

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

Thursday, November 19, 2015

8:30 A.M.

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

Via Videoconference: Representative Pamela Anderson
Chairman Strinden

Member Absent: Mr. Thomas Trenbeath

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
Ms. Jan Murtha, Attorney General's Office
Mr. Michael Klepatz, Sanford Health Plan
Mr. Jason Hubers, Sanford Health Plan
Mr. Jeff Sandene, Sanford Health Plan
Ms. Lisa Carlson, Sanford Health Plan
Mr. Wyatt York, Sanford Health Plan
Mr. Lonny Boehrns, Sanford Health Plan
Mr. David Hunter, RIO
Mr. Darren Schulz, RIO
Mr. Mike Schwab, ND Pharmacists Association

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

Chairman Strinden called for any questions or comments regarding the minutes of the October 22, 2015 Board meeting.

MR. SANDAL MOVED APPROVAL OF THE OCTOBER 22, 2015 NDPERS BOARD MEETING MINUTES. THE MOTION WAS SECONDED BY SENATOR DEVER AND CARRIED BY VOICE VOTE. THE MINUTES WERE APPROVED.

INVESTMENTS

Annual Investment Report

Mr. Hunter and Mr. Schulz, Retirement and Investment Office, provided the Board with the annual PERS investment report. Information reviewed in the Executive Summary Included: returns, risk update, and fee update. Also reviewed was information relating to PERS five year return attribution, allocations and returns for the Job Service Plan, Retiree Health Plan, and group insurance plan. An investment management fee update was reviewed which included investment manager fees by asset class. A capital markets overview was provided which included historical asset class returns and key economic indicators, and the asset class performance ending June 30, 2015. The Board had questions relating to the report and discussed with Mr. Hunter.

Health Insurance Reserve Fund

Mr. Collins reported that we have had gains in the health insurance reserve fund. The Investment Committee met and asked Mr. Hunter to review options that would preserve the principal but provide a slightly higher return in the long term. Mr. Schulz, RIO, reviewed possible allocation changes keeping staff goals in mind. RIO identified an alternative policy allocation that addresses the desire for incremental yield over an all-cash policy mix while minimizing interest rate risk. Mr. Schulz indicated they would recommend the reduction of the cash equivalents allocation from 100% to 5% and include an allocation to short term fixed income at a weighting of 95%. Both the Investment Committee and RIO recommended using the JP Morgan short term bond fund which is consistent with what was selected by the Legislative Oversight Committee for the budget stabilization fund investment allocation. The Board had questions and discussed.

MR. DEVER MOVED APPROVAL OF CHANGING THE ALLOCATION OF THE HEALTH INSURANCE RESERVE FUND TO 5% CASH EQUIVALENTS AND 95% SHORT TERM FIXED INCOME. THE MOTION WAS SECONDED BY MR. SANDAL.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

Asset Liability Study

Mr. Collins indicated that at the last meeting the Board authorized staff to move forward to put out a request for proposal to conduct an asset liability study. The list of consultants is

limited in statute to those used by the State Investment Board who are: Segal, Callan and SEI. Mr. Hunter reported that any of the three firms would be recommended with no hesitation and that TFFR contracted with Callan to do their study. Mr. Collins suggested that at the December meeting, the Board may want to interview the vendors that submitted a proposal to conduct the asset liability study. He indicated that the firms may use different return assumptions and who is selected will drive the asset allocations going forward. The Board concurred that they would conduct vendor interviews.

RETIREMENT

IRS CYCLE E FILING UPDATE

Ms. Allen reported that Segal is in the process of completing the materials for the IRS Cycle E filing. Segal has requested review of all amendments to the plan since the last determination letter was filed in 2009, a copy of the Administrative Code section that is being amended to add the actuarial equivalent definition, and the number of employers participating in the plan. We expect to provide the Board with an update at the December meeting.

DEFINED CONTRIBUTION TO DEFINED BENEFIT PLAN UPDATE

Ms. Steffes provided an update to the Board. She indicated that staff held four informational meetings. There are 74 on-site one-on-one counseling sessions scheduled at WSI and 32 on-site one-on-one counseling sessions scheduled at the Capitol to assist members. Ms. Steffes further explained the administrative process that members must follow to make an election back to the defined benefit plan and how staff is handling communication with the eligible members. The Board had questions.

GROUP INSURANCE

MEDICARE PART D CONTRACT

Mr. Collins reported that staff and legal continue to work on the ESI Medicare Part D contract with the goal of having a final contract for review at the December meeting. The contract is effective January 1, 2016. Ms. Murtha indicated staff continues to work with ESI on language in the contract and that staff continues to work on the provisions in the contract that were rejected by ESI, but are required under state law.

Mr. Schwab, ND Pharmacists Association, reviewed his observations relating to the contract with the Board. Mr. Schwab will share those with Ms. Murtha for further review and consideration of contract provisions.

Mr. Collins explained details of the Employer Group Waiver Plan (EGWP) which is the business model that is used for the PERS Medicare Part D plan. The Board discussed and had questions relating to the contract.

IMPLEMENTATION UPDATE

Ms. Schiermeister updated the Board on the health plan implementation with Sanford Health Plan (SHP). Staff continues to meet weekly with the SHP team and BCBS transition team. Internal transition teams meet weekly or more often as necessary to discuss business processes and operational issues. She reviewed progress on the eligibility files and PERSLink updates. Ms. Fricke reported on the marketing/communication efforts, wellness, pharmacy and care management, and Medicare Part D program transition to ESI. Relating to the wellness program, she reported that staff became aware that some members that redeemed points with BCBS and SHP were able to redeem points exceeding their remaining balance through SHP. Staff is reviewing this situation with SHP and will report to the Board at the December meeting.

Mr. Klepatz, SHP, also provided an implementation update to the Board. He indicated that they are very pleased with the rollout and implementation. He indicated they continue to coordinate with ESI to work through the pharmacy issues. Mr. Sandene reported that after an international search for a new president, they have filled the position. Mr. Kirk Zimmer, the former CEO of Dakota Care, a Sioux Falls based HMO, has accepted the position.

2011-2013 BIENNIUM

Mr. Collins shared the report of the BCBS final accounting for 2011-2013 with the Board.

INFERTILITY BENEFIT

Ms. Allen reported to the Board that members who have utilized infertility services have had their \$20,000 lifetime benefit reset as a result of the transition to SHP, but the \$500 deductible is also reset and does not transfer. She indicated members have expressed concerns with the deductible resetting, since they had not planned on incurring another \$500 deductible. But there were also members that were very happy with the fact that they have another \$20,000 lifetime benefit. SHP staff indicated this is standard business practice. Staff has reviewed this with SHP and presented various options to the Board. Mr. Klepatz reported to the Board that four members contacted SHP regarding the deductible issue and that he had reached out to those members. The Board had questions relating to each option and how it would impact members and the plan.

MR. SANDAL MOVED THAT PERS MAINTAIN THE PLAN DESIGN AND ALLOW MEMBERS THE OPPORTUNITY TO APPEAL THEIR SPECIFIC CASE RELATING TO THE DEDUCTIBLE TO THE BOARD SUBJECT TO A PLAN BEING DEVELOPED AND DETERMINED TO BE LEGALLY ACCEPTABLE. THE MOTION WAS SECONDED BY SENATOR DEVER.

The Board further discussed the motion.

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

Nays: Ms. Wassim and Ms. Y. Smith

Absent: Mr. Trenbeath

MOTION PASSED

Mr. Collins indicated that the next step would be to work with Sanford to determine a method to implement such a provision and to have Jan review it for legal acceptability. The goal would be to bring this back to the board at the December meeting.

GROUP HEALTH INSURANCE APPEALS INFORMATION

Ms. Allen indicated that at the October meeting the Board reviewed an appeal for repayment of a health premium underpayment which resulted in the member being set up in the wrong level of coverage. At the Board's request, staff conducted a system query to determine if there were other records that were incorrectly coded based on the number of family members on the application. Three members were identified as having an underpayment of premium based on the incorrect coding. In previous cases, the Board has set the precedent that if the underpayment was the result of staff error, PERS would not collect from the members. Staff was seeking direction on how to proceed with the three accounts. The Board discussed.

MS. Y. SMITH MOVED TO RELEASE THE THREE MEMBERS FROM THE LIABILITY BECAUSE THE UNDERPAYMENT WAS NOT THE FAULT OF THE MEMBERS. THE MOTION WAS SECONDED BY MS. GOODHOUSE.

Ms. Allen further explained that PERS must reach out to the members as their premium will be increased to the appropriate amount going forward. Ms. Murtha informed them they were in compliance with administrative rules and the Board has the authority to adjust records on the basis of equity. The Board discussed.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

BCBS PERSONAL DATA UPDATE

Mr. Collins shared information with the Board relating to data breaches relating to BCBS data and how members will be notified.

DEFERRED COMPENSATION

UPDATED INVESTMENT OPTIONS

Mr. Reinhardt informed the Board that the updated Investment Options Summary for the NDPERS 457 Deferred Compensation plan was available on the PERS website. This booklet contains information on all providers and investment options available in the plan.

MISCELLANEOUS

BOARD COMMITTEE ASSIGNMENTS

Mr. Collins indicated that no Board members have expressed interest in changing their committee assignments. There are two new Board members that will need to make a committee assignment. Appointments to the Election Committee are done prior to any election. Representative Anderson indicated an interest to be on the Audit Committee. Senator Dever indicated an interest to be on the Investment Committee.

MS. A. SMITH MOVED APPROVAL TO APPOINT REPRESENTATIVE ANDERSON TO THE AUDIT COMMITTEE AND SENATOR DEVER TO THE INVESTMENT COMMITTEE, WITH ALL OTHER ASSIGNMENTS TO REMAIN THE SAME. THE MOTION WAS SECONDED BY SENATOR DEVER.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

PERSONNEL POLICIES UPDATE

Ms. Allen reported that during the last legislative session statutory changes were made to the OMB sick leave policy. In order to conform to these changes, NDPERS has updated its policy in Chapter 9 of the NDPERS Personnel Policy Manual accordingly. In addition, in auditing this Chapter, it was noted that there was no reference regarding sick leave reinstatement in cases of a reduction in force or voluntary leave without pay.

MR. SANDAL MOVED APPROVAL OF THE UPDATED NDPERS PERSONNEL POLICIES. THE MOTION WAS SECONDED BY MS. WASSIM.

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

Nays: None

Absent: Mr. Trenbeath

MOTION PASSED

Mr. Collins indicated that PERS does not have a bonus policy in place, but staff is in the process of developing one and will bring it to the Board for approval at a later date.

PERSLINK

Ms. Schiermeister reviewed the early adopter pricing for the PERSLink mobile application with the Board. At the October meeting, it was explained that Sagitec is looking to partner with a client to be an early adopter in deploying a mobile app and they will offer discount pricing. After discussion, the Board requested that staff go back to Sagitec to obtain another pricing estimate.

PROPOSED 2016 BOARD MEETING SCHEDULE

Mr. Collins presented the proposed 2016 meeting schedule with the Board. The dates will be filed with the Secretary of State and added to calendars.

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 12:45 p.m.

Prepared by,

Cheryl Stockert
Assistant to the Board