

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

Thursday, March 17, 2016

8:30 A.M.

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

Via Videoconference: Representative Pamela Anderson

Member Absent: Chairman Strinden

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. Mary Jo Steffes, NDPERS
Mr. Bryan Reinhardt, NDPERS
Mr. Derrick Hohbein, NDPERS
Ms. Aime Miller, 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
Mr. Danny Weis, Sanford Health Plan
Mr. Kirk Zimmer, Sanford Health Plan
Mr. Don Schott, Sanford Health Plan
Mr. Kevin Schoenborn, BCBSND
Mr. Paul Krajcir, TIAA
Mr. Michael Thomas, TIAA
Mr. Bill Thorne, TIAA
Mr. Levi Erdmann

Via Teleconference: Mr. Paul Erlendson, Callan

Mr. Trenbeath acted as Chairman in the absence of Chairman Strinden and called the meeting to order at 8:35 a.m.

Mr. Trenbeath called for the role. Chairman Strinden was absent.

Mr. Trenbeath called for approval of the agenda. Mr. Collins indicated that agenda item III. A. Retirement Consultant would be Board Action instead of informational. The agenda was approved by voice vote.

Mr. Trenbeath called for any questions or comments regarding the minutes of the January 21, 2016 Board meeting.

SENATOR DEVER MOVED APPROVAL OF THE JANUARY 21, 2016 NDPERS BOARD MEETING MINUTES. THE MOTION WAS SECONDED BY MS. GOODHOUSE AND CARRIED BY VOICE VOTE. THE MINUTES WERE APPROVED.

Chairman Trenbeath called for any questions or comments regarding the minutes of the February 18, 2016 Board meeting.

MS. ARVY SMITH MOVED APPROVAL OF THE FEBRUARY 18, 2016 NDPERS BOARD MEETING MINUTES. THE MOTION WAS SECONDED BY MS. WASSIM AND CARRIED BY VOICE VOTE. THE MINUTES WERE APPROVED.

PRESENTATIONS

Asset Liability Study

Mr. Erlendson, Callan, presented an update on the status of the 2016 asset allocation and liability study. He presented an overview of the process and reviewed the timeline with the Board. He reported that the results should be presented to the Board at the May meeting. Mr. Collins indicated the Investment Subcommittee will review the report before it comes before the full Board. Mr. Erlendson indicated they would provide a concise written summary that will be included with the report. The Board had questions and thanked Mr. Erlendson for the information.

TIAA Annual Update

Mr. Collins introduced members of the TIAA team that administers the PERS defined contribution plan and 457 deferred compensation companion plans. Mr. Krajcir, Mr. Thomas, and Mr. Thorne from TIAA presented an update to the Board. Mr. Krajcir reviewed plan statistics on the defined contribution and deferred compensation Companion Plan, employee engagement efforts, communication and education efforts, and transfer and withdrawal activity relating to Senate Bill 2015. Mr. Collins indicated that staff will be meeting with TIAA staff to discuss strategies to increase participation and increase the average amount of deferrals to the Companion Plan. The Board had questions relating to the plans that were reviewed with the TIAA team.

RETIREMENT

Retirement Consultant

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 RELATING TO THE RETIREMENT CONSULTANT REQUEST FOR PROPOSAL. THE MOTION WAS SECONDED BY SENATOR DEVER.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

All members named above were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 9:30 a.m.

The Board returned to open session at 9:40 a.m.

SENATOR DEVER MOVED THAT THE BOARD INTERVIEW THE TOP THREE VENDORS AT THE APRIL MEETING. THE MOTION WAS SECONDED BY MS. YVONNE SMITH.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

Investment Policies

Mr. Reinhardt reported that the Investment Subcommittee met to review the investment policies and indicated that full Board review would be appropriate. The Vanguard Bond Index Fund was added to the funds since the last review. The Board discussed the portfolio funds.

MR. SANDAL MOVED APPROVAL TO ADOPT THE CHANGES TO THE INVESTMENT POLICIES. THE MOTION WAS SECONDED BY MS. WASSIM.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

4th Quarter Investment Report

Mr. Reinhardt presented the 4th quarter investment report for the 401(a) and 457 Companion Plan. Assets in both plans have decreased. The Investment Subcommittee met to review the plan and recommended that the Vanguard Prime Money Market be replaced with the Vanguard Treasury Money Market Fund in the core lineup for the 401(a) and 457 Companion plans.

SENATOR DEVER MOVED THAT THE RECOMMENDATIONS OF THE INVESTMENT SUBCOMMITTEE BE ADOPTED AND THE VANGUARD PRIME MONEY MARKET BE REPLACED WITH THE VANGUARD TREASURY MONEY MARKET FUND IN THE CORE LINEUP FOR THE 401(a) AND 457 COMPANION PLANS AND TO UPDATE THE INVESTMENT POLICIES ACCORDINGLY. THE MOTION WAS SECONDED BY MS. WASSIM.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

Defined Contribution to Defined Benefit Plan Update

Ms. Steffes provided an update to the Board. Of the 223 total eligible DC participants, 170 elected the defined benefit plan, 40 remained in the defined contribution plan, and 13 participants did not complete an election form and remained in the defined contribution plan. All rollover funds have been received by TIAA for those participants that elected to transfer to the defined benefit plan. The Board questioned how the transfer of these funds has affected the plan. Mr. Collins indicated staff could have Segal review and provide an analysis. This would, however, be out of scope of their current contract. He indicated this analysis could provide necessary information as there could be broader questions at the legislative level. The Board concurred that staff move forward and have Segal complete an analysis.

Financial Essentials Workshop Update

Ms. Steffes provided an update to the Board on the new half-day educational Financial Essentials Workshop. She reported that positive responses were received from the attendees and that there are 2 half-day sessions scheduled for August 10.

IRS Cycle C Filing Update

Mr. Collins shared the IRS acknowledgement receipts relating to the NDPERS filings with the Board.

GROUP INSURANCE

Claims Review

Mr. Reinhardt reviewed the results of a claims audit conducted at Sanford Health Plan offices in Fargo. He reported that a sample of 100 NDPERS claims was reviewed.

OPEB Request for Proposal

Mr. Reinhardt reported that the request for proposal was sent out and to date, PERS received two proposals. Staff will review the proposals and present their analysis at the next Board meeting for approval of a vendor.

Employee Assistance Program Update

Mr. Reinhardt provided an EAP utilization update to the Board for 2015.

Sanford Heart of America HMO

Mr. Collins reported that Sanford Heart of America Health Plan has requested to offer its health plan to state and participating political subdivision employees in its Rugby service area for the period July 1, 2016 through June 30, 2017. It was noted that this plan has participated in PERS since the 1980's.

MS. WASSIM MOVED TO RENEW SANFORD HEART OF AMERICA HEALTH PLAN FOR THE PERIOD JULY 1, 2016 THROUGH JUNE 30, 2017. THE MOTION WAS SECONDED BY MS. GOODHOUSE.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

Infertility Amendment to Sanford Health Plan Contract

Ms. Murtha reviewed the proposed infertility benefit amendment agreement to the Sanford Health Plan Administrative Services Agreement to address the issue discussed at previous Board meetings. The amendment reflects a consensus between PERS and Sanford staff. This amendment enables the Board to address this issue via an appeal process which is permitted under administrative rules.

MR. SANDAL MOVED APPROVAL OF THE INFERTILITY AMENDMENT TO THE SANFORD HEALTH PLAN CONTRACT EFFECTIVE JULY 1, 2015. THE MOTION WAS SECONDED BY MS. YVONNE SMITH.

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

Nays: None

Absent: Chairman Strinden

MOTION PASSED

Non-Payment of Premium and Cancellation Policy

Ms. Fricke reported that guidance was recently received from Deloitte which indicates that the Affordable Care Act does not prohibit retroactive cancellations due to nonpayment of premium. Staff has reviewed our policy in recognition of this new guidance and would recommend changing it. Staff discussed this issue with Sanford and they indicated that with their other lines of business, they would pend claims during the grace period when a payment of premiums was not made. This will mitigate the risk of an individual not paying premiums, using the insurance and incurring claims. Based on guidance received from Deloitte and Sanford, staff has developed a policy which proposes to retroactively cancel the medical, dental, vision and life insurance coverages to the end of the month in which the last payment was made. Ms. Fricke indicated that Medicare Part D is the only plan that PERS cannot retroactively cancel based on federal standards. The Board had further questions relating to this issue and discussed with staff. The Board concurred that staff update the non-payment of premium and cancellation policy.

Implementation Update

Ms. Fricke updated the Board on the implementation to the Sanford Health Plan. Staff continues to hold monthly meetings with Sanford staff to discuss business processes and operational issues. She reported that ESI indicated there are 15 pharmacies who have not signed the 90 day Rx network contract. Mr. Sandene, Sanford, further explained that the members in the service area of the non-network 30 day script pharmacies do have access to other pharmacies in the area and have access to mail order. Mr. Weis, Sanford, explained that the difference in reimbursement between a 30 day and 90 day prescription is the allowed dispensing fee. The Board expressed concern about those 15 pharmacies not on the 90 day network and availability and accessibility of alternative pharmacies with a 90 day contract. The Board requested further review of this issue at future meetings.

Mr. Collins reported that all PPO providers that were under BCBS were grandfathered for one year under the Sanford contract which expires June 30, 2016. Mr. Schott, Sanford, reviewed the approach they will take relating to recruiting providers to participate in their network. Sanford will notify the members soon about the end of this grace period and higher out of pocket costs for nonparticipating providers. Mr. Klepatz, Sanford, provided an update to the Board.

MISCELLANEOUS

Legislation

Mr. Collins reviewed the three draft bills with the Board. Bill #1 relates to the last year of the recovery plan requesting an increase in contributions of 2% (1% employer and 1% employee). He reviewed various options with the Board relating to this Bill. The Board discussed the recovery bill.

MR. SANDAL MOVED APPROVAL OF BILL #1 TO SUBMIT THE REQUEST FOR ONE PERCENT BEGINNING JANUARY 1, 2018. THE MOTION WAS SECONDED BY SENATOR DEVER.

The Board discussed the motion further.

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

Nays: Ms. Wassim

Absent: Chairman Strinden

MOTION PASSED

Mr. Collins indicated that Bill #2 is the technical bill. Most are minor changes, but the contribution in the law enforcement plan is being adjusted for BCI. They have been paying an additional half percent employee contribution. The Board has the authority to adjust the employer contribution.

Bill #3 relates to telehealth which was passed the last session making it a mandate. Ms. Murtha reported that in drafting Bill #3, she consulted with the Department of Insurance and inquired as to the practicality of the bill. The Insurance Department was unsure on the position they would take on this bill and were reluctant to offer any guidance.

MS. YVONNE SMITH MOVED APPROVAL OF BILL #2 AND BILL #3. THE MOTION WAS SECONDED BY MS. WASSIM.

Ayes: Mr. Sandal, Representative Anderson, Ms. Goodhouse, Ms. Yvonne Smith, Ms. Wassim, Ms. Arvy Smith and Mr. Trenbeath

Nays: None

Absent: Senator Dever and Chairman Strinden

MOTION PASSED

Board Action Items

Mr. Collins reviewed the action items that resulted from the planning meeting. He asked the Board to review the information and if any actions were missed to let him know. Mr. Collins indicated the next step will be to formalize this into a plan going forward, which will be included in future agendas.

Mr. Collins reported that the Legislative Administrative Rules Committee met this past week and they approved the repeal of certain obsolete sections of the retiree health insurance credit rules.

Mr. Trenbeath called for any other business or comments. Hearing none, the meeting adjourned at 11:35 a.m.

Prepared by,

Cheryl Stockert
Assistant to the Board