

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

Thursday, September 22, 2016

8:30 A.M.

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

Via Videoconference: Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS
Ms. Cheryl Stockert, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Kathy Allen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Mr. Derrick Hohbein, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. Lindsay Schaf, NDPERS
Ms. Jan Murtha, Attorney General's Office
Mr. John Tyler, Attorney General's Office
Mr. Kirk Zimmer, Sanford Health Plan
Mr. Jeff Sandene, Sanford Health Plan
Mr. Danny Weiss, Sanford Health Plan
Mr. Jim Wynstra, Sanford Health Plan
Mr. Mike Klepatz, Sanford Health Plan
Mr. Don Schott, Sanford Health Plan
Mr. Josh Johnson, Deloitte
Mr. Kevin Schoenborn, BCBSND
Ms. Megan Houn, BCBSND
Mr. Andy Askew, Essentia Health

Chairman Strinden called the meeting to order at 8:32 a.m.

Chairman Strinden called for any questions or comments regarding the minutes of the August 25, 2016 Board meeting.

MR. TRENBEATH MOVED APPROVAL OF THE AUGUST 25, 2016 NDPERS BOARD MEETING MINUTES. THE MOTION WAS SECONDED BY MS. YVONNE SMITH AND CARRIED BY VOICE VOTE. THE MINUTES WERE APPROVED.

Chairman Strinden called for any questions or comments regarding the minutes of the September 8, 2016 special Board meeting.

REPRESENTATIVE ANDERSON MOVED APPROVAL OF THE SEPTEMBER 8, 2016 NDPERS SPECIAL BOARD MEETING MINUTES. THE MOTION WAS SECONDED BY MS. WASSIM AND CARRIED BY VOICE VOTE. THE MINUTES WERE APPROVED.

Health Plan Renewal

Mr. Collins indicated that Sanford staff are at the meeting to present their renewal information. Mr. Zimmer and Mr. Sandene with Sanford Health Plan presented their final renewal to the Board for consideration. Mr. Sandene explained that Sanford continues to demonstrate the support for the financial strength of Sanford Health Plan and to re-emphasize Sanford's commitment to NDPERS (distributed letter). In response to concern by the Board, Mr. Sandene committed to the Board to include the designated \$35 million in cash reserves on the Sanford Health Plan balance sheet. Mr. Sandene presented the best and final offer (distributed document) and indicated that the rate increase of 17.4% will remain. However, relating to the risk corridor, Sanford proposed that they will assume 100% of all losses and eliminated the 50%/50% share of the first \$6 million of losses for the next biennium (will maintain the PERS reserves).

Mr. Collins indicated that the Board may need to go into Executive Session.

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 SENATOR DEVER.

Ayes: Representative Anderson, Senator Dever, Ms. Goodhouse, Mr. Sandal, Ms. Arvy Smith, Ms. Yvonne 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 8:50 a.m.

The Board returned to open session at 9:55 a.m.

MS. WASSIM MOVED TO ACCEPT THE RENEWAL PROPOSAL AS PRESENTED BY SANFORD HEALTH PLAN AND TO RENEW FOR THE 2017-2019 BIENNIUM. THE MOTION WAS SECONDED BY MR. SANDAL.

The Board noted that they have fulfilled their responsibilities as trustees, having taken substantial due diligence as it relates to the renewal. In reviewing the statute and legislative intent, it was reviewed by actuaries and determined the bid is reasonable; the Board is satisfied with the performance of the carrier. Concerns relating to the renewal have been discussed and addressed by Sanford and the Board has received favorable responses. The renewal provides the opportunity for continued competition among health insurance providers and is in the best interests of this Board and its members.

Ayes: Mr. Trenbeath, Ms. Goodhouse, Representative Anderson, Ms. Wassim, Ms. Arvy Smith, Senator Dever, Mr. Sandal, Ms. Yvonne Smith, and Chairman Strinden
Nays: None

MOTION PASSED

Telehealth

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

NDPERS Life Plan Bid

Mr. Reinhardt reported that Buck Consultants has been selected to assist with the life, dental and vision bids. The life insurance plan is scheduled to go to bid with an effective date of July 1, 2017. Mr. Reinhardt was soliciting Board input on life insurance benefits to consider for the bid such as increasing the basic life coverage and/or the coverage maximum for employee supplemental coverage. The Board concurred to include increased coverage as an option in the request for proposal. Staff will review the life insurance request for proposal at the October meeting.

Group Insurance Premium Issues

Ms. Allen indicated that at the November 2015 meeting, the Board released individuals from underpayment of premium liability due to staff error in enrolling the participants in the wrong level of coverage. After that meeting staff modified the application form to more clearly identify the three levels of coverage. In addition, PERSLink was modified to generate a monthly report to identify the errors in a timely manner. When the report was generated, staff noted a participant was enrolled in the incorrect level of coverage. The participant was sent a letter informing them that their premium was adjusted to the correct premium effective August 1, 2016. The Board discussed this case.

REPRESENTATIVE ANDERSON MOVED THAT UNDERPAYMENT COLLECTIONS NOT BE INITIATED IN THIS CASE BECAUSE THE UNDERPAYMENT WAS NOT THE FAULT OF THE MEMBER. THE MOTION WAS SECONDED BY MS. WASSIM.

Ayes: Mr. Sandal, Ms. Wassim, Representative Anderson, Mr. Trenbeath, Ms. Arvy Smith, Senator Dever, Ms. Goodhouse, Ms. Yvonne Smith and Chairman Strinden
Nays: None

MOTION PASSED

Group Insurance Data Request

Mr. Reinhardt reported that PERS received a request to conduct a review of pharmacy spread pricing. In reviewing with legal counsel, it was indicated that any information shared is subject to the federal HIPAA regulations as well as state confidentiality laws relating to member information. Ms. Murtha informed the Board that there are several levels of confidentiality concerns, one relates to submitting confidential member information. The Board discussed and concurred member information is confidential and no further action was taken.

Dental/Vision Open Enrollment

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

Taxability of Wellness Benefit

Ms. Fricke indicated that since the August meeting, staff has reviewed an IRS Advice with Ice Miller consultants and they concurred with Deloitte's analysis that the NDPERS \$250 wellness benefit would not be considered de minimis by the IRS and therefore should be included as taxable income on an employee's W2 and subject to payroll taxes. Ice Miller also confirmed that the amount of the benefit falls below the 1099 reporting requirements, but recommended notice be provided to retirees that the benefit is taxable.

Ms. Fricke reported that staff met with OMB and Higher Education payroll directors. They indicated there would be difficulty in administering this as a taxable benefit for the following reasons: 1) since it is not a benefit paid through OMB, the data would have to be entered into the payroll system which is a cumbersome task; 2) timely reporting of the benefit would be required to ensure that payroll taxes are withheld from the employee's pay in the appropriate year (current redemption timeframe allows up to midnight on December 31); and 3) the amount of the tax could be significant as it would fall under regular pay, at 25% federal tax withholding and an additional 7.65% FICA withholding.

Mr. Collins summarized by saying that this would be an overwhelming task for payroll departments. The Board discussed and agreed a special meeting be scheduled before the regular October meeting to discuss possible options for the wellness benefit.

RETIREMENT

Highway Patrol Validation Results

This agenda item will be moved to the October meeting.

2nd Quarter Investment Report

Mr. Reinhardt presented the 2nd quarter investment report for the 401(a) and 457 Companion Plan. Assets in both plans have decreased. The Investment Subcommittee met to review the funds and marked the Allianz NFJ Small Cap Value fund as underperforming and recommended it be put on formal fund review.

MR. TRENBEATH MOVED THE RECOMMENDATIONS OF THE INVESTMENT SUBCOMMITTEE THAT THE ALLIANZ NFJ SMALL CAP VALUE FUND BE PUT ON FORMAL FUND REVIEW. THE MOTION WAS SECONDED BY MR. SANDAL.

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

Nays: None

MOTION PASSED

De minimis Policy

Ms. Schiermeister reviewed a proposed de minimis policy relating to adjustments to member retirement accounts. She explained that there are situations when adjustments are small and the members disregard cashing the check or paying a balance due. She further reported that this proposed policy had been reviewed and approved by the Audit Subcommittee. The Board had questions and suggested a change in the policy which was acceptable.

MS. ARVY SMITH MOVED APPROVAL OF THE DE MINIMIS POLICY WITH THE CHANGE AS DISCUSSED. THE MOTION WAS SECONDED BY MS. GOODHOUSE.

The Board further discussed.

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

Nays: None

MOTION PASSED

401(a) and 457 Work Effort

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

FLEX COMP

Voluntary Insurance Products

Ms. Allen reported that the annual review of the vendors for the voluntary insurance products approved for pretax premiums was conducted. Current vendors responded with

the exception of Conseco, and no new products were proposed by any of the participating companies. Conseco was sent two reminders with no response received.

REPRESENTATIVE ANDERSON MOVED APPROVAL OF THE VENDORS FOR OTHER EMPLOYER-SPONSORED VOLUNTARY INSURANCE PRODUCTS FOR PRETAX BENEFITS FOR THE 2017 PLAN YEAR. THE MOTION WAS SECONDED BY MS. WASSIM.

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

Nays: None

MOTION PASSED

MEMBER

Mr. Collins indicated that the Board will need to go into Executive Session because the members were in attendance.

Hardship Case #363

Chairman Strinden instructed the Board to go into Executive Session pursuant to NDCC 44-04-19.2 and 54-52-26 to discuss confidential member information. All members named above were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 11:05 a.m. The Board returned to open session at 11:50 a.m.

MS. WASSIM MOVED TO APPROVE THE DEFERRED COMPENSATION HARDSHIP REQUEST. THE MOTION WAS SECONDED BY MS. GOODHOUSE.

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

Nays: Representative Anderson, Mr. Trenbeath, and Chairman Strinden

MOTION PASSED

Member Retirement Appeal

Ms. Murtha reported that the Board will be reviewing this retirement appeal in executive session. Ms. Murtha indicated that Mr. Tyler from the Attorney General's office will be acting as the Board's counsel for this appeal because PERS staff sought consult and Ms. Murtha provided input to PERS regarding this case.

Chairman Strinden instructed the Board to go into Executive Session pursuant to NDCC 44-04-19.2 and 54-52-26 to discuss confidential member information. All members named above were in attendance for the Executive Session (closed meeting,

electronically recorded) which began at 11:58 a.m. The Board returned to open session at 12:30 p.m.

Ms. Murtha reported that the Board concurred that a formal Attorney General's opinion be sought regarding their authority relating to NDCC 54-52. The Board directed Mr. Collins to initiate the request on their behalf. Mr. Collins indicated that he will keep the Board and member updated on the status of the request.

Infertility Benefits Case #368

Ms. Allen reported that at the November 2015 meeting it was reported that the deductible for the infertility benefit did not transfer when PERS transitioned to Sanford Health Plan. The benefit is a \$500 deductible and a \$20,000 lifetime maximum. The Board decided that the plan design be maintained, but that an opportunity be given to members to appeal their specific case relating to the deductible. A member is appealing for the payment of \$500 deductible which was incurred since July 1, 2015.

REPRESENTATIVE ANDERSON MOVED TO APPROVE REIMBURSEMENT TO THE MEMBER IN THE AMOUNT OF \$500. THE MOTION WAS SECONDED BY MS. WASSIM.

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

Nays: None

MOTION PASSED

Member Release of Information

Ms. Murtha advised the Board to go into Executive Session to discuss confidential member information. Chairman Strinden instructed the Board to go into Executive Session pursuant to NDCC 44-04-19.2 and 54-52-26 to discuss confidential member information. All members named above were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 12:40 p.m. The Board returned to open session at 12:50 p.m.

MR. TRENBEATH MOVED THAT LEGAL COUNSEL PROCEED WITH THE CASE AND GAVE PERMISSION TO FILE A CLAIM WITH THE COURT. THE MOTION WAS SECONDED BY SENATOR DEVER.

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

Nays: None

MOTION PASSED

MISCELLANEOUS

Committee Meetings

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

PERS Events

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

Audit Committee Minutes

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

Staff Update and Review

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

Chairman Strinden indicated the Board will await scheduling of the special meeting.

There being no further business, the meeting adjourned at 12:55 p.m.

Prepared by,

Cheryl Stockert
Assistant to the Board