

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

Thursday, July 16, 2015

8:30 A.M.

Members Present: Senator Dick Dever
Ms. Casey Goodhouse
Mr. Mike Sandal
Mr. Thomas Trenbeath
Ms. Kim Wassim

Via Teleconference: Ms. Yvonne Smith

Via Videoconference: Chairman Strinden

Members Absent: Representative Pamela K. Anderson
Ms. Arvy Smith

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. Jan Murtha, Attorney General's Office
Mr. Daniel Wassim, Attorney General's Office
Ms. Lisa Carlson, Sanford Health Plan
Mr. Michael Klepatz, Sanford Health Plan
Ms. Katie Nermoe, Sanford Health Plan
Mr. Jason Hubers, Sanford Health Plan
Mr. Don Schott, Sanford Health Plan
Ms. Sarah Delaney, Sanford Health Plan
Mr. Lonny Boehrns, Sanford Health Plan
Mr. Kevin Schoenborn, BCBSND
Mr. Mike Schwab, ND Pharmacy Association

Via Videoconference: Dr. Wendy Brown, About the Patient

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

Chairman Strinden welcomed our new Board members, Senator Dick Dever and Representative Pamela Anderson (absent).

Chairman Strinden called for any questions or comments regarding the minutes of the June 18, 2015 Board meeting.

MR. SANDAL MOVED APPROVAL OF THE JUNE 18, 2015 NDPERS BOARD MEETING MINUTES. THE MOTION WAS SECONDED BY MS. WASSIM AND CARRIED BY VOICE VOTE. THE MINUTES WERE APPROVED.

GROUP INSURANCE

Hypertension Project

Mr. Collins indicated that Mr. Schwab, ND Pharmacy Association, and Ms. Brown, About the Patient, were at the meeting to review a new program with the Board and to determine if it would be feasible for PERS to participate. Staff has reviewed the program and believes it would be a good effort. Mr. Schwab reported that they have been meeting with the Department of Health to develop this proposal. Dr. Brown reviewed the details of the Hypertension-control Inspiration Program with the Board. The program is a 10 month pilot program that would start in September. She explained that it would be an opt in program and there would be no cost to PERS during the pilot. The results of the pilot will be shared with the Board at a later date. The Board had questions and concurred that PERS be involved in the pilot of the Hypertension-control Inspiration Program.

Sanford Health Plan bWell Presentation

Mr. Collins indicated that at the last meeting the Board requested additional information relating to the NDPERS Dakota Wellness Program (bWell portal tool). Mr. Klepatz, Sanford Health Plan, indicated that over 3,000 participants have enrolled in the bWell tool. Ms. Nermoe, Sanford Health Plan, reviewed the bWell handout materials and program with the Board. She explained that the goal is to offer a diverse set of tools and several ways for employees to feel supported in their wellness pursuit. The Board had questions relating to the wellness program.

Tobacco Cessation Grant Program Renewal

Ms. Allen reported that the Department of Health has approved the grant to continue the Tobacco Cessation Program for state of North Dakota employees. The award is for one year from July 1, 2015 through June 30, 2016 in the amount of \$35,000. In the past, the award was for two years, but for several reasons, such as the change in vendor to Sanford Health Plan and implementing a debit card for eligible expenses, the Department of Health decided on a one year award in order to assess the effect of the changes over a one year period.

Sanford Health Plan Exhibits

Ms. Allen shared the Administrative Services Agreement Exhibits with the Board. These had previously been reviewed by the Board and are now finalized. Mr. Collins added that the Exhibit A, Certificates of Insurance, will be updated to be in compliance with the Supreme Court decision relating to same gender marriage.

Health Plan Implementation Update

Ms. Schiermeister updated the Board on the health plan implementation with Sanford Health Plan (SHP), reviewing the specific efforts in each area. Staff continues to meet weekly with the SHP team and BCBS transition team. Internal transition teams meet weekly or more often as necessary to address issues that require further efforts or where concerns and/or risks have been identified. Currently, staff is working on operational issues relating to member discrepancies. Ms. Fricke provided an update relating to revising the PERS website, communication efforts, wellness program activity and pharmacy and care management updates. She explained that staff will be working with SHP on relaunching the Tobacco Cessation Program. Staff continues to meet with the BCBS transition team to facilitate the exit of the BCBS system.

Mr. Klepatz, SHP, indicated they are satisfied with how the past two weeks have gone. Progress has been steady. There has been an open flow of communication which has been extremely important for both PERS and SHP. He reviewed specific areas relating to the implementation.

The Board had questions and discussed with staff. One of the major concerns related to pharmacy coverage. Mr. Collins responded that there are two types of drug formularies (list of drugs approved for the plan) - open and closed. PERS had an open drug formulary with the BCBS product. He explained that as implemented in July, a modified closed drug formulary was being used that required a pre-authorization process in order to obtain a drug not on the formulary. The Board concurred that SHP go to an open formulary as was previously used, but requested this be discussed in the future to review the possibility of transitioning to a modified closed formulary to reduce plan costs.

Mr. Collins indicated the second issue relates to members that are paying more on their prescription than they previously had. It has been communicated to members that the plan design is the same and the scope of the benefits is the same but due to differences in the underlying contracts the cost of the drug may be different and therefore the total co-insurance amount may change. Mr. Collins noted that we expected some variances in price, but was concerned where people are paying \$20 and \$30 more for their prescriptions. SHP will review these situations and report to the Board at the August meeting. Ms. Carlson, SHP, indicated that customer satisfaction is very important and they are actively monitoring these complaints and are currently working with the ND Pharmacists Association so concerns can be tracked to determine if there is a pattern to identify the issue. Mr. Collins indicated the next phase of member concern will be when the claims are processed and members receive their explanation of benefits.

EAP Update

Mr. Collins provided an update to the Board relating to the recent agency selection of their EAP vendor for the next biennium. Agencies had an opportunity to visit with the EAP vendors at the June 17 Payroll Conference. Nine agencies switched their EAP provider.

PPO Update

Mr. Schott, SHP, reported that as of today, 97.5% of the medical spend in facilities for the PERS group is in network. There are 25 facilities that are not on the network which could include VA's, Indian Health Services, air bases and some nursing homes. The dollar amount is very small. In the meantime, if a claim is received from a PERS member that is going to an out of network facility, the claim will be held and SHP will contact the provider to obtain an agreement. SHP does do individual negotiations with providers. It was noted that the rates are not the same for all providers across the state. The Board had questions.

Survey Information

Mr. Collins reported that a health plan survey was taken at the 2015 Payroll Conference. The focus of the survey was to determine if the membership was provided the necessary information relating to the health plan change and to determine their understanding of the transition issues. Responses relating to awareness and understanding of the health plan change were high and staff felt the survey results were positive.

RETIREMENT

National Guard/Law Enforcement Retirement Plan

Mr. Collins reported that SB 2102 provided that the National Guard retirement plan be merged with the Law Enforcement Plan (BCI). The statute sets the employer and employee rates for all retirement plans except Law Enforcement and National Guard plans. Consideration must be given to the required employer contribution and the Board must set the rate for the combined system. For Law Enforcement with prior service, the employer contribution rate is 9.81% for political subdivisions and 10.31% for BCI.

MR. SANDAL MOVED TO SET THE EMPLOYER CONTRIBUTION RATE FOR THE NATIONAL GUARD PLAN AT 9.81%. THE MOTION WAS SECONDED BY MR. TRENBEATH.

The Board discussed the motion.

Ayes: Mr. Sandal, Ms. Y. Smith, Mr. Trenbeath, Ms. Goodhouse, Ms. Wassim, Senator Dever, and Chairman Strinden

Nays: None

Absent: Ms. A. Smith, Representative Anderson

MOTION PASSED

Early Retirement Reduction Factor

Mr. Collins reported that Senate Bill 2015 that passed this past session changed the early retirement reduction to 8% per year. This divided by 12 determines the monthly reduction

factor, resulting in .6667 or 8.0004%. The alternative would be to use .6666 which would be slightly lower than 8%.

MS. WASSIM MOVED THAT .6667 BE USED AS THE EARLY RETIREMENT MONTHLY REDUCTION FACTOR. THE MOTION WAS SECONDED BY MS. Y. SMITH.

The Board discussed the motion.

Ayes: Ms. Y. Smith, Senator Dever, Ms. Goodhouse, Ms. Wassim, and Chairman Strinden

Nays: Mr. Sandal, Mr. Trenbeath

Absent: Ms. A. Smith, Representative Anderson

MOTION PASSED

Governmental Accounting Standards Board

Ms. Schiermeister provided a GASB 68 update to the Board. PERS implemented the GASB Statement No. 67 requirements in the June 30, 2014 financial statements and employers participating in the retirement plans will implement GASB Statement No. 68 this year. The cost for the required GASB valuation by Segal was \$95,000 (usually the annual valuation fees run approximately \$72,000). Also, Brady Martz was paid an additional \$68,000 to conduct the audit of the GASB 68 schedules (usually the full audit fee runs approximately \$53,000).

RHIC Implementation Update

Ms. Schiermeister reported that PERS went live with the retiree health insurance credit (RHIC) portability implementation on July 1. The members who have PERS health, dental or vision insurance were processed through ASIFlex successfully. PERS continues to experience unprecedented call volume with questions on the RHIC program, specifically the reimbursement process. An RHIC informational session was held in Bismarck and over 300 members attended.

FLEXCOMP

ADP Follow-up

Ms. Allen indicated the flex comp enrollment information was provided to the Board in response to questions at the June meeting. The net loss of participants in 2015 was 113. She presented possible reasons for declining enrollment in the flex comp program. One common member complaint relates to the use of the debit cards and confusion on how to use it. Effective July 1, 2009 the IRS restricted debit card use to grocery stores, discount stores, and pharmacies that have either implemented an IIAS or have certified that 90% of its cash register receipts in the previous calendar year were for FSA eligible expenses. IIAS is point-of-sale technology used by non-medical retailers to ensure all benefit card

transactions represent qualified health care purchases. Ms. Allen indicated that staff will work with ADP to develop communication to educate participants about the use of the auto reimbursement feature versus the debit card.

PLAN DOCUMENTS

Companion Plan

Ms. Allen shared the updated plan document with the Board and will seek approval at the next Board meeting.

457 Plan

Ms. Allen shared the updated plan document with the Board and will seek approval at the next Board meeting. Ms. Allen requested that if the Board has comments relating to these two plan documents to email them to her.

MISCELLANEOUS

Supreme Court Decision

Ms. Murtha reviewed the recent United States Supreme Court decision relating to same gender marriage with the Board. The first ruling created many administrative questions and the second ruling resolved those questions. To recap, in the late 1990's early 2000's, a few states started to recognize same gender marriage. Subsequently, the federal government enacted the Defense of Marriage Act (DOMA) which had two components, the first of which said that states do not have to recognize same gender marriage even if it is permitted in other states and it created a definition for spouse under federal law that only recognized opposite gender spouses not same gender spouses. Subsequent to that legislation, various states enacted statutes and some states, including North Dakota, enacted constitutional bans specifically prohibiting same gender marriages within those states. Then the Windsor decision invalidated as unconstitutional that part of DOMA that requires, for federal law purposes, that spouses be opposite gender spouses. This raised many administrative questions for PERS because there was a different definition of spouse for federal tax law purposes than was for state law plan purposes. The IRS subsequently issued guidance on how to implement the decision and what the requirements were for those plans that were in states that did not recognize same gender spouses. As a result, legislation was passed this last session that allowed for plan compliance with the IRS guidance and state law.

Ms. Murtha continued to report that the Supreme Court recently came out with Obergefell decision which does two things. First, states now have to recognize same gender marriages that occur in all other states. Second, all states have to license same gender marriages. Looking forward, PERS has to provide for the enrollment and recognition of these spouses. As part of that process PERS will offer a special enrollment period for health plan benefits. The special enrollment period will be retroactive to July 1, 2015 and extend through September 30 for those same gender marriages that occurred prior to the

Supreme Court decision. Moving forward, enrollment options for spouses in same gender marriages that occurred subsequent to July 1 will be the same as any other marriages. This is for health plan benefits, but there are many other questions being raised regarding updating a spouse's status within the other plans administered by PERS. Mr. Collins and Ms. Murtha will also discuss with outside counsel (Ice Miller) to determine how to go about complying with the decision.

Board Committee Assignments

Mr. Collins indicated Board member appointments will be reviewed at the next meeting. It was noted that Mr. Trenbeath's term on the Board expired June 30 and it was renewed effective July 1. It should be recorded that Mr. Trenbeath's term on the Investment Committee is to be extended through August until the Board can determine the appointments.

MR. SANDAL MOVED THAT MR. TRENBEATH CONTINUE HIS TERM ON THE INVESTMENT COMMITTEE UNTIL THE BOARD DETERMINES THE APPOINTMENTS. THE MOTION WAS SECONDED BY MS. WASSIM.

Ayes: Mr. Sandal, Ms. Goodhouse, Ms. Wassim, Senator Dever, Ms. Y. Smith and Chairman Strinden

Abstain: Mr. Trenbeath

Nays: None

Absent: Representative Anderson, Ms. A. Smith

MOTION PASSED

Executive Director Evaluation

Chairman Strinden reported that the committee met on July 10 to review the completed Board evaluations of Mr. Collins performance. The recommendation of the committee would be a 3% salary increase effective July 1.

MR. SANDAL MOVED TO GRANT MR. COLLINS A SALARY INCREASE OF 3% EFFECTIVE JULY 1, 2015. THE MOTION WAS SECONDED BY MS. WASSIM.

Ayes: Mr. Sandal, Mr. Trenbeath, Ms. Wassim, Senator Dever, Ms. Goodhouse, and Chairman Strinden

Nays: None

Absent: Ms. A. Smith, Ms. Y. Smith, Representative Anderson

MOTION PASSED

Chairman Strinden thanked Mr. Collins for his service this past year.

Group Insurance Appeal #267

Ms. Allen reported to the Board that the member was appealing the underpayment of premium and that the member is available via teleconference at the meeting today.

MR. TRENBEATH MOVED THAT THE BOARD ENTER INTO EXECUTIVE SESSION PURSUANT TO NDCC 44-04-19.2(1) AND 54-52.1-11 TO DISCUSS CONFIDENTIAL MEMBER INFORMATION. THE MOTION WAS SECONDED BY SENATOR DEVER.

Ayes: Ms. Goodhouse, Mr. Sandal, Mr. Trenbeath, Ms. Wassim, Senator Dever, and Chairman Strinden

Nays: None

Absent: Ms. A. Smith, Ms. Y. Smith, Representative Anderson

MOTION PASSED

All members named above were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 11:40 a.m.

The Board returned to open session at 12:00 noon.

MR. SANDAL MOVED TO DENY THE APPEAL. THE MOTION WAS SECONDED BY MS. WASSIM.

Ayes: Ms. Goodhouse, Mr. Trenbeath, Senator Dever, Ms. Wassim, Mr. Sandal, and Chairman Strinden

Nays: None

Absent: Ms. A. Smith, Ms. Y. Smith, Representative Anderson

MOTION PASSED

Member Issue

Ms. Allen reported that upon notification of a member's spouse's death, that the spouse's date of birth in the obituary was listed as May 26, 1925 and PERS showed May 26, 1900 in the record. Due to this discrepancy, the calculated joint and survivor reduction factor based upon the member's and spouse's age was less than it should have been upon the member's retirement on July 1, 1988. As a result, the member was overpaid \$61.21 per month for a total of \$18,365.31 through July 1, 2015. At the time of retirement in 1988, PERS did not require validation of date of birth. Current business practices require both the member's and spouse's birth certificates to validate dates of birth.

MR. TRENBEATH MOVED THAT STAFF SEND NOTICE OF OVERPAYMENT, WAIVE RECOVERY, BUT ALLOW THE ADJUSTMENT TO THE HIGHER SINGLE LIFE BENEFIT AMOUNT. THE MOTION WAS SECONDED BY MS. GOODHOUSE.

The Board further discussed the motion and determined that additional information would be necessary and requested staff to bring additional information to the August Board meeting. Mr. Trenbeath and Ms. Goodhouse withdrew the motion.

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 12:20 p.m.

Prepared by,

Cheryl Stockert
Assistant to the Board