

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13th Ave SW, Fargo

Thursday, January 17, 2013

10:00 A.M.

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

Via Videoconference: Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Deb Knudsen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Rebecca Fricke, NDPERS
Mr. Srinivas Goluguri, NDPERS
Ms. Jan Murtha, Attorney General's Office
Ms. Onalee Sellheim, BCBSND
Ms. Becky Sicble, HRMS
Mr. Lynn Hart, HRMS

Via Videoconference: Mr. Kevin Schoenborn, BCBSND
Ms. Stacy Duncan, BCBSND
Mr. Luther Stueland, BCBSND

Chairman Strinden called the meeting to order at 10:05 a.m.

MINUTES

Chairman Strinden called for any questions or comments regarding the minutes of the December 20, 2012 Board meeting.

MS. EHRHARDT MOVED APPROVAL OF THE DECEMBER 20, 2012 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MR. SAGE. THE MINUTES WERE APPROVED.

RETIREMENT

Legislation Update

Mr. Collins reviewed with the Board the draft testimony, fiscal notes and bills that have been introduced relating to the retirement legislation. House Bill 1249 relates to the membership of the State Investment Board and adds two new members to the Board (one from the House and one from the Senate). House Bill 1304 requires the divestiture of state investment in certain companies liable under the Iran Sanctions Act and is being reviewed by the Attorney General's Office. Senate Bill 2150 relates to the restriction of per diem compensation for members of boards and commissions established by statute, and would affect five of the seven PERS Board members. House Concurrent Resolution 3003 relates to amending the foundation aid stabilization fund.

Mr. Collins was seeking Board concurrence on how to proceed on Senate Bill 2150. He suggested presenting testimony in a neutral position that would indicate the importance of compensating Board members in order to recruit the caliber of people needed and explain the Board responsibilities in administering the retirement and group insurance plans. The Board concurred that Mr. Collins present testimony in a neutral position.

Companion Plan

Mr. Collins shared with the Board the draft performance standards staff is developing for TIAA-CREF and the Companion Plan. The Board had questions relating to the satisfaction section of the performance standards. If the Board has any further comments, they will communicate them to Mr. Collins. TIAA-CREF will be at the February or March meeting to review this with the Board.

GROUP INSURANCE

Legislation Update

Mr. Collins reported that a legislative hearing was conducted on House Bill 1058 last week before the House Government and Veteran's Affairs Committee. There were concerns expressed that PERS would no longer be offering pre-Medicare retiree health insurance. Questions were raised relating to the portability of the retiree health insurance credit. In addition, there was another question on the minimum premium requirement for health insurance for temporary employees that was proposed to comply with the ACA, and if it would apply to the other programs in that chapter. After review, Legal Counsel recommended that the bill be amended. The Board had questions relating to the legislation and concurred with Legal Counsel recommendation.

Affordable Care Act Update

Mr. Luther Stueland, BCBSND, presented information on the requirement that small non-grandfathered groups may be required to leave the PERS plan. A small employer would be at least one but not more than 100 employees in 2014. Starting in 2016 the state may elect to treat 50 employees as a small group.

Mr. Collins indicated that the North Dakota Century Code allows political subdivisions to join the uniform group health insurance plan. If a political subdivision withdraws from participation in the uniform group insurance plan before completing 60 months of participation, the political subdivision shall make a payment to the Board in an amount equal to any expenses incurred in the uniform group insurance program that exceed income received on behalf of the political subdivision's employees as determined under rules adopted by the Board. Upon legal review, the concern is that a political subdivision that joins could be forced to leave PERS because of ACA, then they could end up with a substantial payment. Ms. Murtha reported the law includes a provision "under rules adopted by the Board", and that administrative rules could set forth the process for the repayment and reiterate the statutory language. Unless the Board's intent is not to have them pay a reduced amount, then the suggestion would be dealt with by modifying the administrative rules. Mr. Collins indicated he could speak with Chairman Kasper to amend the health bill. The Board discussed this change and concurred the bill be amended only for those political subdivisions that would be forced out by the ACA.

Group Life Insurance Enrollment Update

Ms. Allen provided an update to the Board regarding life insurance enrollment activity during annual enrollment period. The Board had questions and requested specific information on retiree life insurance enrollment which staff will present at a later meeting.

Flu Vaccination Clinic Update

Ms. Fricke presented information on the annual flu vaccination clinic that was held this fall which was offered by the UND Center for Family Medicine. There were 1,059 individuals vaccinated. The Board had questions of staff.

FLEXCOMP

Flexcomp Enrollment Update

Ms. Allen presented information relating to the flexcomp annual enrollment participation which is down from last year at 2,729. The reasons could have been due to the fact that there was a decrease in the maximum allowable annual contribution from \$6,000 to \$2,500 and the change to ADP for claims processing. The contributions decreased to \$3.9 million for 2013. Ms. Allen gave an update on the ADP implementation. The Board had questions relating to this information.

MISCELLANEOUS

Member Self Service Update

Ms. Schiermeister reported to the Board that Ms. Dschaak took the lead in the Member Self Service (MSS) portal project deployment to the pilot agencies. Ms. Fricke was a key player in this project as well. MSS was rolled out to twelve pilot employers for annual enrollment and the new hire process. PERS has been coordinating with employers on what worked, what didn't work, and what can be improved. There were 1,372 employees that utilized MSS to make their annual enrollment elections. Since the pilot was rolled out

in September, there have been almost 6,000 plan enrollments and changes processed through MSS. The overall feel from the pilot agencies was that MSS is easy to use, it is quick and they liked it. Mr. Sandal commented that their agency staff indicated that the process, although difficult at times, went extremely well and staff gave high praise for the efforts by all PERS staff involved. The Board had questions relating to the MSS portal. Ms. Schiermeister explained that it is also available to retirees and they can change federal and state tax elections and update address and demographic information.

Legislation Update

Mr. Collins shared draft testimony with the Board relating to the PERS appropriation bill (House Bill 1022). A hearing was held and no action taken on the bill. The bill will go to a subcommittee for further review.

Annual Report

Mr. Collins reported that the 2012 Comprehensive Annual Financial Report has been completed and is available on the PERS website at the following link:

<http://www.nd.gov/ndpers/forms-and-publications/index.html>

Consultant Fees

Fourth quarter ending December 31, 2012 consultant fee report was shared with the Board.

SIB Update

Mr. Sandal provided an update on the recruitment efforts of the State Investment Board to hire the Chief Investment Officer/Executive Director. The job closing is January 31 and there have been 134 applications received to date. Mr. Sandal indicated that HRMS has provided a very high quality service to both this Board and the State Investment Board. The Board had questions.

The Board thanked staff for their continued service to employers and members.

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

Prepared by,

Cheryl Stockert
Assistant to the Board

MINUTES

North Dakota Public Employees Retirement System

NDPERS Conference Room

Thursday, January 30, 2013

8:30 A.M.

Members Present Ms. Joan Ehrhardt
Via Conference Call: 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. Sharon Schiermeister, NDPERS
 Ms. Deb Knudsen, NDPERS
 Mr. Bryan Reinhardt, NDPERS
 Ms. Rebecca Fricke, NDPERS
 Mr. Srinivas Goluguri, NDPERS
 Ms. Jan Murtha, Attorney General's Office
 Mr. Brad Ramirez, Segal

Chairman Strinden called the meeting to order at 8:32 a.m. Roll call was taken.

LEGISLATION UPDATE

Board Review and Consideration

Mr. Collins stated that Senate Bill 2150 relating to Board compensation received a do not pass out of committee and failed in the Senate.

Mr. Collins reviewed House Bill 1304 seeking Board guidance on what position PERS should take on this bill. The State Investment Board has taken a neutral position and the teachers fund Board is opposing the bill. The Board discussed this bill.

MR. SAGE MOVED THAT NDPERS OPPOSE HOUSE BILL 1304. THE MOTION WAS SECONDED BY MR. SANDAL.

There was further discussion and it was explained that the reason for the opposition to House Bill 1304 is because the PERS investment policies include a prohibition against social investing unless it meets the exclusive benefit rule. This bill, as proposed, would overrule the PERS policy for the type of investment proposed. It was suggested that the

testimony include information that PERS has an obligation as fiduciaries to invest for the exclusive benefit to participants.

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

Nays: None

MOTION PASSED

Mr. Collins reported that House Bill 1452 was submitted last week. The bill provides for an optional defined contribution plan for state employees. The Legislative Employee Benefits Committee is meeting this afternoon on the bill and House Government and Veterans Affairs Committee is having a hearing tomorrow. Mr. Collins reviewed considerations, implications, and options of this bill with the Board. After discussion, the Board concurred that Mr. Collins testify to the legislature in a neutral position as long as the costs are funded.

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 8:55 a.m.

Prepared by,

Cheryl Stockert
Assistant to the Board

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13th Ave SW, Fargo

Thursday, February 21, 2013

8:30 A.M.

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

Via Videoconference: Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Sharon Schiermeister, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Rebecca Fricke, NDPERS
Mr. Srinivas Goluguri, NDPERS
Ms. Jan Murtha, Attorney General's Office
Mr. Lynn Hart, HRMS

Via Videoconference: Mr. Kevin Schoenborn, BCBSND
Ms. Stacy Duncan, BCBSND
Ms. Jodi Crouse, BCBSND
Mr. Tom Christensen, BCBSND
Ms. Kristen Richter, 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 17, 2013 Board meeting.

MR. SANDAL MOVED APPROVAL OF THE JANUARY 17, 2013 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MR. TRENBEATH. THE MINUTES WERE APPROVED.

Chairman Strinden called for any questions or comments regarding the minutes of the January 30, 2013 Board meeting. Chairman Strinden noted that the starting time on the minutes was incorrect.

MR. TRENBEATH MOVED APPROVAL OF THE JANUARY 30, 2013 NDPERS BOARD MINUTES AS CORRECTED. THE MOTION WAS SECONDED BY MR. SANDAL. THE MINUTES WERE APPROVED.

RETIREMENT

Legislation Update

Mr. Collins presented an update on retirement legislation. Senate Bill 2059, the recovery plan bill, passed the Senate on a 35-12 vote and will move to the House for consideration. During the consideration on the Senate side, Section 11 was added to the bill which will require a legislative management study be conducted. It requires an examination of the retirement plans and the possibility of a defined contribution plan.

The House took action on the OMB bill and they included a statement of intent that the retirement contribution percentage provided by the state and the employee to PERS not be changed during the 2013-15 biennium and they took out the funding for the recovery bill. Mr. Collins presented a summary on the goals of Senate Bill 2059, the accomplishments to date, and the possible implications of not passing Senate Bill 2059.

Mr. Collins indicated that Senate Bill 2060 passed the Senate and will move to the House for consideration.

Relating to House Bill 1452, the optional defined contribution plan, came out of committee with a do pass, but it has not been funded. Mr. Collins indicated that since the special meeting, costs were reviewed with Segal. The bill as originally proposed provided the defined contribution plan as an option to existing employees and new employees. Mr. Collins reviewed what the effect would be on the defined benefit plan by not funding the proposed bill. It would take longer to recover if the bill is not funded.

There are two ways to fund this bill. One is to increase the contributions to pay for that election. The second option is to allow only the normal cost portion of the contribution to go with members that elect the DC plan option and retain the amortization payment portions of the contribution with the DB Plan.

Mr. Collins suggested presenting testimony in a neutral position as long as the bill is funded and preparing two sets of amendments. One amendment would fund this by an increase in contributions. The second amendment we would make it actuarially neutral. In the second amendment, the fiscal note goes away. If asked by the legislature, we would respond that the actuarially neutral amendment is preferred. The reason is that no matter what the level of participation in the defined contribution plan, the defined benefit plan

would continue to be funded. The Board discussed this and concurred on Mr. Collins approach on this legislation.

Mr. Collins reported that House Bill 1304, the divestiture bill, was discussed in the PERS Board special meeting and with the Investment Committee. It was decided an amendment be proposed to the legislature. The amendment included the provision that the exclusive benefit rule must be met before the provision of the bill can be implemented. With this amendment, the requirements in the PERS investment policies are met. The amendment was adopted by the House. Mr. Collins indicated staff will continue to monitor this bill.

GROUP INSURANCE

Legislation Update

Mr. Collins reported that House Bill 1058 passed the House and will move to the Senate for consideration. House Bill 1059 received a do pass out of Committee and has been referred to Appropriations.

Vision Plan Report

Ms. Allen provided a report on the Superior Vision plan. Information included member utilization, top five providers most utilized within the network, and covered lives. The loss ratio is 110.6%; therefore, Superior is experiencing a loss on the plan at this time. PERS is under a four year guarantee rate until December 31, 2014. Covered lives increased by 7.3% during 2012. The Board had questions relating to this report.

Retiree Update

Ms. Allen provided a retiree update to the Board. Information related to retiree life insurance enrollments, including the coverage levels.

The 1099R's were mailed out by January 15, which was ahead of schedule and the retiree annual summary statements for 2012 were mailed out the week of January 21.

Specialty Pharmacy Program

Mr. Schoenborn, BCBSND, provided an update on the specialty pharmacy program. The Board approved this program in 2010 and at that time it was decided to go with a voluntary program. This program is now administered through Prime Specialty Pharmacy. Within the last year a mailing was sent to all members. Currently there are approximately 360 specialty utilizers for PERS using retail pharmacies. Mr. Schoenborn indicated they would like to do another mailing, emphasizing to members the convenience factor as well as the educational aspect. A draft letter was reviewed and the Board had questions relating to this program. Mr. Christensen further explained the benefits of the specialty pharmacy program and answered questions of staff and the Board.

Health Savings Account Agreement

Mr. Collins asked that this agenda item be moved to the March agenda. The Board concurred.

DEFERRED COMPENSATION

Provider Compliance Update

Mr. Goluguri provided an update to the Board relating to the required 457 provider training meetings. There are currently over 80 representatives that are not in compliance. PERS sent a reminder notice to each of these representatives and informed them they have the week of February 25 to March 1 to complete training online and notify PERS no later than March 15 to be considered in compliance. We will keep you informed as to the status of provider compliance. The Board had questions relating to provider compliance.

MISCELLANEOUS

PERSLink Member Self-Service Update

Ms. Schiermeister reported that since last month's report to the Board, staff is in the process of making improvements to MSS based on what was learned in the pilot phase. The improvements are scheduled to be in place by the end of March 2013 at which time PERS will start rolling out the full version of MSS to all active employees. An incremental approach will be used over a six-month period from April through September. The deployment plan will be communicated to both employers and employees through email and on the PERS website. Articles will be published in the PERSpectives newsletter and the quarterly PERSSonnel Update for employers. Training materials will be provided which will provide employers with an overview of MSS and explain how their role will change when employees make the switch from paper enrollments to MSS.

Board Election

Chairman Strinden reported that the term of Board member Levi Erdmann expires on June 30, 2013. The Board must appoint a committee of three to oversee the election process. Mr. Sage, Mr. Sandal, and Ms. Smith volunteered to be on the Election Committee. Mr. Sage will serve as Chair.

MR. TRENBEATH MOVED APPROVAL OF THE ELECTION COMMITTEE OF MR. SAGE, ACTING AS CHAIR, MR. SANDAL, AND MS. SMITH. 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

RIO Update

Mr. Sandal reported that the subcommittee of the State Investment Board met to review and approve the criteria to rank the applicants. Two hundred applications were received. HRMS ranked the applicants based on the approved criteria. Of the 200 applications, 175 met the minimum qualifications as specified in the vacancy announcement. Treasurer Schmidt and Mr. Sandal will be reviewing the top 30 applicants. Preliminary interviews will be conducted sometime in mid March. The Board had questions relating to the recruitment process.

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

Prepared by,

Cheryl Stockert
Assistant to the Board

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13th Ave SW, Fargo

Thursday, March 28, 2013

8:30 A.M.

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

Via Teleconference: Mr. Levi Erdmann

Via Videoconference: Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. Jan Murtha, Attorney General's Office
Mr. Lynn Hart, HRMS
Mr. Kevin Schoenborn, BCBSND
Mr. Michael Carlson, BCBSND
Mr. Michael Potts, BCBSND
Ms. Stacy Duncan, BCBSND
Ms. Jodi Crouse, BCBSND
Mr. Brent Solseng, BCBSND

Via Videoconference: Mr. Jim Wynstra, BCBSND
Ms. Onalee Sellheim, BCBSND

Via Teleconference: Mr. Bill Hickman, Gabriel Roeder Smith

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

MINUTES

Chairman Strinden called for any questions or comments regarding the minutes of the February 21, 2013 Board meeting.

MS. EHRHARDT MOVED APPROVAL OF THE FEBRUARY 21, 2013 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MR. TRENBEATH. THE MINUTES WERE APPROVED.

RETIREMENT

Legislation Update

Mr. Collins reported that the recovery plan bill (SB 2059) did not pass in the House this past week. The PERS administrative bill (SB 2060) is being considered in the House this week as well as the defined contribution bill (HB 1452) is being considered in the Senate.

Mr. Collins further reviewed the implications of not passing the recovery plan with information provided by Segal. He explained how the unfunded liability will continue to grow. Concerning House Bill 1452, it was heard before the Senate, and Mr. Collins indicated there was a group of members testifying who are currently in the defined contribution plan who want the opportunity to get back into the defined benefit plan. Segal has looked at this issue and concluded there would be no adverse selection.

HCR 3003 was submitted and passed by the House. This bill would put dollars into a state retirement stabilization fund available to address unfunded liability issues. This is a constitutional amendment that must go to the vote of the citizens. If passed, the funds will be put into a separate fund managed by the State Treasurer which will be deposited in the Bank of North Dakota. There is no prudent investor rule included that would allow diversification. Consequently, it was noted in a review by Segal that the unfunded liability of PERS will grow faster than the funds going into the state retirement stabilization fund and therefore this would not solve the long term funding challenge facing PERS.

GROUP INSURANCE

BCBS Annual Review

Mr. Schoenborn introduced BCBS staff that will be presenting the annual report to the Board. Mr. Wynstra, BCBSND, reviewed financial information including the annual trend, year to date incurred claims per contract and claims trend.

Ms. Crouse, BCBSND, reviewed the following with the Board: membership and demographics, total payments, paid per member per month and allowed amount, 2012 allowed by product, 2012 per member per month by relationship, high dollar cases for actives, early retirees, and Medicare retirees, and 2012 provider discounts.

Mr. Solseng, BCBSND, reviewed the pharmacy management program with the Board including information relating to: pharmacy management objectives, employer attitudes, prescription information (including paid per prescription, generic utilization rate and top give prescriptions by payments for actives), quarterly prescription spending, specialty drugs, and PrimeSpecialty mailing.

Mr. Solseng also reviewed the health management section of the annual report which included information relating to health improvement programs, preventive services, cancer screening measures, MediQHome, MediQHome by disease burden, MediQHome clinical outcome measures, and Accordant Care program.

Ms. Duncan, BCBSND, presented the wellness program items to the Board which included information on the HealthyBlue Program participation and results, Health club credit participation.

Mr. Schoenborn, BCBSND, reviewed the performance standards and guarantees with the Board.

Mr. Carlson, BCBSND, presented the pulse points to the Board which is areas where opportunities for improvement in the future are noted. Mr. Carlson also introduced a new campaign titled "Well by Design". The purpose of this program is to generate excitement, engage people and empower them for self-accountability for their own health. This will be a new communication strategy used to: encourage healthy behavior, increase awareness and engagement in MediQHome, Accordant, Prenatal Plus, and Member Advocacy programs. There will be targeted focus areas that are simple, realistic, where members can succeed.

The Board discussed this report and questions were answered by BCBSND staff.

BCBS Rates

It was noted that BCBS reviews PERS plan rates each February after the renewal. The review was conducted and it was concluded that the rates submitted will remain in place. Mr. Schoenborn, BCBS, added that the trends have been slightly higher for both the actives and retirees.

Legislation Update

It was reported that House Bill 1058 has passed both the House and Senate and is awaiting the Governor's action. House Bill 1059 is on the calendar today in front of Senate Appropriations Committee.

Employee Assistance Program RFP

Ms. Allen provided the Board with the EAP request for proposal including the timeline for the 2013-2015 biennium selection. Staff proposed that the current three vendors be allowed to file a renewal. The vendors must still meet the minimum requirements in order to be approved.

MR. TRENBEATH MOVED APPROVAL OF THE EMPLOYEE ASSISTANCE PROGRAM REQUEST FOR PROPOSAL, AND THAT CURRENT VENDORS BE ALLOWED TO FILE A RENEWAL. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

MOTION PASSED

Health Savings Account Agreement

Ms. Allen indicated that the Health Savings Account Agreement has been reviewed and found acceptable by staff and legal counsel for the 2013-2015 biennium.

MR. SANDAL MOVED APPROVAL OF THE HEALTH SAVINGS ACCOUNT ADMINISTRATIVE SERVICES AGREEMENT FOR THE 2013-2015 BIENNIUM. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

MOTION PASSED

NDPERS Inpatient Claims Comparison

Mr. Reinhardt reviewed the 2010 inpatient comparison with the Board. This compares the NDPERS claims with the national hospital discharge survey. NDPERS has about 73% of the 2010 national average episodes, with some areas higher than the national average. The Board had questions relating to this report.

Long Term Care Insurance

Ms. Allen reported that Mr. Hickman with Gabriel Roeder Smith was attending via conference call to present information regarding long term care insurance products and the RFP they recently prepared for PERS. Mr. Hickman reported that nationwide there are only a few companies in the market that offer group long term care insurance products. The policy presently offered by PERS is not a group product since there was not sufficient interest generated to meet the minimum participation requirement and it is not partnership qualified. An observation is that any product offered by PERS can be purchased by members as effectively directly from the market.

The Board discussed this and concluded that Schmidt Insurance Agency be invited to present additional information on long term care insurance for further consideration before

the decision is made to do a request for proposal for our members. Chairman Strinden indicated that this will be put on a future agenda for further review and discussion.

DEFERRED COMPENSATION

Provider Compliance Update

Ms. Knudsen reported that since the February meeting, PERS held an amnesty week as a solution for providers to attend training via the web. Unfortunately, not many providers took advantage of this training opportunity. The provider companies were notified of their agents who had not completed the required training. There are 64 individuals still out of compliance. Staff will continue to update the Board on this issue.

4th Quarter Investment Report

Mr. Reinhardt reported that assets in the 401(a) increased to \$24.4 million as of December 31, 2012. Assets in the 457 Companion Plan increased to \$44.7 million as of December 31, 2012. Participants have increased to 4,166 and most are in the TIAA-CREF life cycle funds. The Investment Subcommittee met and determined there were no funds as underperforming for the quarter.

MISCELLANEOUS

Audit Committee

The Audit Committee Charter Activity Review report, Internal Audit Annual Report, and November 21, 2012 approved Audit Committee minutes were shared with the Board.

RIO Update

Mr. Sandal updated the Board on the recruitment efforts of the Chief Investment Officer/Executive Director of RIO. He indicated that the State Investment Board identified a subcommittee to proceed with finding candidates for the Executive Director/CIO position at RIO. The Committee is chaired by Lieutenant Governor Drew Wrigley. Other committee members are Land Commissioner Lance Gaebe, State Treasurer Kelly Schmidt, Bob Toso, who represents TFFR Board, and Mr. Sandal representing NDPERS Board. As reported last month, there was a significant number of applications received. Applicants were ranked and the committee reviewed the top 30 candidates provided. After review of those candidates, the entire subcommittee met and it was decided they wanted to expand the number of candidates from what they currently had. The subcommittee voted to issue an RFP to now use the services of an executive search committee. The RFP was issued March 6. The proposals were due back March 27. Mr. Sandal will be meeting with members of the subcommittee and representatives of State Purchasing to review the RFP's that were received. On the best case scenario if the RFP is awarded on April 8 and there are no protests, a contract will be able to be signed relatively quickly and a search consultant could be on board by April 27. If, for some reason, there are protests, worst case scenario it would be delayed until May 27. The Lieutenant Governor sent a memorandum to all clients including the PERS Board. It was explained what the process would be so that those entities that do business with the SIB

have been informed. A letter was sent by the Lieutenant Governor to all applicants informing them that the services of the search consultant were going to be used in an effort to further expand the candidate pool and that if they wished to be considered further, they will need to reapply through the search consultant.

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 11:05 a.m.

Prepared by,

Cheryl Stockert
Assistant to the Board

MINUTES

North Dakota Public Employees Retirement System

Attorney General's Conference Room

State Capitol, Bismarck

Wednesday, April 3, 2013

8:30 A.M.

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

Via Conference Call: Chairman Jon Strinden

Member Absent: Ms. Joan Ehrhardt

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Deb Knudsen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Jan Murtha, Attorney General's Office

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

LEGISLATION UPDATE

Board Review and Consideration

Mr. Collins informed the Board that Senate Bill 2059 (recovery plan) was defeated in the House. The Senate Government and Veterans Affairs committee amended House Bill 1452 (defined contribution bill) to add in the provisions of Senate Bill 2059 (recovery plan). The Senate also included in the bill an expiration date of July 2017 for the defined contribution portions of the bill in order to allow a review of how it is affecting the defined benefit plan. Including the sunset clause will also reduce the cost dramatically, which means more of the contributions would go to funding the unfunded liability. And, it could reduce future risk because it provides an opportunity to review this option. The fiscal note was also amended to include PERS administrative costs of \$22,000 for implementation

Mr. Collins was seeking Board guidance on how to proceed on this bill. Mr. Collins suggested supporting House Bill 1452 as amended. The Board discussed this bill and concurred that Mr. Collins support and testify in favor of House Bill 1452 as amended.

It was also noted that HCR 3003 had a hearing the previous Monday and Mr. Collins shared the information that was given to the committee from the actuary.

Preventive Health Screenings

Ms. Smith reported that at the last Board meeting BCBS presented information on the status of various cancer screenings, including colorectal cancer screenings. They reported that only 54% of PERS members are receiving a colonoscopy. The Health Department has programs to incentivize screenings. There is a colorectal screening program with some rollup funds to be used by the end of the biennium. Ms. Smith suggested that the funds could possibly be used to pay for the copays and deductibles for PERS members if they get a colonoscopy by June 30, 2013. Ms. Smith spoke with BCBS staff and this could be done in the form of a study. The Board discussed this information and concurred that she move forward and work with PERS and BCBS staff on this program.

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 8:55 a.m.

Prepared by,

Cheryl Stockert
Assistant to the Board

MINUTES

North Dakota Public Employees Retirement System

WSI Conference Room, Bismarck and Fargo

Wednesday, April 24, 2013

8:30 A.M.

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

Members Absent: Ms. Joan Ehrhardt
Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Deb Knudsen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. Jan Murtha, Attorney General's Office
Mr. Mike Schwab, ND Pharmacy Services Corporation
Mr. Alan Person

Via Videoconference: Mr. Kevin Schoenborn, BCBSND
Ms. Wendy Brown, ND Pharmacy Services Corporation

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

MINUTES

Acting Chairman Sage called for any questions or comments regarding the minutes of the March 28, 2013 Board meeting.

MR. TRENBEATH MOVED APPROVAL OF THE MARCH 28, 2013 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MR. SANDAL. THE MINUTES WERE APPROVED.

Acting Chairman Sage called for any questions or comments regarding the minutes of the April 3, 2013 special Board meeting. Ms. Smith asked that a sentence be amended for clarification by adding the word "possibly".

MS. SMITH MOVED APPROVAL OF THE APRIL 3, 2013 NDPERS BOARD MINUTES AS AMENDED. THE MOTION WAS SECONDED BY MR. TRENBEATH. THE MINUTES WERE APPROVED.

RETIREMENT

Legislation Update

Mr. Collins reviewed with the Board the status of retirement legislation as of this morning. He reviewed the implications of House Bill 1452 and what the projected funding ratios would be with the partial recovery plan and new hires electing to participate in the defined contribution plan instead of the defined benefit plan. The new agency appropriations bills being passed out of committee include a 1% employer and a 1% employee contribution in January 2014. The Board discussed the recovery plan.

Review of Segal Contract

Mr. Collins indicated that previously the Board took action to approve extending the contract with Segal for two years beginning July 1, 2012 based upon the rates in the proposal letter. However, the Board did indicate at that time that it wanted to re-evaluate the proposed rates after this first year which would be in the spring of 2013. Mr. Collins indicated that upon review of the fees, the blended rate of \$350 per hour differs from the TFFR rate of \$280 per hour which was recently offered to them by Segal. The Board discussed this and concurred that Mr. Collins discuss the blended rate with Segal as to why the difference and report back at the next Board meeting.

GROUP INSURANCE

Legislation Update

Mr. Collins reported that all group insurance related bills have been acted upon by the Legislature and Governor. The only remaining issue relates to funding for the newly eligible employees who will receive employer premium support because of the Affordable Care Act. It was noted that funding for this additional premium had been added back into the OMB bill.

Health Insurance Rates

Billed Rates

Mr. Collins reported there is a need for Board direction on the 2013-2015 biennium rates. The rates have been approved by the Governor and Legislature at \$981.68, with the BCBS bid at \$1001.72. The difference will be made up from reserves. Since the state rate is up 10.72%, this sets the standard for the rates for other categories. Staff recommendation is to approve a 10.72% increase for all groups on the plan in Rate Structure A (those on the plan prior to July 1, 2013). Those groups joining the plan after this date would pay the full rate (Rate Structure B). Relating to the Medicare retirees, it is suggested that health premiums for all members on this plan before July 1, 2013 be

reduced by 2% and for those members joining on July 1, 2013 and after, they would not be able to participate in the buy down and would be Rate Structure B . There was Board discussion on the billed rates.

MS. SMITH MOVED APPROVAL OF THE STAFF RECOMMENDATION. THE MOTION WAS SECONDED BY MR. SANDAL.

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

Nays: None

Absent: Ms. Ehrhardt and Chairman Strinden

MOTION PASSED

Subsidy Methodology

Mr. Collins indicated that approximately \$3 million in reserves comes from participation in the Affordable Care Act Early Retiree Reinsurance Program (ERRP). Back in 2010 the Board decided to use the buy down to offset the increases for everyone on the plan. These funds must be expended by December 2014. Staff suggested using the ERRP money first in buying down the premiums.

MR. SANDAL MOVED TO USE THE \$3 MILLION IN RESERVES FROM THE ERRP IN THE FIRST MONTHS FOR THE BUYDOWN SO THEY WILL BE EXPENDED BEFORE DECEMBER 31, 2014 TO BUY DOWN HEALTH PREMIUMS. THE MOTION WAS SECONDED BY MR. TRENBEATH.

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

Nays: None

Absent: Ms. Ehrhardt and Chairman Strinden

MOTION PASSED

High Deductible Health Plan (HDHP)

Mr. Collins indicated that the newly enacted legislation allows PERS to offer the high deductible health plan to political subdivisions and staff is recommending that this be done in the same manner as the EPO was offered to political subdivisions. In addition, it was suggested that existing political subdivisions be offered the opportunity to transition to the HDHP each calendar year starting January 1, 2014. Mr. Collins indicated the Board should set the administrative process for offering the HDHP by August. The Board discussed this and concurred that further information be reviewed at a future meeting before a final decision is made.

Heart of America HMO

Mr. Collins reported that Heart of America is seeking approval to continue to offer its health plan to state and participating political subdivision employees in the Rugby service area for the period July 1, 2013 through June 30, 2014. Also, Heart of America

announced its intention to affiliate with Sanford Health Plan by becoming a subsidiary. An application has been filed with the State Insurance Department and a public hearing is scheduled for April 25, 2013.

MR. TRENBEATH MOVED APPROVAL OF HEART OF AMERICA HEALTH PLAN FOR THE PERIOD JULY 1, 2013 THROUGH JUNE 30, 2014. THE MOTION WAS SECONDED BY MR. ERDMANN.

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

Nays: None

Absent: Ms. Ehrhardt and Chairman Strinden

MOTION PASSED

About the Patient Diabetes Program

Mr. Collins indicated that when this diabetes program was first rolled out, it was offered to all newly eligible employees. Since then it has been offered to all new employees. It is being recommended that PERS should consider soliciting all existing eligible employees who originally did not elect to participate, which would be an expanded service level from our current service level.

Ms. Brown, Pharmacy Services Corporation, presented the annual report of the About the Patient diabetes management program. She provided an executive summary; program analysis; demographics; current service levels (marketing, provider visits and patient incentives); proposed level of services including marketing proposal; and strategic goals. Ms. Brown indicated their goal is to increase the participation rate. The Board had questions relating to the expanded service level model.

MR. SANDAL MOVED APPROVAL TO RENEW THE ABOUT THE PATIENT DIABETES PROGRAM AT THE EXPANDED SERVICE LEVEL FOR THE 2013-2015 BIENNIUM. THE MOTION WAS SECONDED BY MS. SMITH.

The Board discussed the motion.

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

Nays: None

Absent: Ms. Ehrhardt and Chairman Strinden

MOTION PASSED

MISCELLANEOUS

Budget Update

Ms. Schiermeister indicated that the Board provided approval to seek a continuing appropriation for outsourcing the flex comp claims processing and this was included in the PERS administrative bill. This bill was passed by the Legislature and signed by the Governor. It was also noted that when this program was put in place at the beginning of the year, vendor payments were to be paid from January through June 2013 (remainder of the biennium) out of the existing PERS budget and it was estimated at the time there could be a need to transfer up to \$75,000 in appropriation authority from the contingency line item to the operating line item. The Board concurred with that plan. Ms. Schiermeister reported that, based on actual expenditures through March 31, 2013, it is projected that PERS will need to transfer between \$25,000 to \$50,000 from the contingency line item. A final transfer amount will be provided to the Board at the May meeting.

Quarterly Consultant Report

The quarterly consultant report for fees paid for the quarter ending March 31, 2013 was provided for information.

RIO Update – Investment Officer/CEO Search

Mr. Sandal reported several responses have been received to the RFP for a search consultant firm. Upon review of those responses, there were certain issues that arose that required the RFP to be reissued. As of yesterday, there were four firms who met the requirements. Treasurer Schmidt, Mr. Gaebe and Mr. Sandal will be meeting to review the proposals and either select a vendor or identify vendors for further review.

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

Prepared by,

Cheryl Stockert
Assistant to the Board

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13th Ave SW, Fargo

Thursday, May 16, 2013

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 Audio Conference: Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Kathy Allen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. Jan Murtha, Attorney General's Office
Mr. Lynn Hart, HRMS
Ms. Kevin Schoenborn, BCBSND
Ms. Onalee Sellheim, BCBSND
Mr. Darren Schulz, RIO

Via Audio Conference: Ms. Stacy Duncan, BCBSND
Ms. Jodi Crouse, BCBSND
Mr. Tom Christensen, BCBSND

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

MINUTES

Chairman Strinden called for any questions or comments regarding the minutes of the April 24, 2013 Board meeting.

MR. SANDAL MOVED APPROVAL OF THE APRIL 24, 2013 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MR. TRENBEATH. THE MINUTES WERE APPROVED.

INVESTMENT POLICY

Mr. Schulz with the Retirement and Investment Office reported to the Board there is an investment policy matter relating to the real estate allocation in the PERS plan. The investment policy statement has a restriction that prohibits investing in public real estate investment trust securities within the real estate allocation. Mr. Schulz indicated he was asking the Board to provide an exception or waiver of this policy for Invesco who finds that they are out of compliance and plans to bring themselves back into compliance in the next 12-24 months. The PERS Investment Subcommittee met yesterday and it was indicated that the intent was to have the asset class reflect investments directly in properties and not be subject to market fluctuations. The committee recommends maintaining the policy and providing the waiver. The Board further discussed this situation.

MR. SAGE MOVED TO PROVIDE A WAIVER FOR INVESCO FOR THE INCLUSION OF REAL ESTATE TRUSTS WITHIN THEIR REAL ESTATE PORTFOLIO WITH THE STIPULATION THAT THEY DIVEST OF THE REAL ESTATE TRUST WITHIN 24 MONTHS. THE MOTION WAS SECONDED BY MR. SANDAL.

The Board further discussed the motion, with the suggestion that a letter be sent to Invesco to be mindful of PERS investment policy requirements.

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

Nays: None

MOTION PASSED

MR. TRENBEATH MOVED TO AMEND THE MAY 16, 2013 NDPERS BOARD MEETING AGENDA TO ADD THIS ITEM. THE MOTION WAS SECONDED BY MR. SANDAL.

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

Nays: None

MOTION PASSED

GROUP INSURANCE

BCBS Quarterly Executive Summary

Mr. Wynstra, BCBSND, presented information on the financial/trend analysis which included biennium comparison, quarterly trend analysis, year to date incurred claims per contract and claims trend. Ms. Crouse, BCBSND, updated the Board on membership and utilization which included claims paid per member per month, high dollar cases, and prescription drugs. Also reported was information on health management which included

risk scores for PPO and HDHP, AccordantCare Participation, MediQHome key measures and outcome measures. Ms. Crouse reviewed performance standards and guarantees with the Board.

Ms. Duncan, BCBSND Wellness Coordinator, gave a wellness program update which included HealthyBlue, health club credit, member engagement, and PERS wellness activities update.

The Board and staff had questions relating to the quarterly report.

EAP Request for Proposal

Mr. Reinhardt reported PERS received four proposals to the Employee Assistance Program request for proposal: St. Alexius, The Village, Deer Oaks and Live Well Solutions. Each agency will select their EAP for the 2013-2015 biennium by June 14, and will have an opportunity to speak with the vendors at the 2013 Payroll Conference to be held on June 12. The Board had questions relating to the proposals.

MR. TRENBEATH MOVED APPROVAL OF THE FOUR EMPLOYEE ASSISTANCE PROGRAM VENDORS FOR THE 2013-2015 BIENNIUM. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

MOTION PASSED

BCBS Agreement

Mr. Collins distributed an updated BCBS Agreement. He indicated staff and legal counsel had reviewed the Agreement with very few changes. The Board had questions and recommended changes on Section 5.1 of the Agreement relating to Privacy of Protected Health Information (PHI). After further discussion on the Agreement, the Board concurred that updates and further review was necessary and a special Board meeting would be held.

Long Term Care Insurance

Mr. Collins reported that Schmidt Insurance Agency will be at the June Board meeting to present information relating to the long term care insurance products.

Health Summary Plan Descriptions

Ms. Allen presented a summary of the changes to summary plan descriptions for the Dakota Plan, Dakota Plan Non-grandfathered, and Dakota Plan HDHP Non-grandfathered plans. The Board had questions relating to the changes relating to the provisions of the Affordable Care Act. Ms. Sellheim, BCBSND, responded that the U.S. Department of Health and Human Services dictates the provisions.

RETIREMENT

Legislation Update

Mr. Collins presented a summary of the final legislation in House Bill 1452 relating to the retirement plan.

House Bill 1452

Mr. Collins indicated to the Board that legislation in House Bill 1452 provides that implementation will be based on the policies and rules of the PERS Board. Mr. Collins explained that PERS would use the current process in place for offering the defined contribution option subject to Board approval.

MR. TRENBEATH MOVED APPROVAL THAT STAFF PROCEED IN OFFERING THE DEFINED CONTRIBUTION PLAN USING THE CURRENT PROCESS. THE MOTION WAS SECONDED BY MR. ERDMANN.

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

Nays: None

MOTION PASSED

Review of Segal Contract

Mr. Collins indicated that at the last meeting it was determined we would renew our contract with Segal and that Mr. Collins would follow-up with them to negotiate a lower hourly rate. Mr. Collins contacted Segal and they lowered the hourly (blended) rate.

MR. SANDAL MOVED APPROVAL TO RENEW WITH SEGAL FOR THE PERIOD FROM JULY 1, 2013 THROUGH JUNE 30, 2014. THE MOTION WAS SECONDED BY MR. SAGE.

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

Nays: None

MOTION PASSED

MISCELLANEOUS

Executive Director Review

Chairman Strinden indicated that it is time to complete the yearly evaluation of the Executive Director. Mr. Sandal, Ms. Smith and Chairman Strinden volunteered to serve on the committee to conduct the yearly Executive Director evaluation.

MR. TRENBEATH MOVED APPROVAL OF THE EXECUTIVE DIRECTOR EVALUATION COMMITTEE. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

MOTION PASSED

Budget Update

Mr. Collins indicated it was reported earlier that it would be necessary to move dollars out of the contingency line item into the operating line item for the remainder of the biennium to make vendor payments to ADP. The deficit amount is \$50,000 and staff requested Board approval to transfer \$50,000 from the contingency line item to the operating line item.

MS. SMITH MOVED APPROVAL TO TRANSFER \$50,000 FROM THE CONTINGENCY LINE ITEM TO THE OPERATING LINE ITEM. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

MOTION PASSED

Personnel Policies Update

Ms. Allen presented updates to the PERS Personnel Policies and sought Board approval.

MS. EHRHARDT MOVED APPROVAL OF THE REVISED PERS PERSONNEL POLICIES. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

MOTION PASSED

Election Update

Ms. Allen reported that there are two candidates for the active vacancy on the PERS Board and they are Mr. Levi Erdmann from the Land Department and Ms. Kim Riedlinger Wassim from Human Resource Management Services. Ms. Allen reviewed the election process and schedule with the Board.

PERS Procurement Guidelines

Mr. Collins stated staff periodically reviews PERS procurement policies. Suggested changes were presented for consideration. The Board discussed the procurement policies. It was suggested that the state procurement guidelines be reviewed before final consideration of the PERS guidelines.

PERS Business Plan

Mr. Collins sought input from the Board on the portion of the PERS business plan that included agency goals, drivers and philosophies. This document is the basis for staff to develop the work plans and to assess progress. Mr. Collins sought Board input. The Board suggested adding a section on Member Education and Communication.

January 2014 Planning Meeting

Mr. Collins indicated a Board planning meeting is held every two years after the legislative session. The Board indicated that January 2014 would be a target month for the meeting if all members were available.

DEFERRED COMPENSATION

Provider Update

Ms. Allen provided an update on the deferred compensation provider companies and representatives that remained non-compliant since reported at the March Board meeting. There are three companies comprising 42 representatives that are non-compliant. Ms. Allen reviewed with the Board the types of action that can be taken. The Board discussed this situation.

MS. EHRHARDT MOVED TO IMPOSE LOSS OF ACTIVE PROVIDER STATUS ON THE NON-COMPLIANT REPRESENTATIVES EFFECTIVE JULY 1, 2013. THE MOTION WAS SECONDED BY MR. ERDMANN.

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

Nays: None

MOTION PASSED

Hardship Case #121

Ms. Allen presented detailed information to the Board relating to a deferred compensation hardship withdrawal request in the amount of \$1,500 to cover the legal services and filing fee required to file bankruptcy. The Board discussed this financial hardship request.

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

NDPERS Board Meeting
May 16, 2013
Page 7 of 7

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 10:17 a.m.

Prepared by,

Cheryl Stockert
Assistant to the Board

MINUTES

North Dakota Public Employees Retirement System

Attorney General's Conference Room

State Capitol, Bismarck

Tuesday, May 28, 2013

9:00 A.M.

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

Members Absent: Ms. Arvy Smith
Chairman Jon Strinden

Others Present: Ms. Cheryl Stockert, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Deb Knudsen, NDPERS
Mr. Bryan Reinhardt, NDPERS

Others Present via
Conference Call: Mr. Sparb Collins, NDPERS
Ms. Jan Murtha, Attorney General's Office
Mr. Kevin Schoenborn, BCBSND
Ms. Onalee Sellheim, BCBSND

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

GROUP INSURANCE

BCBS Administrative Service Agreement

Mr. Collins indicated to the Board that the BCBS administrative service agreement has been reviewed by both staff and legal counsel with updates made since the last Board meeting. Modifications were made to the Privacy Use and Disclosure Responsibilities section as well as to the Indemnification section. Ms. Murtha, legal counsel, provided clarification on these changes. The Board discussed the agreement.

MS. EHRHARDT MOVED APPROVAL OF THE BCBSND ADMINISTRATIVE SERVICE AGREEMENT FOR THE PERIOD JULY 1, 2013 THROUGH JUNE 30, 2015. THE MOTION WAS SECONDED BY MR. TRENBEATH.

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

Nays: None

Absent: Ms. Smith and Chairman Strinden

MOTION PASSED

Acting Chairman Sage called for any other business or comments. Hearing none, the meeting adjourned at 9:15 a.m.

Prepared by,

Cheryl Stockert
Assistant to the Board

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13th Ave SW, Fargo

Thursday, June 20, 2013

8:30 A.M.

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

Member Absent: Mr. Thomas Trenbeath

Via Videoconference: Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. Jan Murtha, Attorney General's Office
Mr. Lynn Hart, HRMS
Mr. Kevin Schoenborn, BCBSND
Mr. Gene Schmidt, Schmidt Insurance Agency

Via Videoconference: Ms. Onalee Sellheim, BCBSND
Ms. Jodi Crouse, BCBSND
Ms. Stacy Duncan, BCBSND
Ms. Peg Dickelman, NISI

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 May 16, 2013 Board meeting.

MR. SANDAL MOVED APPROVAL OF THE MAY 16, 2013 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MS. EHRHARDT. THE MINUTES WERE APPROVED.

GROUP INSURANCE

Long Term Care Insurance

Mr. Collins reported that Mr. Schmidt from Schmidt Insurance Agency will present information on changes in the long term care insurance market.

Mr. Schmidt, SIA, presented information relating to changes in the long term care market which included: gender pricing, updated underwriting requirements which are becoming stricter, claims utilization which continues to increase, utilization statistics and the cost of care. In the current environment, utilization is greater for females, the cost of care continues to increase and lapse rates continue to decrease.

Mr. Schmidt indicated that if the state would fund a long term care benefit for each employee, there are companies that would offer simplified underwriting provisions that would benefit the employees. Volume buying will provide participants with good coverage. He further indicated that a census would have to be sent to a company which would then determine what benefit the state would receive and whether there would need to be a state contribution.

The Board had questions relating to long term care insurance. The Board suggested that before we proceed with offering long term care insurance, PERS check with state employees to determine if this is a benefit they would be interested in. Mr. Collins responded that the PERS Benefits Committee would be consulted. The Board thanked Mr. Schmidt for his presentation.

Group Insurance Eligibility

Mr. Collins indicated there have been members questioning eligibility in the PERS group insurance plan by domestic partners or same gender spouses where a marriage has occurred. The question has been asked if spousal benefits are available to same gender member spouses or domestic partners married or otherwise so qualified in another state. Ms. Murtha reviewed information with the Board. North Dakota law states that the term spouse refers only to a person of the opposite gender who is a husband or a wife. Ms. Murtha concluded that NDPERS spousal benefits are only available to member spouses of the opposite gender. However, there are various federal cases that could impact this analysis. The Board had questions and discussed this issue. Ms. Murtha indicated that she will keep the Board informed.

MR. SANDAL MOVED TO HAVE LEGAL COUNSEL RESEARCH WHETHER THE NDPERS BOARD HAS THE AUTHORITY TO GRANT HEALTH INSURANCE COVERAGE TO SAME GENDER PARTNERS. THE MOTION WAS SECONDED BY MS. SMITH.

The Board further discussed the motion.

Ayes: Mr. Sandal, Ms. Smith

Nays: Ms. Ehrhardt, Mr. Erdmann, Mr. Sage, and Chairman Strinden

Absent: Mr. Trenbeath

MOTION FAILED

Explanation of Benefits (EOB) Bundling

Mr. Collins reported that PERS received a request from BCBS to bundle the explanation of benefits forms for children eleven and younger with the policy holder's explanation of benefits if it is within the same time period. BCBS indicated they have implemented this for their other lines of business. Legal counsel and staff have reviewed this request and there are no concerns. The Board had questions relating to the bundling of EOB's.

MS. EHRHARDT MOVED APPROVAL FOR BLUE CROSS/BLUE SHIELD TO BUNDLE THE EXPLANATION OF BENEFITS FOR CHILDREN AGES ELEVEN AND UNDER WITH THE ACCOUNT SUBSCRIBER EXPLANATION OF BENEFITS. THE MOTION WAS SECONDED BY MR. SANDAL.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

Affordable Care Act Implementation

Mr. Collins provided an update to the Board relating to progress on implementing the Affordable Care Act provisions for the state. Employers must determine who is eligible, then develop a payment methodology that does not charge those that are eligible more than 9.5% of their household income. PERS is assisting in this effort by informing participating employers and holding a training session in July.

Wellness Update

Ms. Fricke updated the Board on the Employer Based Wellness Program renewal for the plan year July 1, 2013 through June 30, 2014. There are a total of 197 out of 290 employers electing to participate in the wellness program which is approximately 68% covering 97% of employees. The Board had questions relating to participation in this program.

Annual Claims Review

Mr. Reinhardt reported that an audit was conducted at BCBS to check the accuracy of claims processing. A sample of 100 claims was reviewed with two findings noted. The Board had questions relating to this audit.

Tobacco Cessation Grant Renewal

Ms. Allen reported that the North Dakota Department of Health had notified PERS that the Smoking Cessation Program funding will be continued for the upcoming biennium. Funding approved for this biennium is \$80,000 due to decreased utilization during this past biennium. Last biennium funding was \$100,000 and the Health Department has indicated if there is a need for additional funding throughout the biennium, they can amend the request and seek additional funds.

MS. SMITH MOVED APPROVAL OF THE TOBACCO CESSATION GRANT PROGRAM FOR THE PERIOD JULY 1, 2013 THROUGH JUNE 30, 2015. THE MOTION WAS SECONDED BY MR. SAGE.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

Political Subdivision Participation

Ms. Allen reported that PERS and BCBS have received inquiries from participating political subdivisions about whether they can change their group health insurance coverage from the grandfathered PPO/Basic Plan to the non-grandfathered PPO/Basic Plan. PERS staff reviewed this and could find no reason not to allow this option as long as the employer group was advised of the potential consequences of this action. Ms. Allen indicated that once a political subdivision chooses the non-grandfathered plan, they cannot change back to the grandfathered plan. It was also determined that political subdivisions that want to make this change would be required to complete a Memorandum of Understanding. The Board had questions relating to this information.

MR. SANDAL MOVED APPROVAL TO IMPLEMENT THE MEMORANDUM OF UNDERSTANDING ALLOWING PARTICIPATING POLITICAL SUBDIVISIONS THE OPTION TO CHANGE FROM THE GRANDFATHERED TO THE NON-GRANDFATHERED PLAN. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

RETIREMENT

Defined Contribution Plan Implementation

Mr. Collins shared information relating to the defined contribution plan implementation. All tasks are being defined and responsible parties are being identified. At the May meeting, the PERS Board approved using the existing plan provisions as the guide for developing the expanded program. Mr. Collins further noted that staff has recommended two process changes. One is to update the provision that when a member changes to the DC plan, they will not be required to notarize the form which is consistent with other member actions. The second relates to the reminder mailing process. Currently, two reminders are sent to the member. With the expected increase in volume, staff recommends changing this to one reminder after the initial letter goes to the members.

MS. SMITH MOVED APPROVAL OF THE TWO PROCESS CHANGES RELATING TO NOTARIZING THE FORM AND THE REMINDER NOTIFICATIONS. THE MOTION WAS SECONDED BY MR. SAGE.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

Law Enforcement and National Guard Employer Contributions

Mr. Collins indicated that House Bill 1452 provides employee contribution increases beginning in January 2014 as follows: a half of a percent increase in employee contributions for members of the national guard and a half of a percent increase in employee contributions for members of the law enforcement plans. The PERS Board has the authority to set the employer contribution rates. It was noted that during the legislative hearing on the employee increases, the Board's position on enacting matching employer contribution increases was shared should the bill be passed. Mr. Collins indicated that since the bill passed, he was requesting the Board approve the matching employer increase.

MS. EHRHARDT MOVED APPROVAL TO INCREASE THE EMPLOYER CONTRIBUTION RATES FOR THE NATIONAL GUARD AND LAW ENFORCEMENT PLANS BY A HALF OF A PERCENT BEGINNING JANUARY 1, 2014. THE MOTION WAS SECONDED BY MR. SANDAL.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

Disability Consulting Contract

Ms. Allen reported that the contract with Mid Dakota Clinic for disability consulting services is scheduled to expire June 30, 2013. Mid Dakota has indicated they wish to continue to perform these services for NDPERS at the rate of \$200 per hour for the July 1, 2013 through June 30, 2014 contract period. This is the same hourly rate for the sixth year and staff is satisfied with their services. The Board had questions relating to this service and the renewal.

MS. SMITH MOVED APPROVAL TO CONTRACT WITH MID DAKOTA CLINIC FOR DISABILITY CONSULTING SERVICES FOR THE PERIOD JULY 1, 2013 THROUGH JUNE 30, 2014. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

Legislation Update

Mr. Collins reported that two study resolutions were passed this last legislation session. The two Legislative Management Studies relate to the state retirement plan and state employee health insurance premiums. Both studies have been assigned to the Government Finance Committee.

Defined Contribution Review

Mr. Collins reported that to better assess how PERS is performing with the existing defined contribution (DC) program, staff plans to conduct a survey of the existing DC members and to update the Segal DC study to assess where the members are today after the improvement in the market. Mr. Collins was seeking Board observations/input on these activities.

Job Service Retirement Plan

Mr. Collins presented information to the Board relating to the Job Service plan and a letter from the United States Department of Labor (DOL) relating to their ongoing responsibilities. Mr. Collins indicated that a response will be prepared to the letter and sent to the DOL.

Investments

Mr. Collins shared the letter that Mr. Darren Schulz, Interim CIO of RIO, sent to Invesco. The letter related to action taken at the May meeting regarding Invesco Real Estate, specifically the Investment Policy Statement.

DEFERRED COMPENSATION

TIAA-CREF Service Level Agreement

Ms. Knudsen reviewed the Service Level Agreement that staff, legal counsel and TIAA-CREF have been developing. If approved, this will become an addendum to the TIAA-CREF contract.

MR. SANDAL MOVED APPROVAL OF THE TIAA-CREF SERVICE LEVEL AGREEMENT. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

TIAA-CREF Contract Extension

Mr. Collins reported that pursuant to the PERS agreement with TIAA-CREF, the contract can be extended for two years at the end of the first 24 months and again at the end of 48 months. TIAA-CREF has met all contractual requirements and staff recommends extending the contract for two years.

MS. SMITH MOVED APPROVAL TO EXTEND THE CONTRACT WITH TIAA-CREF FOR THE PERIOD JULY 1, 2013 THROUGH JUNE 30, 2015. THE MOTION WAS SECONDED BY MR. SAGE.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

1st Quarter Investment Report

Mr. Reinhardt presented the first quarter 2013 investment report for the 401(a) and 457 Companion Plan. Assets in the 401(a) plan increased to \$26.2 million and the assets in the 457 Companion Plan increased to \$48.2 million with the number of participants increasing to 4,349. The Investment Subcommittee met with SEI on the Job Service and RHIC plans and worked with RIO to develop asset class definitions.

Provider Compliance Update

Ms. Allen provided an update on the three providers that are not in compliance with the training requirements. Previously, the Board took action to put the companies on a loss of active provider status which was communicated to them. Since the last meeting, The Hartford has responded and provided direction on the actions that should be taken for its agents. Contact has been made, with no resolution, with AXA and VALIC who each have one agent out of compliance. Further developments will be reported at the next Board meeting.

FLEX COMP

Flex Comp Review

Mr. Collins reported that to better assess how PERS is performing, staff plans to conduct a survey of existing flex comp participants seeking their overall satisfaction with the new vendor ADP. PERS goal is to make this program simple, user friendly, and broaden the base of participation. Mr. Collins was seeking Board observations/input on the flex comp survey.

Flex Comp Appeal Case ID 129

Ms. Allen presented detailed information to the Board regarding a flex comp appeal where the participant is appealing the denial of payment from the 2012 medical spending account to cover expenses incurred during the 2012 plan year. This claim was not submitted within the four months following the end of the plan year on December 31, 2012. The Board discussed this flex comp appeal.

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

The Board had further questions of staff and discussed this appeal.

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

Nays: Mr. Sage and Mr. Sandal

Absent: Mr. Trenbeath

MOTION PASSED

MISCELLANEOUS

Board Election Process

Ms. Allen reported that the Board election ballots originally sent out had a typographical error and there was no space provided for a write-in candidate. The Election Committee met on June 5, 2013 to discuss the options and determined that a new election with a new schedule would be conducted. The new ballots were mailed out on June 12, 2013 and included a two week time frame to return. The new ballots included a space for a write-in candidate, and an explanation was given regarding the error and that no old ballots would be considered.

Sagitec Maintenance Agreement

Ms. Schiermeister reviewed the draft agreement with Sagitec Solutions for software maintenance and support for the 2013-2015 biennium. Legal counsel has reviewed the agreement and all recommended changes have been incorporated. The fees for the new biennium are consistent with what the Board approved for the PERS budget last June.

MS. SMITH MOVED APPROVAL OF THE SAGITEC MAINTENANCE AND SUPPORT AGREEMENT FOR THE PERIOD JULY 1, 2013 THROUGH JUNE 30, 2015. THE MOTION WAS SECONDED BY MR. SANDAL.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

IFEBP

Mr. Collins reported that the International Foundation of Employee Benefit Plans annual conference is in October. In the past the Board has approved several members' attendance at this conference. Mr. Sandal has expressed an interest in attending.

MR. SAGE MOVED APPROVAL OF TWO BOARD MEMBERS' ATTENDANCE AT THE IFEBP CONFERENCE. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

PERS Audit Committee Minutes

The approved February 20, 2013 PERS Audit Committee minutes were shared with the Board.

PERS Events

Mr. Collins shared with the Board information relating to several events that PERS has been involved with during the last few months. Mr. Sandal reported that several of his staff attended the Payroll Conference and they indicated that it was a top quality conference, very informational and the presentations by staff were relevant and of high quality. Good work staff.

Executive Director Review

Chairman Strinden reported that all Board members had completed a performance evaluation of Mr. Collins. Based on a favorable performance evaluation, the review committee of Mr. Sandal, Ms. Smith, and Chairman Strinden recommended a 3% salary increase effective July 1, 2013.

MR. SAGE MOVED TO GRANT MR. COLLINS A SALARY ADJUSTMENT OF 3% EFFECTIVE JULY 1, 2013. THE MOTION WAS SECONDED BY MR. SANDAL.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

Chairman Strinden thanked Mr. Collins for his service and excellent work.

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

Prepared by,

Cheryl Stockert
Assistant to the Board

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13th Ave SW, Fargo

Thursday, July 25, 2013

8:30 A.M.

Members Present: Mr. Howard Sage
Mr. Mike Sandal
Ms. Arvy Smith
Ms. Kim Riedlinger Wassim

Members Absent: Ms. Joan Ehrhardt
Mr. Thomas Trenbeath

Via Videoconference: Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. Jan Murtha, Attorney General's Office
Mr. Lynn Hart, HRMS
Mr. Kevin Schoenborn, BCBSND
Ms. Onalee Sellheim, BCBSND

Via Videoconference: Ms. Jodi Crouse, BCBSND
Ms. Stacy Duncan, 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 May 28, 2013 Board meeting.

MR. SANDAL MOVED APPROVAL OF THE MAY 28, 2013 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MR. SAGE. THE MINUTES WERE APPROVED.

Chairman Strinden called for any questions or comments regarding the minutes of the June 20, 2013 Board meeting.

MR. SAGE MOVED APPROVAL OF THE JUNE 20, 2013 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MS. SMITH. THE MINUTES WERE APPROVED.

MISCELLANEOUS

PERS Board Election Results

Mr. Sage, representing the Election Committee, presented the election results to the Board stating that Ms. Riedlinger Wassim was elected as the active member to the PERS Board. The final vote count was: Mr. Erdmann 740, Ms. Wassim 799, Invalid 36 and 32 were received after the deadline.

MR. SAGE MOVED TO ACCEPT THE RESULTS ELECTING MS. KIM RIEDLINGER WASSIM TO THE NDPERS BOARD EFFECTIVE JULY 1, 2013. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

Absent: Ms. Ehrhardt and Mr. Trenbeath

MOTION PASSED

Chairman Strinden congratulated Ms. Wassim and welcomed her to the NDPERS Board. Chairman Strinden thanked Mr. Erdmann for his service to the Board. He indicated Mr. Erdmann was an outstanding Board member and the public sector was very well served and represented by him. Mr. Collins presented Mr. Erdmann with a plaque in appreciation for his work.

PERS Subcommittee Assignments

Chairman Strinden indicated there is an open position with the Investment Subcommittee vacated by Mr. Erdmann. It was suggested that Ms. Wassim would be an asset to the Benefits Committee. After discussion and because of the absence of two Board members, it was decided to further discuss committee assignments at the next Board meeting.

MR. SAGE MOVED TO REAPPOINT MR. SANDAL AND HIMSELF TO THE INVESTMENT SUBCOMMITTEE AND STATE INVESTMENT BOARD WITH MR. TRENBEATH AS THE ALTERNATE. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

Absent: Ms. Ehrhardt and Mr. Trenbeath

MOTION PASSED

Quarterly Consultant Report

The quarterly consultant report for fees paid during the quarter ending June 2013 was shared with the Board.

NASRA Issue Brief

Mr. Collins shared information with the Board relating to two issue briefs from the National Association of State Retirement Administrators on the rate of return assumption and state and local government spending on public employee retirement systems. Compared with other states, North Dakota contributed 1.2% to state pensions with other states being significantly higher. Mr. Collins will forward the NASRA Issue Briefs to the Board as he receives them.

Defense of Marriage Act Update

Ms. Murtha reviewed with the Board information relating to this issue since the last Board meeting. Section 2 of DOMA carves out an exception to the full faith and credit clause of the United States Constitution which says that states are not required to give full faith and credit to another state's laws regarding same gender marriage. Section 3 of DOMA provided a federal definition of both marriage and spouse that only recognized persons as married if they are of the opposite gender. The Supreme Court recently found Section 3 of DOMA unconstitutional in US v. Windsor. However, the Court did not address Section 2 which still stands. North Dakota law does not recognize same gender marriages. Ms. Murtha indicated she will continue to review this issue and how it will affect PERS. The Board had questions and discussed this issue.

GROUP INSURANCE

EAP Update

Mr. Reinhardt provided the Board with an update on the EAP selections for the 2013-2015 biennium. There are now four vendors: Deer Oaks, Live Well Solutions, St. Alexius and The Village. The vendors participated in the PERS Payroll Conference. Eight agencies switched EAP vendors. The Board had questions relating to the vendors.

Affordable Care Act (ACA) Implementation Update

Mr. Collins reported that the ACA shared responsibility rules have been delayed by the federal government by one year. Therefore, the conference and executive briefing scheduled for July 22 and 23rd have been cancelled. Ms. Murtha reported to the Board that the question relating to how this affects state law is a difficult question. There is a clause in the health chapter, Section 54-52.1-08.2 of the NDCC which states the Board can change any section of 54-52.1 subject to the approval of the Legislative Employees

Benefits Committee if it does not comply with federal law. The use of this clause would be a way for the Board to mirror federal changes in delaying implementation of these provisions by one year. In House Bill 1059 the legislative intent was to put forth this legislation so we would not be penalized under the ACA.

The Board discussed this issue.

MR. SANDAL MOVED TO HAVE THE DATE IN SECTION 2 OF HOUSE BILL 1059 MOVED BACK ONE YEAR PURSUANT TO THE ACTION OF THE FEDERAL GOVERNMENT IN DELAYING EMPLOYER PENALTIES FOR THE AFFORDABLE CARE ACT. THE MOTION WAS SECONDED BY MS. WASSIM.

The Board further discussed this motion.

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

Nays: None

Absent: Ms. Ehrhardt and Mr. Trenbeath

MOTION PASSED

DEFERRED COMPENSATION

Provider Compliance Update

Ms. Allen updated the Board regarding the companies that had agents out of compliance with the training requirements. Since the July meeting, AXA and VALIC directed PERS to remove the agents that were out of compliance. Each company appointed a representative for future contact. All companies providing services under the state's deferred compensation plan are now in compliance with the training requirements.

FLEX COMP

Flex Comp Survey

Mr. Collins reported that we received 790 responses (30%) on the flex comp survey. Over 300 comments were received. Between now and the next Board meeting staff will analyze this information and present suggested actions based on the results. The Board had questions relating to the survey.

RETIREMENT

Defined Contribution Plan Rules and Policies

Ms. Knudsen reported that in implementing House Bill 1452, staff has been reviewing the bill against the existing administrative defined contribution retirement plan program rules. To ensure consistency, where there was a conflict within the body of the rules with the new language of the law, staff recommended moving the rule to a policy format to be contained in the Defined Contribution Plan Document. Segal will review the Plan

Document and we will share this with the Board at the August meeting. Legal Counsel has determined that this is a viable option to include the recommended portions of the rules in the Plan Document. Mr. Collins added that staff is seeking approval to submit a letter to the Administrative Rules Committee to suspend those rules identified as being inconsistent with the temporary law.

MR. SANDAL MOVED THAT STAFF SHOULD SEEK APPROVAL FROM THE ADMINISTRATIVE RULES COMMITTEE TO SUSPEND THOSE RULES THAT ARE INCONSISTENT WITH THE TEMPORARY STATUTE. THE MOTION WAS SECONDED BY MS. WASSIM.

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

Nays: None

Absent: Ms. Ehrhardt and Mr. Trenbeath

MOTION PASSED

Defined Contribution Plan Review

Mr. Collins shared the preliminary results of the defined contribution plan survey where 79 responses were received. In addition, he shared the updated analysis of the defined contribution plan prepared by Segal. Between now and the next Board meeting staff will analyze this information and present suggested actions based on the results. The Board had questions relating to the survey.

Job Service Retirement Plan

Mr. Collins reported that at the last meeting of the PERS Investment Subcommittee, it was noted that implementation of a de-risking strategy for the Job Service plan may need to be approved by the Department of Labor. It was also noted that the return assumption for the plan was 8% as signed in 1999. Several years ago the return assumption was changed to 7.5% and the Investment Subcommittee is suggesting changing the assumption back to 8% in order that the de-risking strategy, actuarial report and asset allocation are developed based on the 1999 assumptions. The Board discussed this and had questions.

MR. SAGE MOVED TO CHANGE THE RETURN ASSUMPTION FOR THE JOB SERVICE RETIREMENT PLAN FROM 7.5% TO 8%. THE MOTION WAS SECONDED BY MR. SANDAL.

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

Nays: None

Absent: Ms. Ehrhardt and Mr. Trenbeath

MOTION PASSED

Job Service Retirement Plan Benefit Payments

EXECUTIVE SESSION

MR. SAGE MOVED THAT THE BOARD GO INTO EXECUTIVE SESSION PURSUANT TO NDCC §44-04-18.4(1) & (2)(b), §44-04-19.2(1) AND/OR §54-52.1-11 TO DISCUSS CONFIDENTIAL RECORDS OR CONFIDENTIAL MEMBER INFORMATION. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

Absent: Ms. Ehrhardt and Mr. Trenbeath

MOTION PASSED

All members named above were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 9:45 a.m.

Chairman Strinden determined that the Board could return to open session. The Executive Session closed at 10:15 a.m. and the Board returned to open session.

Mr. Sandal reported that the State Investment Board search committee will be interviewing three candidates on Friday afternoon. The consultant will also be providing another group of candidates for interview within the next two weeks.

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 10:18 a.m.

Prepared by,

Cheryl Stockert
Assistant to the Board

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13th Ave SW, Fargo

Thursday, August 22, 2013

8:30 A.M.

Members Present: Mr. Howard Sage
Mr. Mike Sandal
Ms. Arvy Smith
Ms. Kim Riedlinger Wassim
Mr. Thomas Trenbeath

Via Teleconference: Ms. Ehrhardt

Via Videoconference: Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. Jan Murtha, Attorney General's Office
Mr. Lynn Hart, HRMS
Ms. Onalee Sellheim, BCBSND

Via Videoconference: Mr. Kevin Schoenborn, BCBSND
Ms. Stacy Duncan, BCBSND

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

MINUTES

Chairman Strinden called for any questions or comments regarding the minutes of the July 25, 2013 Board meeting.

MR. SANDAL MOVED APPROVAL OF THE JULY 25, 2013 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MS. WASSIM. THE MINUTES WERE APPROVED.

GROUP INSURANCE

Unum Long Term Care Plan Rate Adjustment

Mr. Collins shared an August 1, 2013 letter from Unum informing PERS of a 15% premium increase effective January 1, 2014. Mr. Collins reported that currently 60 members participate in the long term care program. If a member would disagree with this rate increase, they would have the option to drop coverage. The Board discussed this rate adjustment.

MR. TRENBEATH MOVED APPROVAL OF THE UNUM RATE INCREASE EFFECTIVE JANUARY 1, 2014. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

MOTION PASSED

Long Term Care Insurance

Mr. Collins indicated that the Board has been discussing options on whether or not to go out to bid on the long term care plan. Our current product, Unum, is not a partnership eligible product and its design is old. Schmidt Insurance Agency has presented information on long term care insurance to the Board. Various options were discussed relating to the long term care insurance product.

MR. SANDAL MOVED TO REFER THIS INFORMATION TO THE PERS BENEFITS COMMITTEE TO OBTAIN THEIR INPUT AND DIRECTION ON THE LONG TERM CARE INSURANCE PRODUCT. THE MOTION WAS SECONDED BY MR. SAGE.

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

Nays: None

MOTION PASSED

Medicare Part D Rates

Mr. Collins reviewed the proposed renewal for the Medicare Part D prescription drug plan with the Board. The rate increase is .3% increase and is effective January 1, 2014. Deloitte reviewed the renewal and indicated that the rate renewal is reasonable and appropriate.

MS. EHRHARDT MOVED APPROVAL OF THE MEDICARE PART D RATES EFFECTIVE JANUARY 1, 2014. THE MOTION WAS SECONDED BY MR. TRENBEATH.

The Board discussed the motion, specifically how the projected risk scores affect the calculation of the premiums. BCBS indicated the risk score is decreasing which is positive and they will provide additional information to the Board at a later meeting.

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

Nays: None

MOTION PASSED

Affordable Care Act Implementation

Mr. Collins provided an update on the Affordable Care Act (ACA) shared responsibility provisions. The provisions will not be enforced until January 2015 instead of the original date of January 2014. House Bill 1059, passed this session, included language so the PERS health plan would comply with these provisions starting January 2014. Mr. Collins indicated the Legislative Employee Benefits Committee is meeting August 29, at which time he will request delaying the portion of House Bill 1059 relating to ACA to January 2015, pursuant to the action of the Board at a previous meeting.

HIPAA Compliance Changes

Ms. Knudsen reported that PERS operates under the federally mandated Health Insurance Portability and Accountability Act (HIPAA). The most recent changes to the privacy and security regulations will require implementation by September 23, 2013. Staff has been working with legal counsel and provided the Board the draft policies/agreements for review to be finalized at the September Board meeting. Ms. Knudsen asked the Board to review the materials and to get any questions or suggestions to her.

Interim Study – Health Premiums

Mr. Collins reported that this last legislature passed a study resolution relating to state employee health insurance premiums. It was assigned to the Government Finance Committee and they met on July 30. Mr. Collins shared the proposed study plan as prepared by Legislative Council and adopted by the Committee. The Board had questions on the study.

2012 Active Health Care Report

Mr. Reinhardt reviewed the 2012 active health care report with the Board. Information included hospital utilization, physician/clinic utilization, and prescription drug utilization. Costs and trends are increasing slightly. Mr. Reinhardt indicated that an agency-specific report is sent to the 43 large employer groups on the plan. The Board had questions relating to this report.

RETIREMENT

Defined Contribution Plan Research

Mr. Collins reviewed information relating to the recent survey of the DC plan members concerning their satisfaction with the plan, TIAA-CREF and PERS. The comments that were received were analyzed and categorized by general observations relating to the DC plan, TIAA-CREF and PERS.

Relating to the DC plan, there were high levels of dissatisfaction with the DC plan. Approximately 75% of the DC plan members feel they will not have enough money to retire; 71% feel that the DB plan is better than the DC plan; and 59% find the process of selecting their investments to be confusing. Regarding TIAA-CREF, respondents generally do not have a high satisfaction level and they are not satisfied with the advisor services or investment options. Other general observations were that 60% are satisfied with PERS service.

Mr. Collins indicated that a proposed plan of action would be to refer the DC plan challenges to the PERS Benefits Committee to seek their input for possible consideration of legislation that would provide members a new election opportunity or if contributions should be increased to provide members a better benefit at retirement.

Mr. Collins indicated that PERS could also conduct a survey of the Companion Plan participants to determine if their perception relating to TIAA-CREF matches the DC plan members. Staff had noted in their review that the general negative feelings for the DC plan may have influenced the responses relating to TIAA-CREF. Surveying the Companion Plan members would help to clarify this observation. Once the survey is complete, staff would share this information with TIAA-CREF to develop an action plan to respond to members' concerns.

Regarding the investment options concerns, this could be referred to the Investment Committee to review and report back to the Board. The last step in the proposed plan of action would be for PERS to conduct another survey next spring to see if the action plan has helped to improve the services. The Board had questions and discussed these options.

MR. SAGE MOVED THAT STAFF CONTINUE FORWARD WITH THE PROPOSED PLAN OF ACTION. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

MOTION PASSED

Defined Contribution Plan Implementation

Ms. Knudsen updated the Board on the defined contribution plan implementation relating to House Bill 1452. The pertinent rules were identified and relocated to the DC Plan Document and legal counsel is working with the Legislative Council to suspend the rules. Staff is communicating with employers and coordinating business system changes through PeopleSoft and PERSLink. PERS is also working with TIAA-CREF to provide assistance in updating and printing materials for individuals eligible for the election between the two plans, updating comparison software, and streamlining the process for transfers. The Board had questions relating to the implementation plan.

Defined Contribution Plan Document

Ms. Knudsen reviewed the Defined Contribution Plan Document with the Board. The rules relating to House Bill 1452 have been incorporated into this document. The document included input from staff and Segal. Segal recommended that additional safe harbor language be added to the document for purposes of IRC 415 limits. The last step in the process will be to have a legal review then to post this to the website by October 1.

MR. TRENBEATH MOVED APPROVAL OF THE DEFINED CONTRIBUTION PLAN DOCUMENT SUBJECT TO LEGAL REVIEW. THE MOTION WAS SECONDED BY MR. SANDAL.

The Board had further questions relating to the plan document.

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

Nays: None

MOTION PASSED

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 pursuant to the NDCC. During this last legislative session, agency budgets were increased by an average of 4% for salary increases for the first year of the 2013-15 biennium. The North Dakota Highway Patrol leadership is recommending that deferred members in its system have their final average salary indexed by 3%.

MR. SANDAL MOVED APPROVAL OF A THREE PERCENT ANNUAL INCREASE IN THE FINAL AVERAGE SALARY INDEXING FOR HIGHWAY PATROL MEMBERS EFFECTIVE JULY 1, 2013. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

MOTION PASSED

Interim Study – Retirement

Mr. Collins reported that a study resolution was adopted during the last legislative session and assigned to the Government Finance Committee relating to the retirement plan. The purpose of the study is to review the defined benefit and defined contribution plans and to study the possibility of transitioning to a state defined contribution plan. He shared the background memorandum with the Board which included the study plan. Mr. Collins indicated staff would be available to the Committee as requested.

FLEX COMP

Flex Comp Survey Research

Mr. Collins reviewed information relating to the recent survey of the flex comp plan participants concerning their satisfaction with the new vendor ADP and PERS. The comments that were received were analyzed and categorized by general observations relating to the enrollment process and ADP claims processing. There were strong negative comments on questions relating to ADP which indicate that PERS has more work to do to improve member's understanding of the options available, customer service and general acceptance of the new vendor ADP. However, it was noted that when asked if members would participate in flex comp program next year, 90% said yes, they would.

Mr. Collins suggested that the findings of the survey be reviewed with ADP and request they bring back a plan of action to the Board addressing the following issues: dissatisfaction with the debit card, concerns with customer service, confusion between the debit card and the automatic claims reimbursement, the low level of understanding of the mobile application, and how they plan to decrease the intensity of the dissatisfaction comments. Also, PERS will inform ADP that a member survey will be conducted again next year and the results of this will be a consideration of the Board in extending the ADP contract past the end of 2014. The Board discussed this issue and had questions of staff.

MR. SANDAL MOVED APPROVAL OF THE PLAN OF ACTION TO INCLUDE REQUESTING THAT ADP COME BEFORE THE PERS BOARD. THE MOTION WAS SECONDED BY MR. TRENBEATH.

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

Nays: None

MOTION PASSED

MISCELLANEOUS

Board Committee Assignments

Mr. Strinden reviewed the memo relating to PERS Board committees and the existing assignments. He indicated that, as a result of Mr. Erdmann's departure from the Board, it was necessary to appoint someone to the Investment Subcommittee and as an alternate to the State Investment Board. It was noted that Mr. Trenbeath, the existing alternate to the SIB, indicated he was willing to serve as the PERS Investment Committee and SIB member. Mr. Strinden asked if anyone on the Board would be willing to serve as the alternate and Ms. Wassim volunteered. It was also noted that there was an opening on the PERS Benefits Committee if Mr. Trenbeath moved to the State Investment Board.

MR. SANDAL MOVED APPROVAL OF MR. TRENBEATH TO SERVE ON THE STATE INVESTMENT BOARD AND FOR MS. WASSIM TO SERVE AS AN ALTERNATE TO THE STATE INVESTMENT BOARD AND ON THE PERS BENEFITS COMMITTEE. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

MOTION PASSED

Mr. Strinden noted that with the above appointments, all committee assignments were filled unless anyone wanted to make any other changes. No other changes were offered.

Administrative Rules

Ms. Knudsen reviewed the proposed administrative rule changes with the Board. Legal counsel is reviewing whether we must complete a regulatory analysis, takings assessment or a small entity economic impact statement. The rules and analysis will be brought to the Board in September for final approval.

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 10:05 a.m.

Prepared by,

Cheryl Stockert
Assistant to the Board

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13th Ave SW, Fargo

Thursday, September 19, 2013

8:30 A.M.

Members Present: Ms. Joan Ehrhardt
Mr. Howard Sage
Mr. Mike Sandal
Ms. Kim Wassim
Mr. Thomas Trenbeath

Via Videoconference: Chairman Jon Strinden

Member Absent: Ms. Arvy Smith

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Kathy Allen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. MaryJo Steffes, NDPERS
Ms. Jan Murtha, Attorney General's Office
Mr. Lynn Hart, HRMS
Mr. Kevin Schoenborn, BCBSND
Ms. Jodi Crouse, BCBSND
Mr. Paul Hovelsrud, TIAA-CREF
Mr. Bill Thorne, TIAA-CREF
Ms. Toni Block, TIAA-CREF

Via Videoconference: Mr. Jim Wynstra, BCBSND
Ms. Stacy Duncan, BCBSND
Ms. Onalee Sellheim, BCBSND
Mr. Brent Solseng, 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 August 22, 2013 Board meeting.

MR. SANDAL MOVED APPROVAL OF THE AUGUST 22, 2013 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MR. TRENBEATH. THE MINUTES WERE APPROVED.

RETIREMENT

Defined Contribution Plan/TIAA-CREF Survey

Mr. Collins indicated that representatives from TIAA-CREF were at the Board meeting in follow-up to the survey that was discussed at the last meeting. The survey revealed that there were areas of dissatisfaction by members enrolled in the defined contribution plan. Mr. Collins reported that PERS will be doing a similar survey of the 457 plan participants.

Mr. Hovelsrud with TIAA-CREF introduced Mr. Thorne and Ms. Block who were in attendance at the Board meeting. Mr. Thorne reviewed the services TIAA-CREF offers throughout the state. He presented the field consulting group activity results for 2012 and the second quarter 2013. He reviewed their individual meeting survey results with the Board citing a 92% overall distinctiveness rating.

Ms. Block reviewed with the Board upcoming marketing efforts by TIAA-CREF. Phase 1 will capitalize on the January 2014 rate increase reminding participants of all the features and benefits of the plan, show them all investment options and remind them that they have choices. In addition, the information will encourage members to go online or meet with a financial consultant. Phase 2 will build messages that engage members in their retirement planning, and encourage members to use TIAA-CREF resources. Phase 3 will include ongoing education to reach participants throughout the year, with retirement messaging focusing on participating/saving more, diversification and retirement readiness. The staff and Board had questions of TIAA-CREF staff and discussed this plan, specifically, the importance of educating participants to save enough for retirement.

Defined Contribution Implementation Update

Mr. Collins reported that PERS is on track with the October 1 implementation date. A webcast was developed for employers and HR staff.

State Hybrid Plans

Mr. Collins shared information with the Board relating to a report issued by NASRA relating to state hybrid retirement plans.

Defined Benefit Report

Mr. Collins shared information with the Board relating to a recent report titled Promises Made, Promises Broken. The report states that the amount of unfunded liability reported by plans is not accurate since the discount rate used is too high and should be lower (return assumption). If the liability is recalculated using this premise, it will show a much greater unfunded liability. The Board had questions and discussed the information.

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

Mr. Reinhardt reviewed the 2nd quarter investment report for the 401(a) and 457 Companion Plan with the Board. The number of participants in the 401(a) plan is remaining stable at 277 and the plan assets increased to \$26.6 million. The number of participants is increasing in the Companion Plan at 4,450 and assets increased to \$49.8 million.

GROUP INSURANCE

BCBS Quarterly Executive Summary

Mr. Schoenborn, BCBSND, introduced their staff and they presented the quarterly report to the Board. Mr. Wynstra, BCBSND, reviewed actuarial information including the biennium comparison and the quarterly trend analysis for actives and retirees. Staff questioned why the retiree group was trending at a higher rate. BCBS will report back at a future meeting.

Ms. Crouse, BCBSND, reviewed the following with the Board: membership and demographics; claims paid per member per month by quarter and claims type; and high dollar cases for actives, early retirees, and Medicare retirees. She also reviewed the prescription drug information which included paid per prescription and generic utilization rate.

Mr. Solseng, BCBSND, reviewed the trend components on prescription spending noting that specialty spending increased during this period. He also reviewed national projections, the Prime Specialty Pharmacy outreach efforts, members by channel, claims by channel, special care management, and patient monitoring.

Ms. Crouse reviewed the health management section of the quarterly report which included information relating to risk scores, top 10 disease comparison, MediQHome key measures and outcome measures, Accordant Care program participation, Tobacco Cessation highlights, and preventive cancer screenings for actives and early retirees.

Ms. Duncan, BCBSND, presented the wellness program items to the Board which included information on HealthyBlue Program participation and results, Health club credit participation, member engagement (education programs), and Wellness Specialist efforts.

Mr. Schoenborn, BCBSND, reviewed the performance standards and guarantees with the Board. One area needing clarification relates to claims financial accuracy of 99% and to date the performance is 98.95%. He indicated they will be working with PERS staff to set some guidelines on rounding the percentages.

Ms. Crouse finalized the presentation by reviewing the completed and ongoing activities. The Board discussed this report and questions were answered by BCBSND staff.

Affordable Care Act Shared Responsibility Provision

Mr. Collins reported that the Legislative Employee Benefits Committee met on August 29 and concurred with the Board to move the date in Section 2 of House Bill 1059 back one year pursuant to the action of the federal government in delaying employer penalties for the ACA. The Committee added wording which is the earlier of the end of next year or when the final regulations take effect.

Affordable Care Act Notice

Ms. Allen reported that the ACA requires employers to provide Notice of Coverage Options to current employees by October 1, 2013. NDPERS assisted participating employers with this effort.

HIPAA Compliance Changes

Mr. Collins reviewed the HIPAA compliance policy updates for final approval. Staff received comments from the Board which will be incorporated into the final version. One comment received related to the HIPAA Security Standards on page 3 which relates to the retention of all applied and documented sanctions. It was suggested that words "for a period of six (6) years" be eliminated. The Board concurred.

MR. SAGE MOVED APPROVAL OF THE REVISED HIPAA POLICIES. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

Absent: Ms. Smith

MOTION PASSED

Medicare Part D Risk Scores

Mr. Wynstra explained that CMS calculates the risk scores based on prescription usage and diagnostic coding. The risk score takes the revised model risk score provided by CMS and adjusts for normalization across all carriers. He explained that the main purpose of the risk score is to insure that groups are not penalized.

Flu Shot Program

Mr. Fricke reported that the UND Center for Family Medicine will be offering flu vaccines to NDPERS covered employees, retirees and eligible family members. Also, a one-day clinic is scheduled at the Capitol. Notice will be posted on the website and emails sent to all Bismarck-Mandan employers and retiree associations.

Wellness Fair Update

Ms. Fricke updated the Board on the Wellness Fair held during state employee recognition week. Representatives from all group insurance vendors and ADP participated.

Retiree Wellness Fair Update

Ms. Duncan, BCBSND, reported that a Retiree Wellness Fair will be held November 7 from 8:30 a.m. to 11:30 a.m. in Bismarck. Many vendors have confirmed participation. Invites will be mailed to all retirees. Mr. Collins added that each year he meets with Job Service retirees and will coordinate this meeting with the fair this year.

FLEX COMP

Flex Comp Survey

Mr. Collins reported that since the last meeting staff met with ADP and they attended the wellness fair and presented information on the debit card. ADP is working on a response to member concerns, and will be at the November Board meeting to report to the Board.

Flex Comp Participation

Mr. Collins reported that he met with the Higher Education Human Resources Council and they expressed interest in changing their existing flex comp processing method to ADP. As a result, we contacted ADP to determine if we could amend our existing contract to include Higher Education under the same terms and conditions as PERS and they agreed that we could. He noted that this is being worked on, and if it moves forward will not affect PERS.

Other Employer-Sponsored Voluntary Insurance Products

Ms. Allen reported that the annual review of the vendors for the voluntary insurance products approved for pretax premiums was conducted. All current vendors responded, and no new products were proposed by any of the participating companies, therefore, the eligible products for all vendors will remain the same.

MR. TRENBEATH MOVED APPROVAL OF THE VENDORS FOR OTHER EMPLOYER-SPONSORED VOLUNTARY INSURANCE PRODUCTS FOR PRETAX BENEFITS FOR PLAN YEAR 2014. THE MOTION WAS SECONDED BY MS. WASSIM.

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

Nays: None

Absent: Ms. Smith

MOTION PASSED

MISCELLANEOUS

Administrative Rules

Mr. Collins shared the administrative rulemaking process with the Board to seek their approval to move forward with the public hearing. Legal counsel advised that a Regulatory Analysis or a Takings Assessment did not have to be conducted. A Small Entity Regulatory Analysis was conducted.

MR. SANDAL MOVED THAT STAFF PROCEED WITH THE PUBLIC HEARING PROCESS AND BRING THE ADMINISTRATIVE RULES BACK TO THE BOARD FOR FINAL APPROVAL. THE MOTION WAS SECONDED BY MS. WASSIM.

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

Nays: None

Absent: Ms. Smith

MOTION PASSED

PERS Update

Ms. Schiermeister presented an update on the larger PERS activities that are underway or recently completed. Approximately 36,530 member annual statements were mailed to active members with a more detailed annual statement available through PERSLink Member Self Service (MSS). She shared the deployment schedule for MSS with the goal to have all employees have access to MSS for the 2014 annual enrollment season. Part of the deployment to state agencies is to develop an interface from PeopleSoft to PERSLink. Lastly, 2014 annual enrollment runs from October 21 through November 8. A post card will be mailed to each employee's home notifying them of this event and directing them to enroll through MSS. The Board had questions.

Audit Committee Minutes

The May 25, 2013 audit committee minutes was shared with the Board.

Group Health Insurance Appeal Care #141

Ms. Allen reviewed detailed information with the Board where the participant was appealing the repayment of health insurance premiums due to an underpayment. When the payment amount was set up in the system, the incorrect premium code was entered into the system resulting in a premium underpayment for the period August 1, 2012 through May 1, 2013 in the amount of \$810.20. The error was found in May and the member notified. Ms. Allen indicated that NDAC 71-03-05-09 gives the Board the authority to release a person from liability to repay an underpayment in whole or in part if it determines: (a) the underpayment is not the fault of the recipient; or (b) it would be contrary to equity and good conscience to collect the underpayment. The Board discussed this appeal.

MR. TRENBEATH MOVED TO APPROVE THE APPEAL AND WAIVE THE AMOUNT OWED BY THE PARTICIPANT. THE MOTION WAS SECONDED BY MR. SAGE.

The Board further discussed the motion and Mr. Collins explained the internal process when these errors are discovered. He indicated that the audit committee reviews this information. The Board requested staff provide a report of the errors at a future meeting.

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

Nays: None

Absent: Ms. Smith

MOTION PASSED

Mr. Sandal reported that the State Investment Board will be interviewing two candidates for the Chief Investment Officer position and it is expected that a decision will be made.

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

Prepared by,

Cheryl Stockert
Assistant to the Board

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13th Ave SW, Fargo

Thursday, October 31, 2013

8:30 A.M.

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

Member Absent: Chairman Strinden

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Kathy Allen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. MaryJo Steffes, NDPERS
Ms. Jan Murtha, Attorney General's Office
Mr. Brad Ramirez, Segal
Ms. Tammy Dixon, Segal

Via Videoconference: Mr. Kevin Schoenborn, BCBSND
Ms. Onalee Sellheim, BCBSND

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

MINUTES

Acting Chairman Sage called for any questions or comments regarding the minutes of the September 19, 2013 Board meeting.

MS. EHRHARDT MOVED APPROVAL OF THE SEPTEMBER 19, 2013 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MS. WASSIM. THE MINUTES WERE APPROVED.

RETIREMENT

Member Benefits: Job Service Retirement Plan

EXECUTIVE SESSION

PURSUANT TO NDCC § 44-04-19.2(1), 44-04-19.2(2), AND 44-04-18.4(1) & (2)(b), AND THE BOARD WENT INTO EXECUTIVE SESSION TO DISCUSS CONFIDENTIAL MEMBER INFORMATION OR RECORDS.

All members named above were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 8:35 a.m. The Executive Session closed at 8:50 a.m. and the Board returned to open session.

MS. EHRHARDT MOVED THAT THE OVERPAYMENT BE WAIVED AND TO ADJUST THE FUTURE MONTHLY BENEFIT TO \$1,704.06 BEGINNING OCTOBER 1, 2013. THE MOTION WAS SECONDED BY MR. TRENBEATH.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

Member Benefits: PERS Retirement Plan

EXECUTIVE SESSION

PURSUANT TO NDCC § 44-04-19.2(1), 44-04-19.2(2), AND 54-52-26 THE BOARD WENT INTO EXECUTIVE SESSION TO DISCUSS CONFIDENTIAL MEMBER INFORMATION OR RECORDS.

All members named above were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 8:52 a.m. The Executive Session closed at 9:05 a.m. and the Board returned to open session.

MR. TRENBEATH MOVED THAT THE MONTHLY BENEFIT FOR THE MEMBER BE SET AT \$1,304.61. THE MOTION WAS SECONDED BY MR. SANDAL.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

Mr. Collins reviewed a proposed action plan with the Board relating to those members who have multiple retirements. Mr. Collins recommended that Segal review the actuarial methods used for calculating retirements and review methods used in multiple retirements. He explained there are procedures and administrative rules in place for the first and second retirements, and he recommended that staff review and, if necessary, update administrative rules for multiple retirements. The Board discussed this proposal.

MR. SANDAL DIRECTED STAFF TO MOVE FORWARD WITH THE PROPOSED ACTION PLAN AND TO INCLUDE A TIME FRAME FOR THE REVIEW TO BE COMPLETED SHOULD PROPOSED LEGISLATION BE NECESSARY. THE MOTION WAS SECONDED BY MR. TRENBEATH.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

Actuarial Reports

Mr. Ramirez and Ms. Dixon from Segal reviewed the valuation results and projections as of July 1, 2013 with the Board. They explained the actuarial methods that were used in the calculations and the economic assumptions. Reviewed was: 1) membership of the main, Judges, National Guard, Law Enforcement with and without prior main system service systems; 2) market value of assets; 3) actuarial value of assets for the various systems; 4) asset returns; 5) contributions versus benefits and refunds for PERS; 6) actuarially recommended contributions for the various systems; 7) funded ratios for the various systems; 8) GASB 25 annual required contribution for the main system; and 9) the projected and targeted funded ratios for the various systems.

The Board and staff discussed the valuation results and had questions of Segal.

GASB Requirement

Mr. Ramirez reviewed the Statement 67, Financial Reporting for Pension plans and Statement No. 68, Accounting and Financial Reporting for Pensions with the Board. GASB 67 provides for accounting with respect to PERS. GASB 68 provides for financial reporting by employers with respect to PERS. The Net Pension Liability is required to be reported on the employer's balance sheet. Net Pension Liability is total pension liability minus market value of assets and is a snapshot of unfunded liabilities as of a point in time. Mr. Ramirez also explained how Moody's is proposing standard adjustments in evaluating pension plans for public sector entities.

TIAA-CREF Update

Mr. Collins updated the Board on the efforts made by TIAA-CREF in response to the member survey, which included specific time frames and efforts. Mr. Collins indicated another survey will be done next year as well as a survey of the members enrolled in the 457 Companion Plan with TIAA-CREF. The Board had questions relating to this plan.

Defined Contribution Implementation

Ms. Knudsen reported the defined contribution for state employees was implemented on October 1. Staff is trained on internal processes and documents are available on the web. Staff continues to meet regularly to monitor and address any further action items. Enhancements have been identified for PERSLink and will be implemented when possible. To assist with the workload, a temporary employee will be hired.

Job Service Cost of Living Adjustment

Ms. Allen informed the Board that the Department of Labor publicized the cost of living adjustment index for the federal civil service plan at 1.5%. The Board is authorized under Article VII (3) of the Job Service Plan document to give an increase to Job Service annuitants based on what is provided to federal employees. The last increase for annuitants in this system was 1.7% effective December 1, 2012. It was also noted that this increase is less than the actuarially assumed increase and it represents a gain to the system.

MR. SANDAL MOVED APPROVAL OF A 1.5% COST OF LIVING ADJUSTMENT FOR JOB SERVICE ANNUITANTS EFFECTIVE DECEMBER 1, 2013. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

Employee Contributions

Mr. Collins shared a NASRA Issue Brief that discussed changes in employee contributions which have occurred in the last several years.

GROUP INSURANCE

Medicare Retirees Trend Analysis

Mr. Collins reported that BCBS responded to a question from a previous Board meeting regarding why the Medicare trend was high. The trend chart shows that retiree trend has now decreased to 4.9% and it is now more in line with expectations.

UNUM Rate Adjustment Update

Ms. Allen updated the Board on the UNUM rate increase and that personalized notices will be sent to members with an explanation of why the rate was increased. Also, UNUM has provided an informational website where members can view information about the plan design, utilize a cost calculator and view or print enrollment materials and other necessary disclosure forms.

DEFERRED COMPENSATION

Investment Options Summary Booklet

Mr. Reinhardt informed the Board that the Investment Options Summary has been updated and is posted to the PERS website. The Summary includes information on all providers and the available investment options. The Board thanked staff for development of the comprehensive information for members.

MISCELLANEOUS

Benefits Committee Update

Mr. Collins updated the Board on the meeting that was recently held where long term care insurance considerations and other benefits issues were discussed. The next meeting of this committee will be in November or December.

Administrative Rules Update

Ms. Knudsen reported that a hearing will be held on November 6 and staff will update the Board at the next meeting.

Quarterly Consultant Fees

The quarterly consultant report for fees paid for the quarter ending September 30, 2013 was provided for information.

Mr. Collins handed out the Government Finance Committee agenda for next week. He shared a member letter with the Board relating to concerns about the retirement plan.

Mr. Sandal informed the Board that the SIB made an offer to Mr. David Hunter for the Chief Investment Officer position, that he has accepted the position and will begin employment in December.

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

Prepared by,

Cheryl Stockert
Assistant to the Board

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13th Ave SW, Fargo

Wednesday, November 27, 2013

8:30 A.M.

Members Present: Ms. Joan Ehrhardt
Mr. Howard Sage
Mr. Mike Sandal
Ms. Arvy Smith
Ms. Kim Wassim
Mr. Thomas Trenbeath
Chairman Strinden

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. MaryJo Steffes, NDPERS
Ms. Jan Murtha, Attorney General's Office
Ms. Kim Wright, ADP
Mr. John Erxleben, ADP
Mr. David Meckle, ADP
Mr. Lynn Hart, HRMS

Via Videoconference: Mr. Kevin Schoenborn, BCBSND
Ms. Onalee Sellheim, BCBSND
Ms. Stacy Duncan, 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 October 31, 2013 Board meeting.

MR. TRENBEATH MOVED APPROVAL OF THE OCTOBER 31, 2013 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MS. WASSIM. THE MINUTES WERE APPROVED.

FLEX COMP

Flex Comp Survey, ADP Response, and Medical Spending Account Options

Ms. Allen reported that this past summer a survey was conducted of the flex comp plan participants to assist PERS in assessing member satisfaction. There were areas noted in the survey by members that needed improvement. ADP was at the meeting to discuss a plan of action to address these issues.

Ms. Wright, Mr. Erleben, and Mr. Meckle from ADP were in attendance to review the following information with the Board: 1) ADP reports that 92% of NDPERS participants taking the Customer Satisfaction Survey report being extremely satisfied or satisfied with their experience since going live in January of 2013; 2) review of their company's culture of success; 3) review of their company's benefits solution; and 4) discussion of NDPERS survey and action plan (including the FSA engagement tools available through ADP).

Mr. Erlexben reviewed with the Board the new spending account carryover allowance provisions that were recently announced by the IRS. Employers may allow participants in the flex comp plan to carry over \$500. The Plan can implement only one provision, either the annual grace period or the \$500 carry over. Mr. Collins discussed this option with the Board stating that it is too late to implement this in 2014 since we have concluded annual enrollment. He suggested that the Board review this carry over provision with possible implementation in the 2015 plan year. Mr. Erlexben reported that across ADP's 6,000 plus FSA clients, they have probably around 50 similar in size to PERS and they currently have 11 of those 50 clients that are interested in implementing this option for next year. He further explained that in the next six months ADP will have a better understanding of this new provision. Mr. Collins indicated that at a future Board meeting we will map out the specifics in order to make any possible changes for the 2015 plan year.

Ms. Wright reviewed the performance overview for the first three quarters of 2013 with the Board. Information included processing timelines (99%) and accuracy (98%); call center performance; and system availability (web); participant survey (92% very or extremely satisfied); plan statistics; financial summary.

Mr. Erlexben reported that in the future PERS will be able to take advantage of the Client Command Center which is a single human resources platform and will include performance reporting, service metric reporting, and standard communications including webinars and training guides. This will assist PERS staff in administering the program. He thanked PERS for their business and looks forward to the implementation of the University System.

Mr. Collins and the Board discussed issues with ADP relating to customer satisfaction and obtaining additional smaller accounts, with the intent of developing an action plan including goals to be discussed with the Board in the summer of 2014. Specifically, the Board directed ADP to address the PERS survey and to make every effort to increase participant satisfaction, specifically the use of the debit card. The Board expressed their

frustration with ADP because they were to have come to the Board to address the six specific survey issues and bring an action plan to address these issues. The Board directed ADP to bring an action plan, including goals, objectives, and time frames to address employee concerns. Mr. Collins indicated that staff will work with ADP and that this will be brought before the Board either at the February or March meeting.

Contract Update

Mr. Collins updated the Board on the ADP Contract Amendment and indicated that Higher Education has decided to participate with ADP under the same terms and conditions as PERS. The Contract Amendment has been reviewed by legal counsel and found acceptable.

ANNUAL INVESTMENT REPORT

Mr. Darren Schulz, Interim Chief Investment Officer to the ND Retirement and Investment Office and State Investment Board, presented the annual investment review to the Board. His review included: PERS funds summary, asset allocation, economic and market highlights, pension investment performance, and fiscal year activity. Mr. Schulz reported on recent State Investment Board activity and that following a national executive search, the new Executive Director/CIO, Mr. David Hunter, will join RIO on December 2, 2013. The Board had questions and discussed the investment report. The Board noted that it is important to recognize that the search for executive director was a time consuming process, and during the interim the State Investment Board expected much from existing staff at the Retirement and Investment Office. During this transition the staff at RIO stood to the task, and because of their expertise, professionalism, and credibility, our funds were in very good hands.

GROUP INSURANCE

BCBS Agreements

Mr. Collins reviewed the three supplemental agreements with BCBS relating to the Wellness Program, the Rx Disease Management Program, and the Tobacco Cessation Program. These have been updated for approval.

MR. TRENBEATH MOVED APPROVAL OF THE SUPPLEMENTAL BCBS AGREEMENTS. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

MOTION PASSED

Life Insurance Coverage

Ms. Allen reported to the Board that there have been member concerns regarding the current provision in our life insurance plan which defines dependents as unmarried child

14 days old but less than 19 years and student dependents age 19 but less than 23 years. PERS contacted ING for input to determine if PERS could change the dependent definition to allow for death benefits from birth up to age 26 to match the ACA definition and to be consistent with the other group insurance plans. ING indicated they could and there would be no impact to our current rates to make these changes.

MS. EHRHARDT MOVED APPROVAL TO CHANGE THE DEFINITION OF DEPENDENT IN THE PERS LIFE INSURANCE PLAN TO BIRTH UP TO AGE 26 EFFECTIVE JANUARY 1, 2014. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

MOTION PASSED

Medicare PDP Contract

Ms. Allen presented the Group MedicareBlue Rx Prescription Drug Plan (PDP) master contract with BCBSND for the calendar year 2014 beginning January 1, 2014 to the Board for approval. The contract has been reviewed by staff and legal counsel and it was recommended to remove Section 5.7 of the contract as it does not apply to PERS.

MR. SANDAL MOVED TO APPROVE THE GROUP MEDICAREBLUE RX PDP MASTER CONTRACT FOR THE PERIOD JANUARY 1, 2014 THROUGH DECEMBER 31, 2014 WITH THE OMISSION OF SECTION 5.7. THE MOTION WAS SECONDED BY MS. WASSIM.

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

Nays: None

MOTION PASSED

Flu Vaccination Update

Ms. Fricke informed the Board that the UND Center for Family Medicine offered the annual NDPERS Flu Vaccination Clinic this fall. Also offered was an all day clinic at the State Capitol and five employers were provided on-site clinics. There were a total of 1,430 individuals vaccinated at all of these clinics.

Retiree Wellness Fair Update

Ms. Duncan reported on the Retiree Wellness Fair that was held on November 7 at the Bismarck Career Academy on the campus of Bismarck State College. Approximately 90 individuals attended where 20 vendors provided the following: flu vaccinations, bone scans, cholesterol testing, sign-ups for a free colonoscopy, pharmaceutical information, legal and financial advice, and volunteer opportunities. Mr. Collins reported that this year

the Job Service retiree meeting was held in conjunction with this health fair. Ms. Fricke explained that invitations were sent to those enrolled in the PERS health insurance plan. The Board suggested that in the future all retirees be invited.

MISCELLANEOUS

Administrative Rules Update

Ms. Knudsen reported the status of PERS administrative rulemaking process to the Board and noted the attachments included for the Board's final review. A public hearing was held on November 6, 2013. No members of the public attended and no written or oral comments were received from the public. She indicated that staff was seeking the Board's approval of the rules and authorization to submit the rules to the Attorney General's Office and Legislative Council for final promulgation. The Board had questions relating to the qualified domestic relations orders procedures rules which were explained in further detail by Ms. Murtha, Assistant Attorney General.

MS. EHRHARDT MOVED APPROVAL OF THE ADMINISTRATIVE RULES AND GAVE APPROVAL TO STAFF TO SUBMIT THE RULES TO THE ATTORNEY GENERAL'S OFFICE, AND SUBJECT TO THE ATTORNEY GENERAL'S APPROVAL, TO THE LEGISLATIVE COUNCIL FOR FINAL PROMULGATION. THE MOTION WAS SECONDED BY MS. WASSIM.

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

Nays: None

MOTION PASSED

News Article

Mr. Collins shared an article with the Board that was published in United Voices Magazine that was an interview with him relating to PERS and the retirement plan.

2014 Board Meeting Schedule

Mr. Collins distributed the 2014 Board meeting schedule and staff will set these meetings up on Outlook calendars.

RETIREMENT

Contribution Increase

Ms. Allen reported that the contribution increases will go into effect January 1, 2014 as provided for in House Bill 1452. She shared the memo that will be mailed out to employees the week of November 25 and indicated that an email to all employees is scheduled in late December.

Public Pension Coordinating Council

Ms. Knudsen reported that NDPERS received the Public Pension Coordinating Council for the Public Pension Standards Award again this year. NDPERS qualified for the Administrative Award but, due to lack of a plan in place to bring the plan to full funding, did not qualify for the management portion.

Retirement Appeal

Mr. Collins reported that the member was in attendance at today's Board meeting and that confidential member information would be discussed.

MR. TRENBEATH MOVED THAT THE BOARD ENTER INTO EXECUTIVE SESSION PURSUANT TO NORTH DAKOTA CENTURY CODE § 44-04-19.2(1), 44-04-19.2(2), 54-52-26, AND 54-52.1-11 TO DISCUSS CONFIDENTIAL MEMBER INFORMATION WITH THE MEMBER WHO WAS IN ATTENDANCE. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

MOTION PASSED AND THE BOARD WENT INTO EXECUTIVE SESSION TO DISCUSS CONFIDENTIAL MEMBER INFORMATION OR RECORDS.

All Board members named above and the PERS member were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 9:40 a.m. The Executive Session closed at 10:30 a.m. and the Board returned to open session.

The Board noted that a full discussion was held with the member and all possible legal questions involved in this appeal were explored, that the Board was sympathetic with the member, and that upon review of North Dakota Administrative Code 71-02-04-02, there was no latitude or authority to honor the member's request.

MR. TRENBEATH MOVED TO DENY THE MEMBER'S APPEAL TO REVERSE THE LUMP SUM DISTRIBUTION TO A PERIODIC DISTRIBUTION. THE MOTION WAS SECONDED BY MR. SANDAL.

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

Nays: Ms. Wassim, Ms. Ehrhardt, and Ms. Smith

MOTION PASSED

The Board requested that staff review the internal process for surviving spouse benefits to determine if there are improvements that can be implemented. Mr. Collins indicated staff would review this process and bring it back to the Board.

NDPERS Board Meeting
November 27, 2013
Page 7 of 7

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

Prepared by,

Cheryl Stockert
Assistant to the Board

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13th Ave SW, Fargo

Friday, December 27, 2013

8:30 A.M.

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

Via Conference Call: Chairman Strinden

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Kathy Allen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. MaryJo Steffes, NDPERS
Ms. Sharmain Dschaak, NDPERS
Ms. Jan Murtha, Attorney General's Office
Mr. Kevin Schoenborn, BCBSND
Mr. Brent Solseng, BCBSND

Via Videoconference: Ms. Jodi Crouse, BCBSND
Ms. Onalee Sellheim, BCBSND
Ms. Stacy Duncan, BCBSND
Mr. Michael Potts, BCBSND
Ms. Chelsey Matter, BCBSND
Dr. Eunah Fischer, BCBSND
Ms. Lacey Bergh, BCBSND
Mr. Michael Carlson, BCBSND
Mr. Jim Wynstra, 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 November 27, 2013 Board meeting.

MS. SMITH MOVED APPROVAL OF THE NOVEMBER 27, 2013 NDPERS BOARD MINUTES. THE MOTION WAS SECONDED BY MS. EHRHARDT. THE MINUTES WERE APPROVED.

GROUP INSURANCE

BCBS Quarterly Executive Summary

Mr. Schoenborn, BCBSND, introduced their staff and they presented the quarterly report to the Board. Mr. Wynstra, BCBSND, reviewed actuarial information including the biennium comparison and the quarterly trend analysis for actives and retirees. Since there is limited months of data, there was not much to compare to and this will be more meaningful as the biennium progresses.

Ms. Crouse, BCBSND, reviewed the following with the Board: membership and health utilization summary; claims paid per member per month by quarter and claims type; and high dollar cases for actives, early retirees, and Medicare retirees.

Mr. Solseng, BCBSND, reviewed the trend components on prescription spending noting the generic utilization rate has been trending upward since 2011. He also reviewed the quarterly drug spending and payment trends. Specialty spend and rebates continue to increase. He explained that plan costs are increasing which is a result of the benefit design not keeping up with inflation. He suggested in the future adding cost sharing in the generics to 80% versus 70%. Mr. Solseng also shared information with the Board relating to a study which shows the advantages of carve-in pharmacy benefits. The Board had questions regarding the pharmacy information and discussed with Mr. Solseng.

Dr. Fischer, Chief Medical Officer, introduced the new Wellness Director Ms. Lacey Bergh. Dr. Fischer reviewed the history of the MediQHome program, its vision, and opportunities for change into the future. MediQHome has existed since 2009 and in 2013 there were 85% of the providers engaged. Dr. Fischer reviewed the vision, key measures, and outcome measures of the program. Ms. Matter further explained the strategic vision of the program which includes enhancing the analytic tools, engaging providers, program growth, educating and engaging members, and ensuring quality.

Ms. Duncan, BCBSND, reviewed the wellness program with the Board which included information on HealthyBlue Program participation and results, Health club credit participation, member engagement (education programs), and Wellness Specialist efforts. She informed the Board there will be a new program for 2014 titled CPR and First Aid Basics.

Ms. Crouse finalized the presentation by reviewing the performance standards and guarantees with the Board. She explained that the cost management areas are not yet complete for 2013. Ms. Crouse also reviewed the opportunities and ongoing activities

which included presenting options for benefit plan changes for the 2015-2017 plan years to PERS staff and the Board.

Annual Enrollment Update

Ms. Schiermeister presented 2014 annual enrollment information to the Board. She explained that this was the first year that PERSLink Member Self-Service (MSS) was utilized for all employees and overall, it was a success. But there were issues encountered and a plan was developed to compensate for them. Staff will be reviewing what changes will be necessary to improve MSS for next annual enrollment season. The Board had questions and discussed annual enrollment processing.

Ms. Allen reviewed the participation rates with the Board. Flex comp participation rates decreased by 1.9% for medical spending and 7% for dependent care. Flex comp contribution rates decreased by 3.4% for medical spending and 7% for dependent care. Enrollment in dental insurance increased by 6.8% and vision insurance by 4.4%. The Board had questions relating to the decrease in flex comp rates which were discussed with staff.

MISCELLANEOUS

Fiduciary Responsibilities

Ms. Murtha presented a fiduciary responsibility overview to the Board. Information included: what is the role of the PERS Board pursuant to the North Dakota Century Code; what is a trustee; what guides the actions as a trustee; fiduciary duties; prudent investor rule; specific application of fiduciary duties; conflicts of interest; breach; and mistake avoidance. Ms. Murtha also reviewed the PERS Code of Ethical Responsibility with the Board. The Board had questions and discussed the fiduciary responsibilities with legal counsel.

DOMA Update

Ms. Murtha reviewed with the Board the latest information relating to the defense of marriage act and some of the issues that could result in the need for legal advice or action. How this may impact the PERS plan is that the IRS is issuing guidance on how retirement systems must handle various forms of benefits. There is guidance for states that permit same gender marriage and for all states whether they permit same gender marriage or not. Ms. Murtha met with Mr. Collins and RIO staff to review how some of these issues could affect the PERS and TFFR plans. Ms. Murtha is working with PERS and TFFR to develop a scope of services for both agencies to retain a tax consultant for this issue. Recently an Attorney General Opinion was issued that spoke to the recognition of same gender marriage under North Dakota law (refer to Letter Opinion 2013-L-06). The PERS plan must be applied in a manner consistent with North Dakota law. Ms. Murtha explained some of the issues that could come up in the future relating to the recognition of same gender marriage.

Benefit Payment Monitoring

Mr. Collins reported that in October staff discussed with the Board how overpayments and underpayments are handled. The Audit Committee has a process for monitoring these situations and the Board requested additional information on this process. Mr. Collins shared specific information with the Board from Ms. Kinsella, Internal Audit Manager, on the oversight and monitoring provided by the internal auditors and the PERS Audit Committee.

Confidential Information Disclosure Request

Ms. Murtha indicated to the Board that there is a need to go into Executive Session to discuss two confidential member information requests regarding whether or not confidential information can be released.

MR. TRENBEATH MOVED THAT THE BOARD ENTER INTO EXECUTIVE SESSION PURSUANT TO NORTH DAKOTA CENTURY CODE § 44-04-19.2 AND 54-52-26 TO DISCUSS CONFIDENTIAL MEMBER INFORMATION. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

MOTION PASSED AND THE BOARD WENT INTO EXECUTIVE SESSION TO DISCUSS CONFIDENTIAL MEMBER INFORMATION OR RECORDS.

All Board members named above and the PERS member were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 10:50 a.m. The Executive Session closed at 11:07 a.m. and the Board returned to open session.

MR. TRENBEATH MOVED TO RELEASE THE MINIMUM NECESSARY CONFIDENTIAL INFORMATION TO THE REQUESTING PARTIES IN THE TWO SITUATIONS AND AS DETERMINED BY LEGAL COUNSEL. THE MOTION WAS SECONDED BY MR. SAGE.

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

Nays: None

MOTION PASSED

RETIREMENT

Member Communication

Ms. Allen reported this member issue is being revisited at the request of the Board at the November meeting. Internal processes were put in place earlier this year that specifies

that retired members or surviving spouses will not be enrolled for group insurance coverage until the distribution option for benefits has been received and processed. Ms. Allen further reported that member correspondence relating to notice of cancellation is sent regardless of the reason coverage was terminated. Other member correspondence and the Refund/Rollover Kit were also updated. Staff training materials have also been updated with the new procedures.

Defined Contribution Enrollment Materials

Mr. Collins shared a sample defined contribution enrollment packet with the Board. This information is sent within 5 days of notice of a new hire event. Another member letter is generated as a reminder after 120 days, provided no election has been made. Mr. Collins indicated that if the Board had any comments or observations on this information to let him know. The Board requested periodic updates on the how many members are enrolling in the defined contribution plan which staff indicated they are tracking and can develop a report.

OPEB Request for Proposal

Mr. Collins reported that GASB 43 and 45 requires an actuarial valuation for the implicit subsidy applicable to the pre-Medicare retirees who are participating in the PERS health plan. The previous valuation was completed by Van Iwaarden. The last effort was in 2009 and staff was seeking guidance on whether or not to go out to bid.

**MR. SANDAL MOVED THAT PERS GO OUT TO BID ON THE OPEB VALUATION.
THE MOTION WAS SECONDED BY MS. WASSIM.**

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

Nays: None

MOTION PASSED

Job Service Retirement Plan

Mr. Collins explained that during a recent review of the Job Service cost of living adjustment payments, there were overpayments and/or underpayments noted. The next step in this process is to make the necessary corrections. The Board adopted a policy for the main plan which is included in the North Dakota Administrative Code, but no formal Board policy exists for the Job Service retirement plan. Mr. Collins shared the specific Section of the code with the Board which is 71-02-04-10, Erroneous payment of benefits – Overpayments that relate to the main plan. Upon review, staff was suggesting the Board adopt a similar policy for the Job Service retirement plan. It may be necessary in the future for the Board to adopt other policies relating to the Job Service retirement plan.

MS. WASSIM MOVED TO ADOPT THE FORMAL BOARD POLICY FOR THE JOB SERVICE RETIREMENT PLAN RELATING TO ERRONEOUS PAYMENT OF BENEFITS – OVERPAYMENTS. THE MOTION WAS SECONDED BY MS. EHRHARDT.

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

Nays: None

MOTION PASSED

Highway Patrol Plan Qualification Letter

Mr. Collins reported that PERS recently received a favorable determination for the Highway Patrol retirement plan to the IRS qualifications. It was noted that a favorable determination on the Defined Benefit Hybrid plan was received in April 2011.

IRS Plan Qualification

Mr. Collins noted that information was submitted to the IRS in January 2009 for both the main and Highway Patrol retirement plans under Cycle C filing. The deadline for new determination letters for Cycle C filing is January 31, 2014, but the IRS is allowing governmental plans to file in Cycle E if they prefer to do so which runs from February 1, 2015 to January 31, 2016. Staff has noted one deficiency relating to the HEART Act (Heroes Earnings Assistance and Relief Tax Act of 2008). This Act requires that all qualified retirement plans treat participants who die while in qualified military service as if they had returned to active employment for purposes of death-related benefits under the plan. PERS is planning to address this in the 2015 legislative session, therefore, will file under Cycle E.

Defined Contribution Eligibility

Mr. Collins asked the Board for guidance on two issues relating to eligibility in the defined contribution plan. Specifically, the issues relate to return to work after retirement and employees from Higher Education who would be in the TIAA-CREF retirement plan transferring to a new job in state government that is under the PERS retirement plan. Mr. Collins discussed these issues with the Board, including review of the statute and administrative rules. The Board discussed.

MR. TRENBEATH MOVED THAT IN THE SITUATIONS OF RETIREES WHO RETURN TO WORK AND HIGHER EDUCATION RETIREMENT ENROLLMENTS, THAT THE EMPLOYEES IN THESE SITUATIONS NOT BE DEEMED NEW EMPLOYEES AND THEREFORE WILL NOT BE GIVEN THE OPTION TO TRANSFER TO OR ENROLL IN THE DEFINED CONTRIBUTION PLAN. THE MOTION WAS SECONDED BY MR. SAGE.

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

Nays: None

MOTION PASSED

3rd Quarter Investment Reports

Mr. Reinhardt reviewed the 3rd quarter investment report for the 401(a) and 457 Companion Plan with the Board. The number of participants in the 401(a) plan is remaining stable at 280 and the plan assets increased to \$28.5 million. The number of participants is increasing in the Companion Plan at 4,626 and assets increased to \$54 million.

FLEX COMP

ADP Response

Ms. Allen reported that the Board, at their November meeting, requested ADP to respond to six issues. These issues relate to the need to change the member's perception, high level of dissatisfaction with the debit card, concerns with customer service, confusion between the debit card and the automatic claim reimbursement, low level of understanding of the mobile application, and how ADP plans to decrease the intensity of responses relating to dissatisfaction. Ms. Allen shared ADP's response and indicated they will be in attendance at either the February or March meeting to further discuss these issues.

DEFERRED COMPENSATION

Investment Advisor Representative Option

Mr. Collins reported that some time ago TIAA-CREF offered an option to PERS called the investment advisor representative program. As staff worked through issues with TIAA-CREF relating to this model, it became clear that they would not be in a position to take on the responsibility for monitoring an independent provider network. As a result, TIAA-CREF has decided not to offer this optional program at this time.

Hardship Case #176

Ms. Allen presented detailed information to the Board relating to a deferred compensation hardship withdrawal request in the amount of \$3,058.96 to cover medical expenses that resulted in the loss of income for October and November 2013. The Board discussed this financial hardship request.

**MS. EHRHARDT MOVED TO APPROVE THE FINANCIAL HARDSHIP REQUEST.
THE MOTION WAS SECONDED BY MR. SANDAL.**

NDPERS Board Meeting
December 27, 2013
Page 8 of 8

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

Nays: None

MOTION PASSED

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

Prepared by,

Cheryl Stockert
Assistant to the Board