

MINUTES

**North Dakota Public Employees Retirement System
VIA TELECONFERENCE
Tuesday, December 8, 2020
8:30 A.M.**

Members Via Phone: Chairperson Rindy
Representative Jason Dockter
Ms. Casey Goodhouse
Mr. Adam Miller
Ms. Kim Wassim
Mr. Troy Seibel
Ms. Yvonne Smith

Members Absent: Mr. Dirk Wilke
Senator Tim Mathern

Others Via Phone: Mr. Scott Miller, NDPERS
Mr. Derrick Hohbein, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. MaryJo Anderson, NDPERS
Mr. Bryan Reinhardt, NDPERS
Mr. John Snyder, SHP
Mr. Steve Webster, SHP
Mr. Danny Weiss, SHP
Mr. Jim Wynstra, SHP
Ms. Rochelle Meyers, SHP
Ms. Katie Nermoe, SHP
Mr. Jason Ostroski, CliftonLarsonAllen
Mr. Paul Erlendson, Callan

Chairperson Mona Rindy called the meeting to order at 8:30 A.M. The meeting was held by teleconference; roll call was taken, and a quorum was present.

Chairperson Rindy called for any questions or comments regarding the minutes of the November 10, 2020 Board Meeting.

MR. ADAM MILLER MOVED TO APPROVE THE MINUTES OF THE NOVEMBER 10, 2020 BOARD MEETING. THE MOTION WAS SECONDED BY MS. GOODHOUSE AND CARRIED BY VOICE VOTE. THE MINUTES WERE APPROVED.

GROUP INSURANCE

Political Subdivisions Discontinuing NDPERS Health Plan

Ms. Rebecca Fricke informed the Board that 15 political subdivisions have elected to discontinue their participation in the NDPERS Health Plan. There are a total number of 707 contracts leaving the plan effective January 1st. Groups are not required to provide a reason for discontinuing their participation. The Affordable Care Act places restrictions on the eligibility of groups to return to the Plan. Large employers, defined as 51 or more employees, are eligible to return; groups of less than 51 can only return to the non-grandfathered plan. Discussion followed.

PRESENTATIONS

CliftonLarsonAllen 2020 Audit Report

Mr. Jason Ostroski, CliftonLarsonAllen (CLA LLP), joined the meeting by phone to review the FY 2020 Audit Report. Mr. Ostroski's presentation included the audit results, required communications, financial highlights, and GASB 68 and 75 schedule audit updates. Mr. Ostroski noted that the result of the 2020 audit was an unmodified opinion issued on the financial statements.

Mr. Ostroski reviewed financial highlights of the PERS Main, Highway Patrol, Job Service, Group Insurance, and Retiree Health Insurance Credit (RHIC) Plans.

The full audit report was provided in the board packet. There were no questions from the Board.

Sanford Health Plan 2020 Quarter 2 Executive Summary

Mr. Steve Webster introduced Mr. John Snyder, President of Sanford Health Plan (SHP), to provide an update on recent leadership changes since the departure of Kelby Krabbenhoft. Mr. Bill Gassen has replaced Krabbenhoft as President and CEO. The recently announced merger with Intermountain Healthcare is on indefinite suspension while Sanford assesses whether their goals still align, and whether North and South Dakota would be well-served by the merger. Discussion followed.

Rochelle Myers provided an update on the recent pharmacy investigation conducted by the independent auditor (PriceWaterhouseCoopers). Ms. Meyers reported that pharmacy benefit claims have been adjudicated and paid as expected for all lines of business from the initial transaction. SHP does not condone claw backs and the issue at question involves retrospective reconciliation processes between the Pharmacy Benefit Manager (PBM) and/or Pharmacy and/or the Pharmacy Services Administrative Organization (PSAO). She noted that language has been factored into the new contract with OptumRx. Discussion followed.

Mr. Webster updated the Board on the COVID-19 vaccine. The North Dakota Insurance Department issued a bulletin on how the vaccine is to be paid, which will affect NDPERS. The federal government will cover the cost of the vaccine but there is an administrative cost. No provider will be considered out of network, and there will be no cost to the member.

With no other questions from the Board, Mr. Steve Webster began the Executive Summary presentation with highlights of annual membership comparison of data from Quarter 2 of 2019 to 2020. He noted a decline of nearly 10 percent for the Early Retirees group.

Mr. Jim Wynstra reviewed claims analysis information and provided comparisons to Quarter 2 of 2019 for the Actives, Early Retirees and Medicare Retiree groups. He noted an overall decrease in claims due to the impact of COVID and cited the reduction of elective surgeries as a prime example. He indicated this trend will not continue into Quarter 3.

Mr. Danny Weiss provided an overview of high dollar pharmaceutical cases and the highest paid diagnosis groups. Oncology consistently trends as the largest claims. Immunotherapy is very successful in the treatment of cancer but comes at a high cost, often in the range of \$400,000. This underscores the significant value of health insurance. He discussed the plateauing of generic utilization claims and a spike in brand utilization for certain health conditions such as diabetes. COVID presents more of a risk for someone with diabetes, causing members to want a name brand drug.

Ms. Katie Nermoe shared information about member participation in fitness center reimbursement, health assessments, online wellness activities, and lifestyle medicine programs. She reported that fitness center reimbursement took a nosedive as a result of gyms and fitness centers closing due to the pandemic. She reviewed four Lifestyle Medicine Programs and showcased the outcome of these programs, as well as the success in transitioning participation to become virtual visits. The Board and staff applauded Sanford Health Plan for the creative ways they pivoted quickly to virtual instead of in-person wellness programs, with minimal member disruption.

Ms. Nermoe reported on the effectiveness of the Tobacco Cession program and shared Tobacco Cessation Survey results. The 78 results were self-reported by participants and indicated that 26 percent were able to quit the use of tobacco through the program, 21 percent said they are still trying to quit and continue utilizing the NDPERS program. The program is on track with an increase of 15 members over last quarter.

Mr. Webster reviewed the Performance Standards and Guarantees. The Fitness Center Reimbursement participation will not reach the goal due to COVID-19. Measurements of two health outcomes, breast cancer screening rates and cervical cancer screening rates, are not expected to meet the performance goals. SHP staff is putting together an outreach campaign for preventative care.

GROUP INSURANCE (CONTINUED)

Health Plan Request for Proposal Contract

Mr. Scott Miller provided a brief update on the status of the Health Plan contract negotiation.

Health Plan Request for Proposal Report

Mr. Miller provided background regarding Senate Bill 2023, Section 4, which requires the NDPERS Board to report to the majority and minority leaders of the House and Senate and the chairmen of the appropriations committees, or their designees, when bids are received during the biennium beginning July 1, 2019, and ending June 30, 2021. The report must provide comparative information and the board's evaluation of the bids received, including information on the self-insurance option. Mr. Miller presented a draft of the final report for the Board's consideration. Discussion followed.

MS. SMITH MOVED TO APPROVE IN SUBSTANCE THE PREPARED REPORT TO THE LEGISLATORS, GIVING ALLOWANCE TO ANY NECESSARY MINOR EDITS. THE MOTION WAS SECONDED BY MR. ADAM MILLER.

Ayes: Ms. Goodhouse, Representative Dockter, Ms. Wassim, Mr. Adam Miller, Mr. Seibel, Ms. Smith, and Chairperson Rindy

Nays: None

Absent: Mr. Wilke and Senator Mathern

MOTION PASSED

The Board took a brief break from 10:20 A.M. TO 10:30 A.M. The Meeting resumed at 10:30 A.M., a quorum was present.

RETIREMENT

Asset Liability Study

The Asset Liability Study takes a detailed look at liabilities and how assets are aligned to meet those liabilities including asset allocation and liquidity. Callan presented the results of the Study at the September Board Meeting. The Board directed the Investment Subcommittee to evaluate the results and bring back recommendations to the full Board at the December meeting. Mr. Paul Erlendson joined the meeting to provide a high-level overview of the recommendations discussed by the Investment Subcommittee.

The Subcommittee reviewed the report and Callan's recommendations. The Subcommittee recommends keeping the current asset allocation for the Main Plan. For the Retiree Health Insurance Credit (RHIC) Plan, the Subcommittee recommends moving to Asset Mix 4a, which would allocate more funds to Global ex-US equity from Fixed Income. Discussion followed.

MR. ADAM MILLER MOVED TO ADOPT THE RECOMMENDATION OF THE INVESTMENT SUBCOMMITTEE TO KEEP THE CURRENT ASSET ALLOCATION FOR THE MAIN PLAN, AND TO MOVE TO ASSET MIX 4A FOR THE RETIREE HEALTH INSURANCE CREDIT PLAN. THE MOTION WAS SECONDED BY MS. GOODHOUSE.

Ayes: Ms. Goodhouse, Representative Dockter, Ms. Wassim, Mr. Adam Miller, Mr. Seibel, Ms. Smith, and Chairperson Rindy

Nays: None

Absent: Mr. Wilke and Senator Mathern

MOTION PASSED

Quarter 3 Investment Report

Mr. Bryan Reinhardt presented the 3rd quarter 2020 Investment Report for the 401(a) and 457 Companion Plans. Bryan noted that the two plans have 8,411 participants with about \$167

million in assets. This agenda item was for information only and the reports are available on the website.

Investment Consultant Recommendation

This agenda item was noticed for Executive Session.

MS. SMITH MOVED TO ENTER INTO EXECUTIVE SESSION PURSUANT TO N.D.C.C §44-04-19.1(9) TO DISCUSS NEGOTIATING STRATEGY OR PROVIDE NEGOTIATING INSTRUCTIONS TO ITS ATTORNEY OR OTHER NEGOTIATOR REGARDING A PENDING CLAIM, LITIGATION, ADVERSARIAL ADMINISTRATIVE PROCEEDINGS, OR CONTRACTS, WHICH ARE CURRENTLY BEING NEGOTIATED OR FOR WHICH NEGOTIATION IS REASONABLY LIKELY TO OCCUR IN THE IMMEDIATE FUTURE. THE MOTION WAS SECONDED BY MS. WASSIM.

Ayes: Ms. Goodhouse, Representative Dockter, Ms. Wassim, Mr. Adam Miller, Mr. Seibel, Ms. Smith, and Chairperson Rindy

Nays: None

Absent: Mr. Wilke and Senator Mathern

MOTION PASSED

All members named above, attorney Dean DePountis, NDPERS staff members Scott Miller, Rebecca Fricke, Derrick Hohbein, Bryan Reinhardt, MaryJo Anderson and Jan Lund were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 11:16 A.M.

The Closed Session ended at 11:35 A.M.

MS. WASSIM MOVED TO ACCEPT THE RECOMMENDATION OF THE INVESTMENT SUBCOMMITTEE TO AWARD THE CONTRACT FOR THE INVESTMENT CONSULTANT TO CALLAN. THE MOTION WAS SECONDED BY REPRESENTATIVE DOCKTER.

Ayes: Ms. Goodhouse, Representative Dockter, Ms. Wassim, Mr. Adam Miller, Mr. Seibel, Ms. Smith, and Chairperson Rindy

Nays: None

Absent: Mr. Wilke and Senator Mathern

MOTION PASSED

MISCELLANEOUS

Legislation

Mr. Scott Miller reported that the bills discussed at the November Board Meeting have all been pre-filed and accepted.

Strategic Plan Update

This agenda item was moved to the January 12, 2020 Board Meeting.

Audit Committee Meeting Minutes

Ms. Shawna Piatz provided the minutes of the August Audit Committee Meeting. This item was informational only.

MEMBER

Retirement Appeal Cases 653, 654, 655, 656 and Hardship Withdrawal Case #647

These agenda items were noticed for Executive Session.

MS. GOODHOUSE MOVED TO ENTER INTO EXECUTIVE SESSION PURSUANT TO N.D.C.C §44-04-19.2 AND §44-04-19.2 (1) AND/OR §54-52-26 TO DISCUSS CONFIDENTIAL RECORDS OR CONFIDENTIAL MEMBER INFORMATION FOR MEMBER CASES 653, 654, 655, 656, AND 647. THE MOTION WAS SECONDED BY MS. SMITH.

Ayes: Ms. Goodhouse, Representative Dockter, Ms. Wassim, Mr. Adam Miller, Mr. Seibel, Ms. Smith, and Chairperson Rindy

Nays: None

Absent: Mr. Wilke and Senator Mathern

MOTION PASSED

All members named above, attorney Dean DePountis, NDPERS staff members Scott Miller, Rebecca Fricke, Derrick Hohbein, MaryJo Anderson and Jan Lund were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 11:44 A.M.

Representative Dockter was excused from the meeting at 1:03 P.M.

The Closed Session ended at 1:15 P.M.

MR. ADAM MILLER MOVED TO APPROVE THE MEMBER'S REQUEST TO APPEAL THE DENIAL OF THE RETIREMENT BENEFIT PAYMENT IN CASE NUMBER 653. THE MOTION WAS SECONDED BY MS. GOODHOUSE.

Ayes: Ms. Goodhouse, Mr. Adam Miller, and Ms. Smith

Nays: Mr. Seibel, Ms. Wassim, and Chairperson Rindy

Absent: Mr. Wilke, Senator Mathern, and Representative Dockter

MOTION FAILED

MS. WASSIM MOVED TO DENY THE MEMBER'S REQUEST TO APPEAL THE DENIAL OF THE RETIREMENT BENEFIT PAYMENT IN CASE NUMBER 654. THE MOTION WAS SECONDED BY MR. SEIBEL.

Ayes: Mr. Seibel, Ms. Wassim, and Chairperson Rindy

Nays: Ms. Goodhouse, Mr. Adam Miller, and Ms. Smith
Absent: Mr. Wilke, Senator Mathern, and Representative Dockter

MOTION FAILED

MS. GOODHOUSE MOVED TO APPROVE THE MEMBER'S REQUEST TO APPEAL THE DENIAL OF THE RETIREMENT BENEFIT PAYMENT IN CASE NUMBER 655. THE MOTION WAS SECONDED BY MR. ADAM MILLER.

Ayes: Ms. Goodhouse, Mr. Adam Miller, and Ms. Smith,
Nays: Mr. Seibel, Ms. Wassim, and Chairperson Rindy
Absent: Mr. Wilke, Senator Mathern and Representative Dockter

MOTION FAILED

MS. WASSIM MOVED TO DENY THE MEMBER'S REQUEST TO APPEAL THE DENIAL OF THE RETIREMENT BENEFIT PAYMENT IN CASE NUMBER 656. THE MOTION WAS SECONDED BY MR. SEIBEL.

Ayes: Mr. Seibel, Ms. Wassim, and Chairperson Rindy
Nays: Ms. Goodhouse, Mr. Adam Miller, and Ms. Smith
Absent: Mr. Wilke, Senator Mathern, and Representative Dockter

MOTION FAILED

MR. SEIBEL MOVED TO DENY THE MEMBER'S REQUEST FOR A HARDSHIP WITHDRAWAL IN CASE NUMBER 647. THE MOTION WAS SECONDED BY MS. SMITH.

Ayes: Ms. Goodhouse, Mr. Adam Miller, Ms. Smith, Mr. Seibel, Ms. Wassim, and Chairperson Rindy
Nays: None
Absent: Mr. Wilke, Senator Mathern, and Representative Dockter

MOTION PASSED

Chairperson Rindy called for any other business or comments. Hearing none the meeting was adjourned at 1:30 P.M.

Prepared by,

Jan Lund
Assistant to the Board