The Board had questions that were responded to by Ms. Sellheim.

Vision Plan Renewal

Ms. Allen reported that the original effective date of the vision plan contract with Ameritas was January 1, 2003. Ameritas has submitted a proposal for a two year renewal through December 31, 2011 and have guaranteed the current rates. Gallagher Benefit Services underwriting department indicated that the exam benefit increase from the \$40 to \$45 is worth 6%. The Board discussed the options for renewal of the vision plan with Ameritas.

MR. SANDAL MOVED TO ACCEPT THE AMERITAS PROPOSAL TO EXTEND THE VISION CONTRACT FOR ONE YEAR WITH NO CHANGE IN THE CURRENT RATES AND TO ACCEPT THE CHANGE TO THE ANNUAL EYE EXAM BENEFIT FROM \$40 TO \$45. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

Absent: Ms. Smith and Mr. Trenbeath

MOTION PASSED

Smoking Cessation Program

Ms. Allen reviewed with the Board the smoking cessation program which will be continued through the next biennium and funded by the ND Department of Health at \$150,000. The details of this program will be incorporated into the final BCBS contract for the Board's review and approval.

DEFERRED COMPENSATION

First Quarter Investment Report

Mr. Reinhardt reported that the assets in the 401(a) plan decreased to \$12.1 million as of March 31, 2009 which is down about 30% from the same period in 2008. Assets in the 457 Companion Plan decreased to \$17.9 million as of March 31, 2008. The number of participants is increasing and is now at 2,590.

FLEX COMP

Flex Payments

Ms. Allen reported to the Board of a flexcomp error detected by staff which occurred as a result of a PeopleSoft flexcomp claims processing software program update. Checks were generated in error to individuals that were not authorized for payment. Ms. Allen indicated staff is working on this issue. Board discussion followed.

MISCELLANEOUS

PERSLink Quarterly Update

Mr. Reinhardt presented the PERSLink quarterly update to the Board for their information. This is the fifth progress report that must be submitted to ITD. The project is on time and on budget.

PERSLink Data Conversion

Ms. Schiermeister reported to the Board that one of the major activities within the PERLink project is data conversion. She noted that additional assistance will be needed for this effort. Various options were presented to the Board for consideration and approval. One option was to retain an outside vendor which is the approach recommended by PERS staff. Specifically, staff was suggesting retaining a vendor that had experience working with Sagitac and was recommended by other systems that had recently done business system replacements. Staff recommendation was to approve reallocation of project budget dollars of up to \$120,000 to contract with ICON for data conversion assistance. Ms. Schiermeister assured the Board there were funds available within the project budget for this effort due to certain other efforts being completed at less than expected. The Board discussed this recommendation.

MR. ERDMANN MOVED TO RETAIN ICON FOR DATA CONVERSION SUBJECT TO BEING WITHIN THE SCOPE OF PROCUREMENT GUIDELINES. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

Absent: Ms. Smith and Mr. Trenbeath

MOTION PASSED

Request for Proposal

Mr. Collins reviewed with the Board the RFP process for the experience study and OPEB valuation. Proposals were due June 5 at 5:00 p.m. (CST) and four proposals were received in the office from Segal, AON Consulting, Van Iwaarden, and Gabriel Roeder Smith. A fifth proposal was also received by Gallagher Benefit Services (GBS) via email as there was a delivery issue with UPS. GBS learned on the afternoon of June 5 (the due date) that their proposal was misdirected by UPS to the wrong location (documentation shared with the Board). GBS called Mr. Collins and he instructed them to email the proposal to him which they did by 5:00 p.m. The proposals were delivered to the office the following Monday, June 8. Mr. Collins indicated to the Board that the RFP included the following provision: "The failure to meet all procurement policy requirements shall not automatically invalidate a proposal of procurement. The final decision rests with the Board." The Board discussed whether the GBS proposal should be accepted or rejected.

MR. LEINGANG MOVED TO ACCEPT THE GALLAGHER BENEFIT SERVICES PROPOSAL. THE MOTION WAS SECONDED BY MR. ERDMANN.

Further discussion occurred on the motion and discussed with Mr. Webb, Assistant Attorney General.

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

Nays: None

Absent: Ms. Smith and Mr. Trenbeath

MOTION PASSED

Board Election

Mr. Sandal reported that the election committee comprised of Chairman Strinden, Mr. Sandal, and Mr. Erdmann met to review and validate the results of the election for the active and retiree openings on the PERS Board. Ms. Joan Ehrhardt was elected as the active member and Mr. Howard Sage was elected as the retiree member for the term of July 1, 2009 through June 30, 2014. Mr. Sandal informed the Board that there was an issue with approximately 165 of the ballots possibly not being included in the mailing.

The Board discussed the election and results.

MS. EHRHARDT MOVED TO APPROVE THE ELECTION RESULTS. THE MOTION WAS SECONDED BY MR. ERDMANN.

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

Nays: Mr. Leingang

Absent: Ms. Smith and Mr. Trenbeath

MOTION PASSED

Mr. Leingang clarified that he voted no because of his concern with the mailing not that he did not support Mr. Sage.

Audit Committee Minutes

The February 18, 2009 PERS Audit Committee minutes were shared with the Board.

Executive Director Review

Mr. Leingang reported to the Board that the Performance Review and Compensation Committee met on May 1 to discuss the Executive Director performance evaluations and to make a salary recommendation. The Committee initially discussed a 5% salary increase for 2009 but Mr. Collins requested no more than 4.5% so the remaining .5% could be pooled for equity adjustments in the PERS office. The Committee recommended that Mr. Collins be given a 4.5% salary increase the first year and limit the second year to no more than 4.5% subject to good performance. Chairman Strinden thanked Mr. Collins for his continued good work, making the job of the trustees much easier.

MS. EHRHARDT MOVED TO APPROVE THE COMMITTEE RECOMMENDATION TO GRANT A 4.5% SALARY INCREASE TO MR. COLLINS EFFECTIVE JULY 1, 2009 WITH NO MORE THAN A 4.5% SALARY INCREASE THE NEXT YEAR SUBJECT TO GOOD PERFORMANCE. THE MOTION WAS SECONDED BY MR. LEINGANG.

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

Nays: None

Absent: Ms. Smith and Mr. Trenbeath

MOTION PASSED

Payroll Conference

Mr. Collins shared with the Board the results of the 2009 Payroll Conference where over 260 attended either at the ND Heritage Center or via webcast.

Chairman Strinden had to leave the meeting early and recognized Mr. Leingang for his contributions and years of service to the PERS Board stating that he was a valuable member to the Board of Trustees, both as an active and retiree representative, putting the interests of the members first. Mr. Collins presented a plaque to Mr. Leingang. Mr. Leingang thanked Chairman Strinden for his kind words and thanked the PERS Board and staff, stating it was a pleasure working with them all and the kindness that has been shown to him over the years.

NDPERS Board Meeting

June 18, 2009

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

Prepared by,

Cheryl Stockert
Secretary to the Board

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13th Ave SW, Fargo

Thursday, July 16, 2009

8:30 A.M.

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

Via Videoconference: Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Sharmain Dschaak, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. Diane Heck, NDPERS
Mr. Aaron Webb, Attorney Generals Office
Ms. Onalee Sellheim, BCBSND
Mr. Stuart Savelkoul, NDPEA

Via Videoconference: Ms. Jodi Crouse, BCBSND
Mr. Kevin Schoenborn, BCBSND

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

MINUTES

Chairman Strinden welcomed Mr. Sage back to the Board as the retiree representative.

Chairman Strinden called for any questions or comments regarding the minutes of the June 18, 2009 Board meeting.

MS. EHRHARDT MOVED APPROVAL OF THE JUNE 18, 2009 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MR. SANDAL. THE MINUTES WERE APPROVED.

RETIREMENT

Job Service QDRO Model

Ms. Allen reviewed with the Board the QDRO provisions for active and retired members of the PERS defined benefit plan and that the Job Service plan does not have a QDRO model. Upon staff request, Segal developed a model for these members similar to the PERS plan. Ms. Allen stated staff suggested changing the language found under Section (c) relating to the alternate payee to also be consistent with the PERS defined benefit plan. Both models were reviewed by staff, legal counsel, and Segal. Board discussion followed.

MR. TRENBEATH MOVED TO APPROVE THE ADOPTION OF THE JOB SERVICE RETIREMENT PLAN QDRO MODEL FOR RETIRED MEMBERS AND TO CHANGE THE JOB SERVICE ALTERNATE PAYEE OPTION TO BE CONSISTENT WITH THE PERS DEFINED BENEFIT PLAN. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

MOTION PASSED

Graduated Benefit Option

Ms. Fricke presented information to the Board for consideration relating to the graduated benefit option as authorized through SB2153. Legislation allows for the Board to adopt rules to provide for the receipt of retirement benefits in optional forms. The Board took action in March to promulgate administrative policies on this option. Since the March Board meeting, Segal has prepared guidance on the calculation method and actuarial factor tables for the various plans based upon the 1% and 2% increase. Board discussion followed.

MR. SANDAL MOVED TO ADOPT THE TABLES AND CALCULATION PROCEDURES FOR THE GRADUATED BENEFIT OPTION AS PROVIDED BY SEGAL. THE MOTION WAS SECONDED BY MS. SMITH.

Board discussion followed on the motion.

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

Nays: None

MOTION PASSED

Investment Expense Review

Mr. Collins indicated that the Board, at its biennial planning meeting in 2007, assigned to the PERS Audit Committee, which was subsequently referred to the PERS Investment Committee, the task of reviewing the cost effectiveness of our investment program. The Investment Committee met several times to collect and review information on our existing program including CEM in benchmarking data. The committee concluded that the present investment policies are not specific relating to administrative fees nor is there a regular review of the fees. Therefore, the committee is recommending the Investment Policies be modified to include a statement on investment fees. Furthermore, it was decided that the Executive Director and the PERS Investment Committee should meet with the SIB chair and Mr. Cochrane of RIO to review the policy changes before submitting them to the SIB. Board discussion followed.

MR. SAGE MOVED THAT THE INVESTMENT POLICIES SHOULD INCLUDE THE GOALS AND ANNUAL REVIEW OF THE INVESTMENT FEES. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

MOTION PASSED

GROUP INSURANCE

BCBS Agreement

Mr. Collins reported to the Board that the final BCBS agreement needs approval and a motion authorizing the Board chairman to sign. Mr. Collins also reported that the summary plan document will be changing based on the new plan design. Once approved, BCBS will then file with the ND Insurance Commissioner for approval.

MR. TRENBEATH MOVED APPROVAL AND AUTHORIZATION OF THE BOARD CHAIRMAN TO SIGN THE BCBS AGREEMENT. THE MOTION WAS SECONDED BY MR. SANDAL.

Board discussion followed on the motion.

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

Nays: None

MOTION PASSED

Tobacco Cessation Program

Ms. Allen reported to the Board that the Tobacco Cessation Program funding through the Department of Health was approved in the amount of \$150,000 to continue tobacco prevention activities for state employees for the 2009-2011 biennium. Ms. Allen reviewed the grant application with the Board and requested their approval. Board discussion followed.

MR. SANDAL MOVED TO APPROVE CONTINUATION OF THE TOBACCO CESSATION PROGRAM FOR THE 2009-2011 BIENNIUM AND AUTHORIZED STAFF TO SUBMIT THE GRANT APPLICATION. THE MOTION WAS SECONDED BY MS. ERHARDT.

Board discussion followed on the motion.

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

Nays: None

MOTION PASSED

Wellness Efforts Update

Mr. Collins reported that based on the final report from UND on the pilot wellness program, the conclusion is that effective employer-based programs do help reduce health care costs. It was reported that one area that was found to be lacking in the pilot wellness efforts related to technical assistance and support. Staff will be working with BCBS to determine how we can address this and develop a proposal for the Board's consideration this fall. Board questions and discussion followed.

Employer Based Wellness Program Renewal

Ms. Fricke reviewed with the Board the employer based wellness program renewal. There are a total of 187 out of 281 employers participating in the wellness program. Of this number, 97% of employees covered on the insurance plan are working for employers offering wellness programs.

Surplus/Affordability Update

Mr. Reinhardt presented the May 2009 surplus projection and affordability analysis for the NDPERS group medical. Board discussion followed.

DEFERRED COMPENSATION

Hardship Withdrawal Guidelines/Education

Ms. Allen reviewed information with the Board titled "Guide to Unforeseeable Emergency Withdrawals". This guide reviews the criteria used to evaluate hardship requests, including best practices, evaluating the eligibility of the unforeseeable emergency request, events that are generally not unforeseeable emergencies, and required documentation

when applying for a withdrawal request. Staff recommended using these guidelines for evaluation of hardship requests. Board discussion followed.

MR. SANDAL MOVED TO INCLUDE A COPY OF THE GUIDELINES WITH FUTURE REQUESTS FOR THE BOARD'S REFERENCE. THE MOTION WAS SECONDED BY MR. TRENBEATH.

Board discussion followed on the motion. It was noted that when including these guidelines, they would only be for reference and would not be viewed as Board policy or rules.

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

Nays: None

MOTION PASSED

MISCELLANEOUS

Board Committee Assignments

Mr. Collins stated there are vacancies on the Investment and Audit Committees. Mr. Trenbeath has been serving as an alternate on the Investment Committee and statute states that the three members appointed by PERS must be from the elected members to the Board. Mr. Sage was nominated by Ms. Ehrhardt to serve on the Investment Committee and Ms. Smith volunteered to serve on the Audit Committee.

MS. EHRHARDT MOVED TO APPOINT MR. SAGE TO THE INVESTMENT COMMITTEE AND MS. SMITH VOLUNTEERED TO SERVE ON THE AUDIT COMMITTEE. THE MOTION WAS SECONDED BY MR. SANDAL.

Voice vote taken to appoint Mr. Sage to the Investment Committee

PASSED

Voice vote taken to appoint Ms. Smith to the Audit Committee.

PASSED

RFP For Experience Study and OPEB

Mr. Collins informed the Board that PERS recently issued a request for proposal for the experience study and the retiree health valuation (OPEB analysis). Five firms submitted a proposal on the experience study and four firms submitted a proposal on the OPEB analysis. After staff review and scoring of the OPEB proposals, it was determined Van Iwaarden scored the highest. Staff recommends Van Iwaarden for the OPEB effort. Board discussion followed.

MR. SAGE MOVED TO CONTRACT WITH VAN IWAARDEN FOR THE RETIREE HEALTH VALUATION (OPEB). THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

MOTION PASSED

Mr. Collins informed the Board that during the course of evaluating the proposers for the experience study it was noted that some of the firms included in their costs the task of providing detailed cost numbers relating to any proposed changes and others did not. Specifically Segal, in their bid, included this last step; some of the others did not or that the bid was not clear that they had. Mr. Collins indicated this could cost between \$3,000 to \$5,000. The Board discussed this issue and determined that the bid should be clarified, that this cost should be included, and that all proposers should be given equal opportunity in this bid. After discussion, it was decided that each proposer be sent written notice asking them if their proposal included the effort of doing a detailed cost impact of any suggested assumption changes, or if it did not include this effort, they be given an opportunity to update their cost proposal. A decision on awarding the experience study will be held over until the next Board meeting at which time additional information will be obtained from the five proposers and shared with the Board.

Request for Proposal Schedule for 2009-2010

Mr. Collins reviewed with the Board the RFP schedule for the 2009-2010. In order for this to go as smoothly as possible, an RFP timeline and process was developed for Board approval. The Board meeting schedule for 2010 will be developed to include the review of the RFP's.

MS. EHRHARDT MOVED TO APPROVE THE RFP TIMELINES AND PROCESS AS INCLUDED IN THE BOARD BOOK. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

MOTION PASSED

Consultant Fees

The report of consultant fees paid during the quarter ending June 30, 2009 was presented to the Board for their information.

Conference Approval

Mr. Collins informed the Board that NAGDCA will be holding their annual meeting in September and in the past the Board has approved two to attend.

MR. SAGE MOVED APPROVAL OF TWO BOARD MEMBERS TO ATTEND THE NAGDCA CONFERENCE. THE MOTION WAS SECONDED BY MR. SANDAL.

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

Nays: None

MOTION PASSED

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

Prepared by,

Cheryl Stockert
Secretary to the Board

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13th Ave SW, Fargo

Thursday, August 20, 2009

8:30 A.M.

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

Member Absent: Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Sharmain Dschaak, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. Diane Heck, NDPERS
Mr. Aaron Webb, Attorney Generals Office
Mr. Stuart Savelkoul, NDPEA
Mr. Ron Leingang
Mr. Mark Kolling

Via Videoconference: Mr. Kevin Schoenborn, BCBSND
Ms. Jodi Crouse, BCBSND
Ms. Onalee Sellheim, BCBSND
Mr. Don Schott, BCBSND
Mr. Mike Potts, BCBSND

As Chairmain Strinden was not able to attend the meeting, Mr. Sage called the meeting to order at 8:30 a.m.

MINUTES

Mr. Sage called for any questions or comments regarding the minutes of the July 16, 2009 Board meeting.

MS. EHRHARDT MOVED APPROVAL OF THE JULY 16, 2009 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MR. TRENBEATH. THE MINUTES WERE APPROVED.

RETIREMENT

Highway Patrol Indexing

Ms. Allen stated that it is necessary for the Board to determine the rate to be used in establishing the index factor for deferred members of the Highway Patrol. During this last legislative session, agency budgets were increased by 5% for salary increases for the first year of the 2009-10 biennium and employees were to receive a minimum monthly increase of \$100. The North Dakota Highway Patrol leadership is recommending that deferred members in its system have their final average salary indexed by 5%.

MS. EHRHARDT MOVED APPROVAL OF A FIVE PERCENT ANNUAL INCREASE IN THE FINAL AVERAGE SALARY INDEXING FOR HIGHWAY PATROL MEMBERS EFFECTIVE JULY 1, 2009. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

DC Plan Valuation

Mr. Collins reported that an actuarial valuation is done each year of the defined benefit (DB) plan. Since PERS also administers the optional defined contribution (DC) plan for nonclassified employees, it is suggested to conduct the same type of valuation for that plan to determine how its funding status is progressing. Segal, who is currently the PERS retirement plan consultant, prepared a proposal at a cost of \$12,500. Board discussion followed.

MR. SANDAL MOVED APPROVAL OF THE DEFINED CONTRIBUTION ACTUARIAL VALUATION TO BE DONE BY SEGAL. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

Investment/Retirement Update

Mr. Collins included in the Board book information on the status of PERS retirement plans funding status. He reviewed the information with the Board. Board discussion and questions followed. Mr. Collins discussed the possibility of needing a contribution

increase from employees, employers, or a combination of both. Board discussion followed.

The Board directed PERS staff to communicate with and educate employees as to the status of the retirement funding and any future action that may need to be taken. Mr. Collins indicated that in October the actuarial reports will reveal more detail. He assured the Board that there already have been meetings with many of PERS employer groups at the management level.

Mr. Collins reported that for the Job Service plan return assumption is presently 7.5%. He suggested that we also ask for a valuation based upon an 8% return.

MR. ERDMANN MOVED THAT THE JOB SERVICE VALUATION SHOULD BE PREPARED USING BOTH THE 8% AND 7.5% RETURN ASSUMPTIONS. THE MOTION WAS SECONDED BY MR. TRENBEATH.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

Purchases

Ms. Fricke reviewed with the Board the current purchase of service processes as well as the recommended procedural changes that are being proposed as part of the new business system and suggested administrative rule changes. Staff recommends adopting Board policy to allow PERS to continue the current purchase processes for the crediting and proration of service credit until the new business systems is available. Once the new system is in place, then administrative rules can be promulgated. Board discussion followed. After Board discussion, they concurred to change the payment period from 10 years to 15 years which could give opportunity to more employees to purchase service.

MR. SANDAL MOVED TO APPROVE THE NEW PROCESS FOR CREDITING AND PRORATING SERVICE CREDIT WITH A PAYMENT PERIOD OF 15 YEARS, AND ONCE THE BUSINESS SYSTEM IS AVAILABLE, ADMINISTRATIVE RULES WOULD BE PROMULGATED. THE MOTION WAS SECONDED BY MR. TRENBEATH.

The Board discussed the motion and had questions of staff.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

GROUP INSURANCE

BCBS Health Care Review

Mr. Schoenborn from BCBS presented Mr. Don Schott with Provider Reimbursement and Mr. Mike Potts with Provider Networks of BCBS. Mr. Schott reviewed with the Board the 2009 reimbursement information which included 2009 rate increases; annual change to the North Dakota providers; dollars paid to out-of-state providers; and the Milliman Study which is an evaluation of health insurance premiums and provider reimbursement levels in 8 states. Information was also presented relating to immediate challenges facing health care providers in North Dakota, . Mr. Potts reviewed with the Board the NDPERS provider network update which included EPO to PPO transition; PPO network access; financial value of professional discounts; improving performance; provider challenges and changes; and future issues. The Board had questions of BCBS relating to this information and also discussed the concept of medical tourism.

BCBS Plan

Mr. Collins reviewed with the Board information on the BCBS Seven Point Plan. Mr. Collins indicated that if there is any further information Board members need from BCBS, it can be requested and presented to the Board. He reported PERS will be working on the health insurance bid beginning January 2010. Mr. Sandal indicated the Board should seek updates from BCBS on how they are progressing with the plan.

Memorandums of Understanding

Mr. Collins reviewed with the Board the Memorandums of Understanding. The BCBS Wellness Program MOU will be deferred to the September meeting as there are details to be worked on.

MS. SMITH MOVED TO APPROVE THE MEMORANDUMS OF UNDERSTANDING FOR THE WELLNESS BENEFIT PROGRAM, THE PHARMACY DISEASE MANAGEMENT PROGRAM, AND THE TOBACCO CESSATION PROGRAM. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

Transfer Procedures

Ms. Allen reviewed with the Board staff recommendation to allow an exception to the policy for a member transferring from a political subdivision to the state. Board discussion followed.

MS. EHRHARDT MOVED TO APPROVE THE CHANGE IN POLICY PURSUANT TO STAFF RECOMMENDATION. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

Medicare Secondary Payer Update

Mr. Reinhardt updated the Board on the Centers for Medicare and Medicaid Services process that queries employers and health plans to find claims that Medicare might have paid for which they did not have primary responsibility. The rule states that for actively employed persons over 65 with health coverage that plan is primary and Medicare is secondary. The state of North Dakota is having issues with this because the federal government is deducting these amounts from grants, even though in many cases the deducted amounts have been resolved cases and are not the responsibility of the employer.

Active Health Report 2008

Mr. Reinhardt reviewed the 2008 report with the Board. Average charge and average paid amounts increased over 10% from 2007. Generic drug use is up from previous reports and the drug trend has leveled. A report for active employer groups of over 100 employees will be sent a similar report.

DEFERRED COMPENSATION AND DC PLAN

Request for Proposal

Mr. Collins reported to the Board that the RFP to provide technical assistance to prepare and analyze a proposal for recordkeeping and investment services for PERS 457 and 401(a) plans was issued. Proposals are due Friday, September 4.

FLEX COMP

Flex Payments

Ms. Allen presented an update on actions taken on the flex comp payment error that was run by Oracle and ITD on May 15 and 16. Staff sought advice from Segal on this issue.

MISCELLANEOUS

Legislative Employee Benefits Committee

Mr. Collins reported that this committee had its first meeting August 6 with the next meeting scheduled for October 26 then December 17. Mr. Sandal attended this meeting and commended staff on the way in which the difficult information was presented and handled with the committee.

RFP for Experience Study

Mr. Collins noted that at the July meeting there had been some confusion in the proposals for the experience study on the cost information. The proposers were sent a clarification document. Based upon additional information received, GRS and Segal were the top two proposals in total points. The Board discussed all information relating to awarding the bid for the experience study.

MR. SANDAL MOVED TO AWARD THE BID FOR THE EXPERIENCE STUDY TO SEGAL. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: Mr. Trenbeath

Absent: Chairman Strinden

MOTION PASSED

PERS Board Planning Meeting

Mr. Collins indicated to the Board that every two years a one-day planning meeting is scheduled which gives the Board an opportunity to review topics relating to PERS programs and administrative operations. This will also give Board members an opportunity to discuss the challenges facing the retirement plans. Mr. Collins also indicated that the October Board meeting could be held at the BCBS location in Fargo which would give Board members an opportunity to get an update from BCBS staff and tour the facility. Further details on the October meeting will be discussed at the September meeting.

The Board concurred that a planning meeting should be held in December.

Personnel Policies Update

Ms. Allen indicated to the Board it was necessary to update PERS personnel policies because of the new Department of Labor amendments to the FMLA relating to two new leave entitlements for military service.

MR. ERDMANN MOVED TO APPROVE THE UPDATED PERS PERSONNEL POLICIES. THE MOTION WAS SECONDED BY MR. SANDAL.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

Proposed Administrative Rules

Ms. Knudsen indicated to the Board that the proposed rules in the Board book were in response to legislation, to update Board policy or clarify existing language. Legal Counsel has reviewed the content and a Small Entity Regulatory Analysis will be completed and reviewed with the Board at the September meeting. Board discussion followed.

PERSLink Quarterly Report

Mr. Reinhardt reviewed with the Board the first quarter PERSLink status report which PERS is required to file with ITD throughout the duration of the project. The project is on time and on budget.

Financial Hardship #2009-002DC

Ms. Allen presented detailed information to the Board relating to a participant requesting a hardship withdrawal to cover medical expenses not covered by insurance. The Board discussed this hardship withdrawal case.

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

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

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

Prepared by,

Cheryl Stockert
Secretary to the Board

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13th Ave SW, Fargo

Thursday, September 17, 2009

8:30 A.M.

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

Via Videoconference: Chairman Jon Strinden

Member Absent: Ms. Joan Ehrhardt

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Sharmain Dschaak, NDPERS
Ms. Rebecca Fricke, NDPERS
Mr. Aaron Webb, Attorney Generals Office
Mr. Mark Meyer, Van Iwaarden Associates
Mr. Mark Schulte, Van Iwaarden Associates (via phone)
Mr. Mark Halvorson, Medica
Mr. Mike Reishus, Medica
Mr. Bill Kalanek, AFPE
Mr. Alan Person

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

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

MINUTES

Chairman Strinden called for any questions or comments regarding the minutes of the August 20, 2009 Board meeting.

MR. SANDAL MOVED APPROVAL OF THE AUGUST 20, 2009 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MS. SMITH. THE MINUTES WERE APPROVED.

GROUP INSURANCE

Medica Presentation

Mr. Collins introduced representatives from Medica who had reviewed their health plan with the PERS Board last year. Mr. Mark Halvorson and Mr. Mike Reishus presented an update on the Medica health plan to the Board. Mr. Halvorson reported that Medica is the second largest North Dakota health insurer; they provide a state-wide provider network, are a not for profit and are fiscally strong. As reported, they are very interested in providing health care coverage to NDPERS members. The Board had questions relating to the Medica plan which were addressed by Mr. Halvorson.

OPEB Valuation

Mr. Collins introduced Mr. Mark Meyer and Mr. Mark Schulte with Van Iwaarden Associates who were present to review the results of the OPEB Valuation with the Board. Mr. Collins indicated that this valuation was prepared so the state could report this on its state financials and the information will be shared with the legislative committee. Mr. Schulte explained to the Board that this valuation measures the implicit costs associated with pre-Medicare retirees. The implicit subsidy is the difference in cost between the premium charged pursuant to the statutory formula and the actual cost of the plan. The difference in the expected cost and the premium being paid is a liability that needs to be reflected on GASB Statement 45. The Board had questions that were answered by Van Iwaarden staff.

Diabetes Management Program

Mr. Steig, Clinical Coordinator for the Disease State Management of Diabetes, reviewed three new proposals with the Board and sought their approval on additional promotion and incentives for the program in an attempt to increase participation. Mr. Steig reported there are currently 330 out of approximately 2,000 eligible members participating in the program. Staff recommends approval of two of the three proposals, and had reservations on approving promoting this program at the pharmacy. The Board discussed these proposals.

MR. ERDMANN MOVED TO APPROVE THE PROPOSAL TO GIVE PERMISSION TO USE DATA. THE MOTION WAS SECONDED BY MR. SAGE.

The Board discussed this motion. After discussion, an amended motion was made.

MS. SMITH MOVED TO APPROVE THE PROPOSAL TO GIVE PERMISSION TO USE THE DATA AND TO INCLUDE DIABETIC TESTING SUPPLIES IN THE MEMBER COPAY INCENTIVES, AND REQUESTED REVIEW OF THE PARTICIPATION LEVELS IN CONJUNCTION WITH THE EVALUATION TO BE COMPLETED BY UND NEXT SUMMER. THE MOTION WAS SECONDED BY MR. SANDAL.

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

Nays: Mr. Erdmann

Absent: Ms. Ehrhardt

THE MOTION PASSED; THE MAIN MOTION WAS RESCINDED.

BCBS Audit

Mr. Collins provided the Board with information on the BCBS audit done by the Insurance Department. BCBS will have 30 days to respond. Mr. Collins suggested that at the October meeting we invite a representative from the ND Insurance Department to review with the Board information on the audit and to follow up with BCBS at the November meeting relating to PERS concerns identified in the April 21, 2009 letter. The Board concurred. In addition, the Board discussed the implications of the audit findings on the PERS contract with BCBS.

MR. SANDAL MOVED THAT PERS ASK LEGAL COUNSEL AND STAFF TO REVIEW THE PERS CONTRACT TO DETERMINE IF ANY POSSIBLE COURSE OF ACTION SHOULD BE CONSIDERED TO SEEK REIMBURSEMENT FOR ANY OVERCHARGES OR OTHER RECOVERIES AS A RESULT OF THE ACTIONS OF BCBS. THE MOTION WAS SECONDED BY MR. SAGE.

The Board discussed this motion.

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

Nays: None

Absent: Ms. Ehrhardt

MOTION PASSED

Pharmacy Benefit Manager Audit

Mr. Collins referred the Board to the PMB Audit Request for Proposal included in the Board book for their consideration and approval. The PERS Audit Committee has recommended the audit and note that we have not done one in the past. Mr. Collins could not say for sure how much this audit would cost. The Board discussed the RFP. It was noted that if there were any recoveries they would go back to the PERS health account and due to the projected losses for this biennium, they would likely be used to offset that loss. Therefore, it was noted that if we do proceed with this project, the primary benefit will be the knowledge gained.

MS. SMITH MOVED TO APPROVE THE PBM AUDIT REQUEST FOR APPROVAL, AND BEFORE IT IS AWARDED, THE BOARD WOULD MAKE A DECISION DEPENDENT ON THE COST. THE MOTION WAS SECONDED BY MR. ERDMANN.

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

Nays: None

Absent: Ms. Ehrhardt

MOTION PASSED

Medicare Part D Renewal

Mr. Collins referred the Board to the Medicare Part D renewal for 2010 (January through December) for their consideration and approval, noting that the proposed renewal has no increase in premiums. It has further noted that it had been reviewed with Gallagher Benefit Services. Mr. Collins noted the renewal was reasonable and recommended its approval.

MR. SAGE MOVED APPROVAL OF THE 2010 MEDICARE PART D RENEWAL. THE MOTION WAS SECONDED BY MR. SANDAL.

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

Nays: None

Absent: Ms. Ehrhardt

MOTION PASSED

2009-2011 Plan Projections

Mr. Collins reviewed with the Board the draft health plan projections for the next biennium from GBS. It was noted that this was the first draft and additional work was required. Staff will continue to work on these projections, refine them, and discuss again at a future Board meeting.

2009-2011 Plan Design

Mr. Collins referred the Board to the last meeting where a member appeared expressing concerns on the notice for pre-Medicare plan design changes. Staff reviewed this and found that active members were sent one newsletter with the changes and the pre-Medicare and retired members were sent a second newsletter with the retired plan design changes. However, with the retiree plan no longer being the same as the active and pre-Medicare plan design, it caused the pre-Medicare retirees not to receive the appropriate information. In the future, PERS will implement a special mailing or other communication strategy to pre-Medicare retirees about plan design changes. Mr. Collins indicated to the Board that this information was very helpful and thanked the member for bringing this to staff attention.

Wellness Program

Mr. Collins noted that one of the conclusions from the final UND pilot wellness report was that effective employer-based programs help reduce costs. One key component of a successful program is technical support and assistance. Mr. Collins noted that our wellness program currently does not provide such support. Staff has, at a conceptual level, worked with BCBS to develop an idea to have a position at BCBS that would work half-time exclusively on PERS wellness activities. The Board discussed this proposal and had questions of staff.

MR. SANDAL MOVED THAT STAFF SHOULD CONTINUE TO EXPLORE THIS IDEA AND MOVE FORWARD. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

Absent: Ms. Ehrhardt

MOTION PASSED

Tobacco Cessation Grant

Ms. Allen informed the Board that the Health Department has approved the grant to continue to fund the Tobacco Cessation program for state employees and their eligible dependents. A post card announcing the program was sent out to subscribers in August.

Surplus/Affordability Update

Mr. Reinhardt presented the July projections to the Board. At this time the plan is projected to take a loss of \$6.2 million. Since the plan is fully insured, this liability is the responsibility of BCBS

RETIREMENT

Job Service Level Income Option

Ms. Allen reported that in the course of developing the new business system, staff has identified an inconsistency in the payment procedure relating to the Job Service Uniform Income retirement option. Ms. Allen went on to explain the inconsistency and recommended to change the reduction date to the first of the month coinciding with commencement of the member's Social Security retirement benefits. Upon Board approval, the change will become effective October 1, 2009.

MR. TRENBEATH MOVED TO APPROVE STAFF RECOMMENDATION ON THE CHANGE. THE MOTION WAS SECONDED BY MR. SAGE.

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

Nays: None

Absent: Ms. Ehrhardt, Ms. Smith

MOTION PASSED

Retirement Benefits

Mr. Webb reviewed information with the Board relating to the legality of benefit structure changes. The issue being raised relates to whether the state of North Dakota would have the authority to unilaterally change the benefit structures contained within the current law. His presentation covered entitlement theories across states including various court cases. The Board had questions of Mr. Webb and discussed this issue.

Communication Plan

Mr. Collins indicated this was a follow-up from the last meeting where the Board requested staff develop a communication concept to inform members of the funding challenges the plan will be facing in the upcoming years. Mr. Collins reviewed with the Board a plan to communicate to members which would include a bulk letter as well as webcasts posted on the PERS website. He also informed the Board of scheduled meetings with member groups. The updated actuarial valuations will be available for the October Board meeting.

MS. SMITH MOVED TO APPROVE THIS COMMUNICATION PLAN AFTER THE FINAL ACTUARIAL REPORTS ARE RECEIVED. THE MOTION WAS SECONDED BY MR. TRENBEATH.

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

Nays: None

Absent: Ms. Ehrhardt

MOTION PASSED

PERS Benefits Committee

Mr. Collins referred to the Board memo stating that the PERS Benefits Committee has met and reviewed the funding status of the plan as well as the various actions that could be taken to address PERS retirement funding issue. The Committee prefers not to make benefit changes. However, no agreement was reached by the Benefits Committee and it will be discussed in future meetings.

DEFERRED COMPENSATION

Defined Contribution/Deferred Compensation RFP Review

Mr. Collins reported to the Board that PERS received six proposals for this effort and reviewed with the Board staff's analysis of rankings for the technical, cost and total hours. Based on all evaluations, staff recommended Segal for this effort.

MR. TRENBEATH MOVED TO AWARD THE EFFORT TO SEGAL. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

Absent: Ms. Ehrhardt

MOTION PASSED

401(a) and 457 Companion Plan 2nd Quarter Reports

Mr. Reinhardt reviewed with the Board the 2nd quarter 2009 report for the 401(a) and 457 Companion Plan. Assets in the 401(a) plan increased to \$14.0 million and the Companion Plan increased to \$21.3 million.

MISCELLANEOUS

October Meeting and December Board Retreat

Mr. Collins indicated that the October meeting will be at the WSI locations in Bismarck and Fargo. The December meeting will be a planning meeting, and after reviewing everyone's calendars, December 16 was the best date for that meeting. The Board concurred.

Administrative Rules

Ms. Knudsen reviewed with the Board the proposed administrative rules that were developed in response to legislation passed this last session and changes relating to updated Board policy or to proposed clarifications to certain rules. The Board had questions and comments relating to the rules which were explained by staff.

MR. TRENBEATH MOVED TO APPROVE THE PROPOSED ADMINISTRATIVE RULES AND TO CONTINUE WITH THE PROMULGATION PROCESS. THE MOTION WAS SECONDED BY MR. SAGE.

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

Nays: None

Absent: Ms. Ehrhardt

MOTION PASSED

Ms. Smith thanked everyone for their efforts on the flu shot vaccines being covered by insurance and the efforts of UND Family Practice Center sponsoring the clinics.

Ms. Smith informed the Board that there are efforts in place to determine how the H1N1 vaccinations will be handled. Mr. Schoenborn with BCBS indicated this issue is being reviewed internally to determine the coverage for the H1N1 vaccines.

Mr. Collins recognized Mr. Alan Person who was in attendance at the Board meeting. Mr. Person was the former Executive Director of PERS.

NDPERS Board Meeting
September 17, 2009
Page 8 of 8

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 11:45 a.m.

Prepared by,

Cheryl Stockert
Secretary to the Board

MINUTES

North Dakota Public Employees Retirement System

WSI Boardroom, Bismarck

WSI Meeting Room, Fargo

Thursday, October 22, 2009

8:30 A.M.

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

Via Videoconference: Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. Diane Heck, NDPERS
Mr. Aaron Webb, Attorney Generals Office
Mr. Brad Ramirez, Segal
Mr. Kurt Schneider, Segal
Ms. Onalee Sellheim, BCBSND
Mr. Don LaFleur, State Auditor's Office
Mr. Dave Zentner

Via Videoconference: Mr. Paul von Ebers, BCBSND
Mr. Kevin Schoenborn, BCBSND
Ms. Jodi Crouse, BCBSND

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

MINUTES

Chairman Strinden called for any questions or comments regarding the minutes of the September 17, 2009 Board meeting. Ms. Smith indicated there was an error in her name on page 7 which needs to be corrected.

MS. EHRHARDT MOVED APPROVAL OF THE SEPTEMBER 17, 2009 NDPERS BOARD MINUTES AS AMENDED. THE MOTION WAS SECONDED BY MR. SAGE. THE MINUTES WERE APPROVED.

GROUP INSURANCE

BCBS

Mr. Collins reported to the Board that Mr. Paul von Ebers, President and CEO of BCBSND, was present to introduce himself to the Board, highlight efforts going on within the company, and share their perspective on national health care reform. Next month the Insurance Department will be at the Board meeting to review the results of the BCBS audit. In January Mr. von Ebers will attend the Board meeting in Bismarck to review in more detail their response to the audit.

Mr. von Ebers reviewed with the Board issues relating to the Insurance Department audit, the letter sent by PERS in April, and health care reform. He indicated BCBS is committed to working with Commissioner Hamm on the audit. Many of the items have been responded to in the sense that BCBS has changed its travel, severance, and investment policies. Mr. von Ebers presented an overview of what has been done in response to the audit stating they expect to be completed by the end of the year. The largest unfinished item is review of executive compensation. BCBS is in the process of gathering information from North Dakota companies relating to their compensation rates for various positions similar to BCBS. Once the executive salary information is received, it will be reviewed based on North Dakota comparisons. The second issue which may be even more difficult has to do with incentive programs around executive performance. Mr. Collins indicated to Mr. von Ebers that while incentives need to be aligned with the needs of the organization, they also need to be aligned with the needs of the members. Mr. von Ebers agreed that the new incentive program should include measures around the cost and quality of health care and the cost of health insurance premiums.

Mr. von Ebers told the Board that there are clearly very important issues brought forward in the Board's April letter to BCBS. He reported he has met with Mr. Collins to become familiar with the April letter. He indicated at this time, there has not been an adequate response to specific Board concerns. It was emphasized that the PERS Board is looking for collaboration and leadership and ideas from BCBS. Mr. von Ebers went on to say he hopes to get a response to the Board soon, although not a final response, to show the direction BCBS is moving. Mr. von Ebers indicated to the Board he plans to attend the January 2010 Board meeting in Bismarck and that if there are any questions as we go forward to let him know prior to the meeting. There were questions of Mr. von Ebers that were discussed.

Mr. von Ebers discussed various health care reform issues with the Board, specifically those issues relating to the rural state of North Dakota. He indicated that members must be engaged in taking care of their health more effectively to save on health care. The state currently does not have a sustainable health care system, neither from the

perspective of the hospitals and doctors nor from the perspective of employers or individuals.

Mr. von Ebers informed the Board that the pilot project "MediQ Home Project" can respond to PERS concerns to keep down medical costs. He is looking at a revision in their payment system in the next year that would reward greater efficiencies in the health care system, as opposed for just paying for more things to be done, which is the current practice.

Mr. von Ebers stated that there are ways that BCBS can become more efficient than they are. He pledged to bring to PERS measures of how they are going to prove year after year productivity improvements. There may be new programs that we mutually agree we want to do like engaging members in their own health. PERS may decide we want to increase funding for certain administrative costs because we jointly believe there will be a return on investment. But, in terms of BCBS routine activities, Mr. von Ebers expects there be ongoing productivity improvements to drive lower administrative costs to PERS over time. He will come back to the Board with more specifics on this. Mr. von Ebers pledged to the Board they will continue to provide high levels of service to PERS.

Finally, the PERS Board has expressed an interest in working with BCBS in a more collaborative manner. Mr. von Ebers indicated that BCBS needs to bring ideas to the table on how to work with the health care delivery system and how wellness and prevention can engage members in their own health. He took it as a strong message of dissatisfaction with BCBS on our program and he intends to make sure that they respond with every resource they have available in the organization.

Chairman Strinden stated these were very encouraging remarks. The Board commented they found the remarks very encouraging as well and they were much more satisfied today than in the past.

Health Reform

Mr. von Ebers, President and CEO of BCBSND, discussed a perspective on health care reform with the PERS Board. There was discussion with and questions of Mr. von Ebers.

Memorandum of Understanding (Wellness and Wellness Program)

Mr. Collins reported legal staff has been working with BCBS on the memorandum of understanding for the wellness program, specifically the issue of information being disseminated to subcontractors. Mr. Webb and Mr. Mullen with the Attorney General's Office have reviewed the MOU and have concluded that subcontractors must adhere to HIPAA to protect employee confidentiality. Mr. Collins reported the information is confidential no matter who has the information. The Board discussed this issue.

MS. SMITH MOVED APPROVAL OF THE AMENDED WELLNESS PROGRAM MEMORANDUM OF UNDERSTANDING. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

MOTION PASSED

Mr. Collins reported that BCBS has approved the proposal to maintain a position at BCBS that would work half-time on PERS employer-based wellness activities. PERS would pay half the cost for this position for 18 months at an estimated cost of \$75,000. The Board discussed the wellness program, its availability and having it available to retirees. The Board suggested that a specific wellness effort be included on the job description to develop strategies, methodologies and processes for involving PERS retirees in wellness programming.

MS. SMITH MOVED TO PROCEED WITH DEVELOPING THE WELLNESS POSITION AND APPROVED THE BUDGETED AMOUNT OF \$75,000 THROUGH JUNE 30, 2011 (OUT OF THE HEALTH ACCOUNT AT BCBS), AMENDING IT TO INCLUDE A SPECIFIC BULLET POINT ON THE JOB DESCRIPTION TO INCLUDE THE RETIREES ON WELLNESS EFFORTS.

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

Nays: None

MOTION PASSED

Health Consultant RFP

Mr. Collins reported the next request for proposal will be for the group insurance program consultant. The consultant selected will be responsible for assisting with the bids for the group insurance plans that will be occurring in the next couple of years. Mr. Collins noted that staff is suggesting issuing the group health insurance portion of the consultant RFP on a fee for service basis and the other portions on a fixed basis. Mr. Collins reviewed with the Board the RFP process.

MR. ERDMANN MOVED TO APPROVE THE APPROACH FOR THE RFP FOR THE GROUP INSURANCE CONSULTANT AND AUTHORIZED STAFF TO DEVELOP AND ISSUE THE RFP. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

MOTION PASSED

Surplus/Affordability Update

Mr. Reinhardt presented the August projections to the Board. Projections through September are projected to take a loss of \$4.8 million. Since the plan is fully insured, this liability is the responsibility of BCBS.

RETIREMENT

Actuarial Reports

Mr. Brad Ramirez and Mr. Kurt Schneider with Segal reviewed the 2009 actuarial projections as of July 1, 2009 for the main system, judges, law enforcement, Job Service, Highway Patrol, and retiree health credit program with the Board. Overall, all the plans had a loss due to negative returns but asset smoothing and amortization methods have dampened these effects. Significant asset losses will be recognized over the next five years, which will require increased contributions. The Board had questions of Segal and discussed these valuations. Mr. Collins reported that this information will be presented to the Legislative Employee Benefits next week and the Board will discuss options at the planning meeting in December. A copy of the report is available in the PERS office.

Defined Contribution Valuation

Mr. Ramirez reported that upon Board request, Segal performed an analysis of the NDPERS defined contribution (DC) plan. This plan was adopted in 2000 as a voluntary plan available to non-classified state employees, appointed and elected state officials. The objective of this plan is to provide an option to the defined benefit plan that will allow members to save for their retirement. The evaluation was to measure how the DC members are doing by benchmarking their progress against the PERS DB benefit. The evaluation concluded that the DC plan is not providing a comparable benefit to the DB plan at this time and would not be based upon the assumptions used unless a significant increase in contributions occurred. The level of increase needed would be an increase to about a 20% contribution level.

Investment Policies

Mr. Collins reviewed with the Board some suggested changes to the PERS Investment Policy that were based upon a meeting the Investment Committee had with the Lt. Governor and Mr. Cochrane. Changes were suggested to the Main and Highway Patrol Investment Policies in section 6, Asset Allocation, and section 9, Evaluation. Staff is seeking approval of these changes as well as approval to include these changes in the Job Service and Retiree Health Insurance Credit investment policies.

MR. SAGE MOVED TO APPROVE THE STATE INVESTMENT GOALS AND POLICIES CHANGES AND TO APPLY THESE CHANGES TO THE JOB SERVICE AND RETIREE HEALTH INSURANCE CREDIT INVESTMENT POLICIES. THE MOTION WAS SECONDED BY MR. SANDAL.

The Board discussed this motion.

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

Nays: None

Absent: Ms. Smith

MOTION PASSED

Job Service COLA

Ms. Allen reported that the Bureau of Labor Statistics publicized there will be no cost of living adjustment for the Federal Civil Service Retirement Plan. The Board determined that Article VII(3) of the job service plan document does not allow the PERS Board to give an increase unless one is provided to federal employees .

MR. ERDMANN MOVED TO RECOGNIZE NO INCREASE FOR JOB SERVICE RETIREES IS POSSIBLE UNDER ARTICLE VII(3) OF THE PLAN DOCUMENT. THE MOTION WAS SECONDED BY MR. SAGE.

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

Nays: None

MOTION PASSED

DEFERRED COMPENSATION

Provider Education Fees

Mr. Collins reported that contractually deferred compensation providers must attend provider training offered through PERS. PERS provides this training twice per year and it is approved for continuing education credit. Effective January 2010, the Insurance Department will charge \$1 per credit. Staff recommends continuing to offer the continuing education credit and pay the \$1 charge.

MR. SAGE MOVED TO CONTINUE OFFERING CONTINUING EDUCATION CREDIT FOR THE REQUIRED DEFERRED COMPENSATION PROVIDER TRAINING AND PAY THE \$1 PER CREDIT HOUR FOR PROVIDERS. THE MOTION WAS SECONDED BY MS. SMITH.

The Board discussed this motion and directed staff to confirm that PERS could pay the Insurance Department directly for the provider representatives' credit hours with the State Auditors Office or the Attorney General's office.

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

Nays: None

MOTION PASSED

Flex Program Changes – Health Reform

Mr. Collins provided the Board with an update relating to health care reform and the flexible spending accounts.

Flex Payments

Ms. Allen gave an update to the Board relating to the status of the flexcomp payment issue resulting from the May 2009 PeopleSoft software upgrade.

State Auditor's Office Security Audit

Mr. Collins informed the Board that Mr. Don LaFleur was present to give information relating to the recent spear phishing attack that was launched against state employees by the State Auditors Office with a scenario email indicating that all state employees will be required to pay a premium for their health care plan. Mr. Don LaFleur, State Auditor's Office, informed the Board they conduct tests of the state's security processes and procedures every two years. The purpose of the test was to determine if employees were vulnerable to an attack and to test the state's processes for identifying and responding to an attack. The scenario was developed by the state's security consultant and the target list of employees was generated by the security consultant which was approved by the State Auditor's Office. In the scenario, state employees were to go to a website link and give their user ID and password. There were questions of and discussion with Mr. LaFleur and the Board expressed concern about this email and indicated it caused much disruption. The Board suggested that in the future, the State Auditor's Office notify the agency director that is affected by the test scenario. The State Auditor's Office apologized for any inconvenience caused by this attack, but wanted to reiterate the importance of testing the system.

Quarterly Consultant Fees

The report of consultant fees paid during the quarter ending September 30, 2009 was presented to the Board for their information.

PERSLink Project Quarterly Report

Mr. Collins presented the third quarterly 2009 PERSLink status report to the Board. The project continues to be on time and on budget.

Appeal #2009-001H

Ms. Allen presented detailed information to the Board relating to a participant's request to be released from liability for payment of an insurance premium underpayment. The Board discussed this appeal.

MR. ERDMANN MOVED TO APPROVE THE REQUEST. THE MOTION WAS SECONDED BY MS. EHRHARDT.

The Board discussed this motion.

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

Nays: Mr. Sage, Ms. Smith, Mr. Sandal

MOTION PASSED

Mr. Collins distributed a tentative list of 2010 Board meeting dates for Board review.

BCBS Review

EXECUTIVE SESSION

MR. TRENBEATH MOVED THAT THE BOARD GO INTO EXECUTIVE SESSION PURSUANT TO NDCC §44-04-19.1(2) & (5) TO CONSULT WITH THE ATTORNEY RELATING TO GROUP INSURANCE. THE MOTION WAS SECONDED BY MR. ERDMANN.

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

Nays: None

MOTION PASSED

All members named above were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 12:00 p.m. The Executive Session closed at 12:07 p.m. and the Board returned to open session.

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 12:08 p.m.

Prepared by,

Cheryl Stockert
Secretary to the Board

MINUTES

North Dakota Public Employees Retirement System

WSI Boardroom, Bismarck

WSI Meeting Room, Fargo

Thursday, November 19, 2009

8:30 A.M.

Members Present: Ms. Joan Ehrhardt
Mr. Levi Erdmann
Mr. Howard Sage
Ms. Arvy Smith

Members Absent: Mr. Mike Sandal
Mr. Thomas Trenbeath
Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. Sharmain Dschaak, NDPERS
Mr. Aaron Webb, Attorney Generals Office
Mr. Steve Cochrane, RIO
Ms. Connie Flanagan, RIO
Mr. Kevin Schoenborn, BCBSND
Mr. Rod St. Aubyn, BCBSND
Mr. Dan Ulmer, BCBSND
Mr. Michael Fix, ND Insurance Department
Ms. Rebecca Ternes, ND Insurance Department
Mr. Bill Kalanek, AFPE

Via Videoconference: Ms. Onalee Sellheim, BCBSND
Ms. Jodi Crouse, BCBSND

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

MINUTES

Mr. Sage called for any questions or comments regarding the minutes of the October 22, 2009 Board meeting.

MS. EHRHARDT MOVED APPROVAL OF THE OCTOBER 22, 2009 NDPERS BOARD MINUTES AS AMENDED. THE MOTION WAS SECONDED BY MS. SMITH. THE MINUTES WERE APPROVED.

ANNUAL INVESTMENT REPORT

Mr. Cochrane and Ms. Flanagan from RIO presented a broad overview of the annual investment report including estimated year to date earnings on the funds through November 17, 2009, asset allocations, and cash flows since inception. More detailed information will be presented at a future Board meeting. The Board had questions of Mr. Cochrane and Ms. Flanagan which were answered and discussed. The Board made a request of Mr. Cochrane to be prepared to present information on what the greatest risks are going forward and what the PERS Board or SIB could do to deal with those risks.

GROUP INSURANCE

Sanford Health Plan representatives are scheduled to be at a future PERS Board meeting.

Insurance Department

Mr. Collins introduced representatives from the ND Insurance Department, Mr. Michael Fix and Ms. Rebecca Ternes. They presented an update on major federal health care legislation currently being discussed in Congress and provided information on ND House Bill 1577 which directs a Legislative Council study of factors impacting the cost of health insurance and health insurance company reserves. Representatives also provided the Board with a list of insurance companies approved by the Insurance Department to do business in North Dakota. The final issue related to the timeline of events on the BCBSND study. Ms. Ternes reported the Insurance Department is working very closely with BCBSND on the 2009 audit with positive results. BCBSND has been very cooperative in this effort. A regularly scheduled financial examination of Noridian and its subsidiaries will occur in 2010. The Board had questions on all topics presented that were answered by the Insurance Department representatives.

Mr. Ron St. Aubyn with BCBSND provided additional insight on federal health care legislation and other health care issues.

Group Insurance Consultant RFP

Mr. Collins reported that the Uniform Group Insurance Actuarial and Consulting Services RFP has been issued. Several dates have been extended – questions are due by December 4 and the proposals are due on December 10. A consultant will be hired in December or January.

Part D Contract

Mr. Collins indicated to the Board that the Part D contract was previously approved at the September meeting which included no premium increase and no benefit changes. The contract has been reviewed by legal counsel and is ready for approval by the Board.

MS. EHRHARDT MOVED TO APPROVE THE PART D CONTRACT FOR 2010. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

Absent: Mr. Trenbeth, Mr. Sandal, Chairman Strinden

MOTION PASSED

Surplus/Affordability Update

Mr. Reinhardt presented the September projections to the Board. Projections for the 2007-2009 biennium show a loss of \$4.8 million. Since the plan is fully insured by BCBS, the NDPERS estimated gain/loss is \$0.

Prescription Drugs Update

Mr. Reinhardt reviewed with the Board prescription drug data for the latest year, including the top ten mail order and prescription drugs. The Board discussed this information.

RETIREMENT

Public Fund Survey Summary and Findings FY2008

Mr. Collins shared with the Board information relating to the key characteristics of the nation's largest retirement systems, including market value of assets, actuarial funding ratio, and other information which was sponsored by the National Association of State Retirement Administrators.

DEFERRED COMPENSATION

457 Training Report

Ms. Knudsen presented the 457 deferred compensation training information to the Board. Those who attended remotely using the GoToMeeting software were positive about this method of completing the training and staff recommended that training should continue to be offered in this format. The Board concurred with this recommendation.

Investment Options

Mr. Reinhardt reported to the Board that each year PERS develops a summary of investment options in the deferred compensation plan. The 2009-2010 summary is available on PERS website at http://www.nd.gov/ndpers/forms-and-publications/publications/investment-options.pdf#457_plan

Draft Request for Proposal

Mr. Collins reviewed with the Board the draft 457 and 401(a) Plans request for proposal that is being developed by Segal. The current timeline indicates that if Fidelity is not the successful vendor, the transition to a new vendor would occur between April to June with the new plan taking effect July 1, 2010. Mr. Collins noted the system replacement project

efforts will be moving to a new level and that PERS staffing requirements for the project are going to increase and several PERS staff who worked on the last transition of the 457 plan from Valic to Fidelity would not be able to work on any transition this summer. Staff believes that continuing to move forward with both efforts could result in our inability to meet one or both times frames successfully if either effort had a unanticipated situation arise. After considering this risk, Mr. Collins recommended that PERS move the 457/401(a) bid back by one year and that PERS conclude work on the current RFP with Segal, restart the bid efforts some time next year, and execute a one year renewal with Fidelity.

MS. SMITH MOVED TO DEFER THE 457 PLAN AND THE 401(a) PLAN EFFORTS BACK ONE YEAR AND EXECUTE A ONE YEAR RENEWAL WITH FIDELITY. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

Absent: Mr. Trenbeth, Mr. Sandal, Chairman Strinden

MOTION PASSED

MISCELLANEOUS

Member/Employer Education Update

Ms. Allen presented the Board with information relating to the educational services provided by NDPERS this past year.

Mr. Sage called for any other business or comments. Hearing none, the meeting adjourned at 11:30 a.m.

Prepared by,

Cheryl Stockert
Secretary to the Board

MINUTES

North Dakota Public Employees Retirement System

Wednesday, December 16, 2009
Harold Schafer Leadership Center
University of Mary, Bismarck, ND
9:00 a.m.

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

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

Chairman Strinden called the meeting to order at 9:10 a.m.

Review of NDPERS Programs and Legislative Considerations

Mr. Collins reviewed with the Board a presentation discussing PERS programs and issues relating to each (this presentation is available at the PERS office). Mr. Collins reported that 2010 will be the most challenging and difficult year that PERS will experience.

The first topic in the presentation related to the health plan. Mr. Collins reviewed with the Board the active health plan and the retiree health plan.

GROUP INSURANCE

- Mr. Collins reviewed with the Board the health plan design, wellness benefit changes, retiree plan design, health costs, renewal rates trend, and estimated reserves. Also reviewed were issues affecting health care on the state and national level as well as health care reform initiatives.
- Mr. Collins reviewed with the Board issues relating to our current plan and actions taken to date on issues raised with BCBS as well as what action the Board

believes necessary in the future. It was noted that Mr. von Ebers will attend our Board meeting in January. The Board discussed its feeling that there continues to be questions concerning what has the BCBS board done and what will be done in the future to address the PERS Board concerns expressed last spring.

- In discussing the above, the Board noted that it may be helpful for the PERS Board and the BCBS board to engage in direct discussions about health plan costs. Several options were mentioned that included having someone from PERS appointed to the BCBS board or at a minimum have observation rights with no voting rights, but receive information only. The Board asked Mr. Collins to bring this issue to Mr. von Ebers and seek his thoughts.

Board concurrence and action: In response to the above discussion, the Board asked Mr. Collins to send a follow-up letter to Mr. von Ebers.

Retiree Plan, Part D

Mr. Collins reviewed with the Board issues relating to the Retiree Rx Plan and asked for Board authorization to study the effects of setting up the two programs separately (retiree medical plan and the Part D plan). Specifically, the study would review the effect on the health plan and the retiree health credit program. Mr. Collins indicated that administratively there are problems with the present arrangement. If approved, staff will report the findings to the Board in March or April. The Board had questions and discussed this issue.

MR. SANDAL MOVED THAT STAFF STUDY THE EFFECTS OF SETTING UP THE RETIREE PLAN AND PART D PLAN SEPARATELY. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

MOTION PASSED

After Board discussion, the motion was amended.

MR. SAGE MOVED TO AMEND THE MOTION TO ALSO INCLUDE IN THE STUDY THE EFFECTS OF PRE-MEDICARE RETIREES APPLYING THEIR HEALTH CREDIT TO ANOTHER PLAN PREMIUM. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

MOTION PASSED

Mr. Collins indicated that this next summer PERS will be going out to bid on the uniform group health insurance which occurs every six years. A decision on the bid responses will be made by the Board next August or September. During the past year the Board has heard from Medica and will be hearing from Sanford who are both interested in participating in the PERS plan. It has been suggested that PERS consider offering more than one fully insured plan to the membership. As we prepare for the bid, the Board may want to consider including this third approach. If so, a study should be done at this time on the advantages and disadvantages of adding this third option.

MR. ERDMANN MOVED TO STUDY OFFERING MORE THAN ONE PLAN TO EMPLOYEES ON A STATEWIDE OR GEOGRAPHICAL LOCATION BASIS. THE MOTION WAS SECONDED BY MR. SAGE.

The Board discussed the motion.

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

Nays: None

MOTION PASSED

INVESTMENTS

Investments/Value – Fees

Mr. Collins reviewed with the Board the history of investment processes, including administrative savings, expertise, money manager costs and diversification. The Board noted that PERS should continue its efforts to control the management fees on the funds. There were ideas discussed concerning active management versus passive or indexed management. It was suggested that the PERS investment committee review this and report back to the PERS Board. It was also suggested that each quarter the PERS Investment Committee members report to the Board the actions of the SIB relating to PERS funds and that report should discuss the implications of the actions on PERS fees and overall plan risk.

Board concurrence and action: It was discussed and decided by the Board that the investment actions need to be reviewed by the PERS Board quarterly in order that they can continue to pursue cost/value efforts.

Asset Liability Study

Mr. Collins indicated to the Board that PERS usually conducts an asset liability study sometime after the experience study. The results of the experience study will be available around March with completion by May. If the Board elects to conduct an asset liability study, a decision also needs to be made as to when this study would be conducted.

**MR. SAGE MOVED THAT AN ASSET LIABILITY STUDY BE CONDUCTED IN 2010.
THE MOTION WAS SECONDED BY MS. EHRHARDT.**

The Board discussed the motion.

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

Nays: Mr. Trenbeath and Chairman Strinden

MOTION PASSED

RETIREMENT PLANS

Mr. Collins reviewed with the Board background information on the Plans, looked at the environment of defined benefit plans, and reviewed the status of each Plan. The investment loss totaled negative 24.5 with the assumed return of 8% that is a total investment loss of 32.5% for last year. Year to date returns for this year for PERS is 15.74%, Job Service at 14.75% and retiree health at 17.99%. The challenge is to stop the downward trend, stabilize the fund, and improve the funded status back to 100%.

Mr. Collins reviewed with the Board the various ways in which we can meet this challenge – investment performance exceeding 8%, reducing benefits, and/or increasing employee/employer contributions. He explained that even if benefits are reduced, it does not stabilize the plan, does not improve the funded status, and the Plans' trend continues to be negative. A 1% per year contribution for 4 years would stabilize the Plan at certain return assumptions for this but would not put the plan on a course back to fully funded status, while a 2% per year increase for 4 years would bring the Plan to 100% funded status.

Mr. Collins discussed how these various considerations might be drafted into legislation. PERS legislation must be submitted through the Legislative Employee Benefits Committee with draft legislation submitted by April 1. The bills are then sent for actuarial and technical reviews, heard by the committee, and the committee will vote to give the bills either a favorable, unfavorable, or no recommendation. Concurrent with this process is the executive budget process. PERS will present the Governor with a series of health insurance plan design options. The bills then go to the Legislature for consideration. Bills cannot be amended without first going back to the Legislative Employee Benefits Committee.

Mr. Collins recommended to the Board: 1) to submit three bills which include an 8% increase phased in over 4 years beginning January 2012; 2) the bills should not affect retiree benefits; and 3) the bill should make no benefit changes so as to maintain equity among all employees and equity in contributions. Submitting more than one bill will allow several concepts to have a full actuarial and technical review. Further, it will allow employers and employees an opportunity to testify on the concepts and further facilitate review so the best approach can be developed to respond to our challenge. It was noted

that the audit committee is reviewing the final average salary calculation and that may need to be considered in March as well.

MR. TRENBEATH MOVED THAT STAFF AND LEGAL COUNSEL DRAFT THREE BILLS FOR BOARD CONSIDERATION. THE MOTION WAS SECONDED BY MR. SAGE.

The Board discussed the motion.

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

Nays: None

MOTION PASSED

Mr. Collins reviewed with the Board the benefit structure and the status of the Judges and Highway Patrol systems. The Board concurred with the recommendation to use the same methodology as proposed for the main system.

Mr. Collins reviewed with the Board the National Guard valuation.

Board concurrence and action: The Board concurred that there is no action necessary on this fund at this time.

Mr. Collins indicated that in the law enforcement plan with prior service and without prior service, there is a deficit of .5%. The PERS Board has the authority to set the rate.

Board concurrence and action: After Board discussion, it was decided not to take action on this issue, but to continue to monitor this system.

Group Retirement Consultant

Mr. Collins reported that Segal is currently our group retirement consultant and we are scheduled to go to bid with them in January 2010. Mr. Collins recommended extending this contract for one year in order to maintain the continuity of our benefit planning process this year.

Board concurrence and action: The Board concurred and asked Mr. Collins to obtain information from Segal on the cost to extend their contract for one more year (July 1, 2010 through June 30, 2011) and will bring this information to the January meeting.

OTHER

Pharmacy Benefit Manager Audit RFP

Mr. Collins reported to the Board that twelve companies submitted proposals for the PBM audit. PERS staff reviewed the proposals and rated each company. After review, staff recommends performing the audit and awarding the bid to TriCast. Mr. Collins noted that one of the employees of TriCast was a former employee of Prime Therapeutics (1994-

1999), but he will not be involved in doing the actual audit work. Mr. Collins also noted that the TriCast fee included doing the claims audit for one year which exceeded the bid specification of only the 4th quarter. Mr. Collins indicated to the Board that if there are funds recovered as a result of this audit, those funds should go back to PERS reserves.

MR. ERDMANN MOVED THAT THE AUDIT BE CONDUCTED AND THE EFFORT BE AWARDED TO TRICAST. THE MOTION WAS SECONDED BY MR. SANDAL.

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

Nays: None

MOTION PASSED

Group Insurance Consultant RFP

Mr. Collins reported to the Board that the health insurance consultant effort was bid on a fee for service basis and all the other group insurance bids were bid on a fixed fee basis. PERS received five proposals. Upon staff review, the firm that ranked highest on the fixed fee was Gabriel Roeder Smith (GRS). The number two ranked firm was Gallagher Benefit Services. Staff recommends awarding the bid to GRS.

MR. SAGE MOVED TO AWARD THE HEALTH INSURANCE ACTUARIAL AND CONSULTING SERVICES FOR THE FIXED FEE EFFORT TO GABRIEL ROEDER SMITH. SHOULD STAFF LEARN THAT THE PRICE QUOTE WITH GRS WAS INCORRECT, THE SECOND CHOICE IS GALLAGHER BENEFIT SERVICES. THE MOTION WAS SECONDED BY MR. SANDAL.

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

Nays: None

MOTION PASSED

Mr. Collins reported to the Board that, based on staff review, Deloitte ranked highest on the fee for service efforts for group insurance plans. Deloitte is from Minneapolis and they have worked for PERS in the past. If contract negotiations are not successful with Deloitte, then the number two ranked firm was Gabriel Roeder Smith.

MR. TRENBEATH MOVED TO AWARD THE GROUP INSURANCE ACTUARIAL AND CONSULTING SERVICES FOR THE FEE FOR SERVICE EFFORT TO DELOITTE. THE MOTION WAS SECONDED BY MR. ERDMANN.

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

MOTION PASSED

Segal Contract

Mr. Collins reviewed the Segal contract with the Board which extends the 401(a) and 457 technical assistance efforts through July 30, 2011.

MR. TRENBEATH MOVED TO EXTEND THE CONTRACT WITH SEGAL THROUGH JULY 30, 2011 TO PROVIDE TECHNICAL ASSISTANCE ON THE 401(a) AND 457 PLANS. THE MOTION WAS SECONDED BY MR. ERDMANN.

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

MOTION PASSED

Fidelity Contract

Mr. Collins reviewed with the Board the contract extensions with Fidelity for the 401(a) and 457 plans through July 30, 2011. These contracts have been reviewed and approved by the Attorney General's office.

MR. SAGE MOVED APPROVAL OF THE FIDELITY CONTRACT EXTENSIONS THROUGH JULY 30, 2011. THE MOTION WAS SECONDED BY MR. SANDAL.

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

MOTION PASSED

Administrative Rules

Mr. Collins reported to the Board that the hearing on the administrative rules was held on November 17 with the comment period open until 5:00 p.m. December 10. Mr. Collins shared with the Board one telephone inquiry relating to the rules. Staff requested Board approval to submit the rules to the Attorney General's Office for review, then to the Legislative Council for final promulgation.

MR. TRENBEATH MOVED TO APPROVE THE RULES AND TO OBTAIN APPROVAL FROM THE ATTORNEY GENERAL'S OFFICE AND THE LEGISLATIVE COUNCIL. THE MOTION WAS SECONDED BY MR. SAGE.

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

Nays: None

MOTION PASSED

The Board discussed whether they should start succession planning for the Executive Director's position. Mr. Collins indicated to the Board that the current organizational structure includes four management staff who works closely with him on the day-to-day activities of the PERS organization. The Board decided to review this in the future.

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

Prepared by,

Cheryl Stockert
Secretary to the Board