

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

Thursday, January 21, 2016

8:30 A.M.

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

Via Videoconference: Chairman Strinden

Via Teleconference: Representative Pamela Anderson

Member Absent: 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. Mary Jo Steffes, NDPERS
Mr. Bryan Reinhardt, NDPERS
Mr. Derrick Hohbein, NDPERS
Ms. Aime Miller, NDPERS
Ms. Jamie Kinsella, NDPERS
Ms. Julie McCabe, NDPERS
Ms. Jan Murtha, Attorney General's Office
Mr. Michael Klepatz, Sanford Health Plan
Mr. Jeff Sandene, Sanford Health Plan
Ms. Lisa Carlson, Sanford Health Plan
Ms. Katie Nermoe, Sanford Health Plan
Mr. Jim Wynstra, Sanford Health Plan
Mr. Danny Weis, Sanford Health Plan
Ms. Sarah Delaney, Sanford Health Plan
Mr. Tony Tiefenthaler, Sanford Health Plan
Mr. Jason Ostroski, CliftonLarsonAllen
Mr. David Hunter, RIO
Mr. Darren Schulz, RIO
Mr. Kevin Schoenborn, BCBSND
Mr. Mike Schwab, ND Pharmacists Association

Mr. Paul Erlendson, Callan
Ms. Julia Moriarty, Callan
Mr. Brad Ramirez, Segal
Mr. Daniel Westerheide, Segal
Mr. Mark Morgan, SEI
Mr. Jon Waite, SEI

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

Chairman Strinden called for any questions or comments regarding the minutes of the December 17, 2015 Board meeting.

SENATOR DEVER MOVED APPROVAL OF THE DECEMBER 17, 2015 NDPERS BOARD MEETING MINUTES. THE MOTION WAS SECONDED BY MS. GOODHOUSE AND CARRIED BY VOICE VOTE. THE MINUTES WERE APPROVED.

Chairman Strinden called for any questions or comments regarding the minutes of the December 30, 2015 Special Board meeting.

MR. TRENBEATH MOVED APPROVAL OF THE DECEMBER 30, 2015 NDPERS SPECIAL BOARD MEETING MINUTES. THE MOTION WAS SECONDED BY MR. SANDAL AND CARRIED BY VOICE VOTE. THE MINUTES WERE APPROVED.

PRESENTATIONS

Audit Report

Mr. Collins indicated that CliftonLarsonAllen will present information relating to the NDPERS annual audit. Mr. Ostroski, CliftonLarsonAllen, reviewed the audit results with the Board. He explained that a financial statement audit was conducted since this was the first time that CliftonLarsonAllen worked with the NDPERS plans. He reviewed the report with the Board of Trustees and explained that it was a clean audit. He also reviewed the independent auditor's report on internal control over financial reporting and indicated that a deficiency in internal control was identified (as prescribed by GASB 68 and new requirements). It related to the reporting and validating the completeness and accuracy of information being reported by participating employers. Mr. Collins reported that the audit report went before the Legislative Audit and Fiscal Review Committee last week. PERS is in the process of hiring a student intern to assist in the internal audit area and this will satisfy the deficiency.

Pharmacy Update

Mr. Collins indicated that Sanford Health Plan staff will present an update. Mr. Sandene and Mr. Weis from Sanford presented a six month update to the Board. Mr. Sandene introduced Mr. Weis who is the pharmacist benefits manager. Information presented included member call update, pharmacy reimbursement issue with rural and urban

pharmacies, the open formulary, flu shots, diabetes program, communications, and the Medicare Part D program. The Board had questions relating to pharmacy services. Mr. Weis presented information to the Board relating to his credentials and professional background and experience. Mr. Collins requested additional pharmacy program follow up at a later Board meeting.

Mr. Schwab, ND Pharmacists Association, reported that there has been good discussion with ESI relating to some of the issues that the pharmacies are having. He indicated that the majority of the concerns continue to be with the MAC (maximum allowable cost) list. There is a perception that ESI uses what would be considered an aggressive MAC list which affects the total reimbursement to the pharmacies.

Sanford Health Plan Quarterly Executive Summary

Mr. Klepatz, Sanford Health Plan (SHP), reported on the executive summary which covers the period July 1 through September 30, 2015. At this time, there is a limited set of data to work with. Mr. Klepatz reviewed the annual membership summary, membership trend, fitness center reimbursement, health assessment, online wellness activities, and performance standards and guarantees.

Ms. Delaney, SHP, indicated that since there is a limited set of data, there is not much information to compare. She presented information relating to the PMPM summary, paid claims per contract, membership and utilization, prescription drug summary,

Mr. Tiefenthaler, SHP, presented information relating to the member risk profile and utilization and high dollar cases. Ms. Nermoe, SHP, presented information relating to the Dakota Wellness Program.

Asset Liability Study Vendor Interviews

Mr. Collins reported that the Board will hear from three firms on their proposals for the asset liability study for the retirement plans. This study is conducted after the experience study has concluded. Proposals were solicited from the three firms that work with the State Investment Board.

Pursuant to NDCC 44-04-19.2(6), the Board sequestered the competitors from the public meeting in order to hear presentations relating to each proposal.

Representatives from Callan, SEI and Segal presented information relating to their proposals to the Board. The Board had questions of each presenter which were discussed. Mr. Collins reviewed information with the Board and discussed the proposals. Mr. Hunter indicated that all three firms are good. Callan has more experience in conducting these studies. He indicated that RIO has worked with both firms and they are good to work with.

MR. SANDAL MOVED TO AWARD THE BID TO CALLAN TO CONDUCT THE ASSET LIABILITY STUDY. THE MOTION WAS SECONDED BY MS. WASSIM.

The Board further discussed the motion.

Ayes: Ms. Yvonne Smith, Ms. Wassim, Mr. Sandal, Representative Anderson, Ms. Goodhouse and Chairman Strinden

Nays: Mr. Trenbeath and Senator Dever

Absent: Ms. Arvy Smith

MOTION PASSED

Disability Consulting Services

Ms. Allen indicated that at the June meeting, the Board directed staff to explore options for availability of and rates offered for disability consulting services. She reported that RIO was contacted and they have been with Sanford Health for more than twenty years. Ms. Allen indicated that the PERS life carrier, VOYA, was contacted and they do not offer these services. PERS also contacted Sanford and has not heard back from them. She reviewed several options for disability consulting services with the Board. The Board discussed.

MR. TRENBEATH MOVED THAT PERS CONTINUE WITH THE DISABILITY CONSULTING SERVICES OFFERED BY MID DAKOTA CLINIC SUBJECT TO REVIEW OF THEIR PROPOSAL FOR THE NEXT RENEWAL. THE MOTION WAS SECONDED BY SENATOR DEVER.

The Board discussed the motion.

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

Nays: None

Absent: Ms. Arvy Smith

MOTION PASSED

Legislation Update

Staff provided the Board with a written update. There were no further questions.

RFP Update

Staff provided the Board with a written update. There were no further questions.

Employer Wage Reporting

Ms. Steffes reported that some employers were now providing bonuses at the end of a project or other event instead of as part of an annual review. This has raised a question

as to how PERS should report those bonuses. That is should be over the duration of the special project or just the months which is the period stated to be the period in which the bonus was earned. PERS practice has been to annualize reportable bonuses to smooth any monthly spike in reportable wages for the calculation of retirement benefits. Ms. Steffes explained that relating to an employee's final average salary calculation, a few high months inflated with a reported bonus each year may increase the calculated retirement benefits for an employee. She explained that PERS practice has been to annualize the reported bonus over the previous twelve month period effective the month in which the bonus is reported to smooth out monthly reported earnings. She also reviewed the language in the ND Administrative Code which has been found to be inconsistent with the statute. Staff recommends continuing current procedure and modifying the wording of the Administrative Code. The Board discussed with staff.

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

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

Nays: None

Absent: Ms. Arvy Smith

MOTION PASSED

Return to Work

Ms. Steffes explained that recently there have been more retirees returning to work which necessitates suspending their retirement benefit as the new employment may require them to begin contributing to the retirement plan again. She further explained current practice has been once a retiree begins a reoccurring monthly benefit, the payment stream has been established and cannot be changed to a refund. She reviewed other issues with the Board relating to changing PERS current practice including needed upgrades to the PERSLink business system. Legal counsel and Segal were consulted and indicated that an argument could be made under existing rules and statute that this could be allowed. Ms. Murtha indicated that in one section of the statute, there is reference that a terminating employee may take a refund. Termination means an event that predates retirement. Ms. Murtha recommended updates to the statute and/or rules to clarify this. After a detailed review of current practice, state statute and rules, staff recommended to continue current practice requiring retirees upon subsequent retirement to resume monthly benefit payments as selected in their initial retirement. The Board discussed.

MR. TRENBEATH MOVED STAFF RECOMMENDATION TO MAINTAIN THE CURRENT PRACTICE AND DIRECTED STAFF TO UPDATE THE CODES APPROPRIATELY. THE MOTION WAS SECONDED BY MS. WASSIM.

The Board discussed further.

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

Nays: None

Absent: Ms. Arvy Smith

MOTION PASSED

Defined Contribution to Defined Benefit Plan Update

Staff provided the Board with a written update. There were no further questions.

GROUP INSURANCE

Health Plan Data

Mr. Collins reported to the Board that Sanford utilizes a master patient index that is utilized by the entire Sanford operation. Sanford Health Plan enrollment data is maintained on a separate system called Tapestry where PERS data is downloaded. Some demographic data is shared between the two systems. Mr. Collins explained that operational issues relating to this process have been worked out with Sanford. The item staff wanted review with the Board is that there is shared data (name, SSN, address) with the overall master patient index within the Sanford organization. Ms. Murtha reviewed the key areas of the statute relating to this issue. Ms. Murtha indicated that Sanford was asked to provide and provided an explanation as to how this information sharing was compliant under HIPPA. Ms. Murtha indicated that the same HIPPA compliance analysis was used to determine compliance under the applicable state statutes, and therefore this information sharing appears to be compliant with both federal and state laws. The Board concurred.

RFP Update

Mr. Collins indicated it would be necessary to go into executive session to discuss the five proposals received for group insurance consultant services.

MR. SANDAL MOVED THAT THE BOARD ENTER INTO EXECUTIVE SESSION PURSUANT TO NDCC 44-04-17.1(2) and (5), 44-04-18.4(6) and 44-04-19.2(1) TO REVIEW PROPOSALS RECEIVED BY NDPERS IN RESPONSE TO THE REQUEST FOR PROPOSAL FOR GROUP INSURANCE CONSULTANT. THE MOTION WAS SECONDED BY SENATOR DEVER.

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

Nays: None

Absent: Ms. Arvy Smith

MOTION PASSED

All members named above were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 12:45 p.m.

The Board returned to open session at 12:55 p.m.

MS. WASSIM MOVED THAT THE BID BE AWARDED TO DELOITTE CONSULTING. THE MOTION WAS SECONDED BY MS. GOODHOUSE.

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

Nays: None

Absent: Ms. Arvy Smith

MOTION PASSED

Infertility Amendment to Sanford Health Plan Contract

Ms. Murtha shared the draft of the infertility contract amendment to update the Board on how the contract process is developing. Sanford will review the draft. Ms. Murtha explained her review included the statute, rules, the contract, and the certificate of insurance. A provision was included under Section 4 that member appeals will be directed to the NDPERS Board for resolution. A final draft will be provided to the Board at the March meeting. The Board had questions relating to member communication on the infertility amendment. Staff and Sanford indicated all members who have made a request will be notified and they discussed other communication options.

Implementation Update

Staff provided the Board with a written update. There were no further questions.

MISCELLANEOUS

Retiree Subcommittee Update

Staff provided the Board with a written update. There were no further questions.

Annual Enrollment Update

Staff provided the Board with a written update. There were no further questions.

Annual Report

Staff provided the Board with a written update. There were no further questions.

Quarterly Consultant Fees

Staff provided the Board with a written update. There were no further questions.

Audit Committee Minutes

Staff provided the Board with a written update. There were no further questions.

APPEAL

Ms. Allen reviewed a deferred compensation hardship appeal where the member was requesting a hardship withdrawal in the amount of \$2,443.48 to cover dental and medical expenses. The Board discussed this appeal.

MR. SANDAL MOVED TO DENY THE APPEAL BASED ON THERE BEING NO SEVERE FINANCIAL EMERGENCY. THE MOTION WAS SECONDED BY MR. TRENBEATH.

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

Nays: None

Absent: Ms. Arvy Smith

MOTION PASSED

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 1:00 p.m.

Prepared by,

Cheryl Stockert
Assistant to the Board