

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

BCBS, 4510 13th Ave S, Fargo

Thursday, December 18, 2014

8:30 A.M.

Members Present: Ms. Casey Goodhouse
Mr. Mike Sandal
Ms. Arvy Smith
Ms. Yvonne Smith
Mr. Thomas Trenbeath
Ms. Kim Wassim

Via Teleconference: Chairman Strinden

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Kathy Allen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. MaryJo Steffes, NDPERS
Mr. Kevin Schoenborn, BCBSND
Mr. Josh Johnson, Deloitte
Mr. Pat Pechacek, Deloitte

Via Teleconference: Ms. Onalee Sellheim, BCBSND
Mr. Michael Carlson, BCBSND
Ms. Sonja Nyhof, BCBSND
Mr. Brent Solseng, BCBSND
Ms. Jodi Crouse, BCBSND
Ms. Jacinta Riedinger, BCBSND
Mr. Jim Wynstra, BCBSND

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

MINUTES

Chairman Strinden called for any questions or comments regarding the minutes of the November 20, 2014 Board meeting.

MS. WASSIM MOVED APPROVAL OF THE NOVEMBER 20, 2014 NDPERS BOARD MEETING MINUTES. THE MOTION WAS SECONDED BY MS. A. SMITH AND CARRIED BY VOICE VOTE. THE MINUTES WERE APPROVED.

Chairman Strinden called for any questions or comments regarding the minutes of the December 4, 2014 Board meeting.

MS. GOODHOUSE MOVED APPROVAL OF THE DECEMBER 4, 2014 NDPERS BOARD MEETING MINUTES. THE MOTION WAS SECONDED BY MS. WASSIM AND CARRIED BY VOICE VOTE. THE MINUTES WERE APPROVED.

GROUP INSURANCE

Quarterly Executive Summary

Ms. Crouse, BCBSND, reviewed the dashboard section of the third quarter report with the Board. Mr. Wynstra, BCBSND, reviewed the financial/trend analysis with the Board. The Board had questions that were discussed with and answered by BCBSND staff.

RETIREMENT

Retiree Health Insurance Credit Implementation

Ms. Schiermeister reviewed with the Board the work that has been done by staff in implementing House Bill 1058 which makes the retiree health insurance credit (RHIC) portable beginning July 1, 2015. Because of the changes in administering the RHIC, staff was requesting policy direction in four areas.

1. Administration of premiums that are paid for coverage that is not based on a calendar month (for example, 15th of the month to the 15th of the month). Ms. Schiermeister reviewed the considerations with the Board and presented a proposed policy for review. It is proposed to apply the RHIC to the month in which the coverage period begins (for example, if the coverage is from September 15 to October 15, then the RHIC for September will apply for the premium for this coverage period). The Board discussed this policy.

MS. A. SMITH MOVED APPROVAL TO APPLY THE RHIC TO THE MONTH IN WHICH THE COVERAGE PERIOD BEGINS. THE MOTION WAS SECONDED BY MR. SANDAL.

The Board discussed the motion.

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

Nays: None

MOTION PASSED

2. Administration of over/under payments of benefits. Ms. Schiermeister indicated that since the RHIC will be reimbursed directly to the member through a third party vendor, there needs to be a policy on how adjustments to the RHIC benefit that result from an overpayment or underpayment will be processed. Ms. Schiermeister reviewed the considerations with the Board and presented a proposed policy for review. The proposed policy (contingent on the ability of the selected vendor to accommodate) would be in the case of an underpayment of benefits, the vendor would reprocess any claims for the months impacted by the adjustment and pay any additional reimbursement due to the member in a lump sum. In the case of an overpayment of benefits, if an adjustment occurs that results in an overpayment of benefits to the member, then: a) the amount of the overpayment will be offset against future monthly benefits until the overpayment has been recovered, or b) if the member is no longer eligible for RHIC benefits, the member will be notified of the overpayment and given the repayment options (lump sum or installments), or c) if the member is deceased and there is a surviving spouse to whom the RHIC benefit continues to, the overpayment would be offset against the surviving spouse benefit until the overpayment has been recovered, or d) if the member is deceased and no further benefits are payable, PERS would notify the estate of amount of the overpayment and request payment in a lump sum. The Board discussed this policy.

MR. TRENBEATH MOVED APPROVAL OF THE PROPOSED OVERPAYMENT AND UNDERPAYMENT POLICY. THE MOTION WAS SECONDED BY MS. WASSIM.

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

Nays: None

MOTION PASSED

3. Administration of de minimus RHIC benefits. Ms. Schiermeister explained that since PERS is aware of some very small RHIC amounts (less than a dollar a month) and that the monthly fee to maintain a reimbursement account may be at least \$2 per month, the question is should a reimbursement account be established automatically for RHIC benefits that are less than the monthly servicing fee. The Board discussed this issue and one question is there any way the administrative fee can be assessed to those actually receiving the benefit, not

those eligible to receive the benefit. After review, the Board determined that a decision will not be made until additional information is obtained.

4. Validating payment of PERS premiums (paying claims that are fully validated versus not fully validated). Ms. Schiermeister indicated there is a question as to when should premium payments be reported to the vendor. The considerations include that a) PERS will provide the vendor with monthly premium payment information for members who have the PERS health, dental or vision plans to be used by the vendor to process the reimbursement to the member, b) the member will not need to file a claim for reimbursement each month. Premiums are received through various payment methods (PERS pension deduction, TFFR pension deduction, ACH and personal check) throughout the month, and c) it would be possible that a member could cancel their insurance plan during the month, after the premium has been paid, and receive a refund of that premium. This could result in a member receiving reimbursement of their RHIC from the vendor for a premium that was subsequently refunded. A process would have to be established to notify the vendor so the reimbursement claim could be "reprocessed" and the overpayment recovered. The proposed policy would be to validate monthly premium payments of PERS premiums at the end of the coverage period. This would result in the member experiencing a one month delay receiving their initial RHIC reimbursement. The Board discussed this issue and determined that a decision will not be made until information on other options is obtained. The Board also requested staff to develop a proposal that will not negatively impact the members.

Proposed Legislation

Mr. Collins reported that the Government Finance Committee proposed defined contribution bill received a favorable recommendation from the Legislative Employee Benefits Committee. Mr. Collins was seeking Board input on what position PERS should take on this bill going forward. He reviewed the background on the bill which closes the defined benefit plan and puts all new employees in the defined contribution plan effective January 1, 2016. He reviewed the cost impacts of this bill with the Board. The Board discussed the issues that would be associated with the defined benefit plan being a closed plan and the return assumptions with staff and Mr. Hunter. Mr. Collins indicated that this bill, as currently proposed, does not provide funding and will put the plan on a path to bankruptcy in a period of time.

MR. SANDAL MOVED THAT NDPERS OPPOSE THE DEFINED CONTRIBUTION RETIREMENT BILL BECAUSE THE TRUST FUND IS NOT FUNDED. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

MOTION PASSED

Mr. Collins further reviewed the administrative issues relating to this bill where staff will prepare amendments for further Board consideration. The Board concurred.

Mr. Collins indicated that it will be necessary to prepare a fiscal note on this bill. A transfer assumption of 40% is suggested. The Board concurred.

Mr. Collins suggested that the return assumption on this proposed closed defined benefit plan could be 7% which is reasonable (which is what the Investment Committee is proposing for the closed Job Service Plan). The Board concurred.

MISCELLANEOUS

Open Meetings Opinion

Ms. Murtha reviewed Attorney General Opinion 2014-O-19 which was recently issued relating to the State Board of Higher Education July 2014 retreat. This Board, as well as other state agency Boards, is subject to the state's open records and meetings law and any member of the public can ask the Attorney General's Office for an opinion about whether there is a violation of the law. Ms. Murtha reviewed best practices relating to the open meetings law with the Board. The Board discussed this issue with legal counsel.

PERS Update

Ms. Allen updated the Board on the outreach activities conducted by NDPERS and vendors during 2014.

Audit Committee Minutes

The August 20, and August 29, 2014 Audit Committee minutes were shared with the Board.

Audit Committee Charter Revisions

Chairman Strinden reviewed the proposed Audit Committee charter with the Board.

MS. A. SMITH MOVED APPROVAL OF THE AUDIT COMMITTEE CHARTER. THE MOTION WAS SECONDED BY MR. SANDAL.

Ayes: Ms. A. Smith, Mr. Trenbeath, Ms. Y. Smith, Ms. Goodhouse, Mr. Sandal, Ms. Wassim, and Chairman Strinden
Nays: None

MOTION PASSED

EXECUTIVE SESSION

Group Health Insurance Bids Update

MR. TRENBEATH MOVED THAT THE BOARD ENTER INTO EXECUTIVE SESSION PURSUANT TO NDCC 44-04-19.1(9) and 44-04-19.2 TO DISCUSS NEGOTIATING STRATEGY OR PROVIDE NEGOTIATING INSTRUCTIONS TO ITS ATTORNEY OR OTHER NEGOTIATOR. THE MOTION WAS SECONDED BY MR. SANDAL.

Ayes: Ms. Goodhouse, Mr. Sandal, Ms. A. Smith, Ms. Y. Smith, Mr. Trenbeath, Ms. Wassim, and Chairman Strinden
Nays: None

MOTION PASSED

All members named above were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 10:50 a.m.

The Board reconvened and returned to open session at 11:55 a.m.

Retirement Benefit Issue

MS. WASSIM MOVED THAT THE BOARD ENTER INTO EXECUTIVE SESSION PURSUANT TO NDCC 44-04-19.2(1), 44-04-19.2(2) AND 54-52-26 TO DISCUSS CONFIDENTIAL RECORDS OR CONFIDENTIAL MEMBER INFORMATION. THE MOTION WAS SECONDED BY MS. A. SMITH.

Ayes: Ms. Goodhouse, Mr. Sandal, Ms. A. Smith, Ms. Y. Smith, Mr. Trenbeath, Ms. Wassim, and Chairman Strinden
Nays: None

MOTION PASSED

All members named above were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 12:00 p.m.

The Board reconvened and returned to open session at 12:28 p.m.

MS. SMITH MOVED THAT SINCE THE MEMBER WAS PROVIDED ERRONEOUS INFORMATION BY NDPERS AND PURSUANT TO NDCC 54-52-04(12), AN OPPORTUNITY FOR RETIREMENT BENEFIT RE-ELECTION BE ALLOWED. THE MOTION WAS SECONDED BY MR. TRENBEATH.

The Board discussed the motion.

Ayes: Ms. Wassim, Ms. A. Smith, Mr. Sandal, Ms. Goodhouse, Mr. Trenbeath, and Chairman Strinden

Nays: None

Absent: Ms. Y. Smith

MOTION PASSED

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 12:30 p.m.

Prepared by,

Cheryl Stockert
Assistant to the Board