

MINUTES

North Dakota Public Employees Retirement System Tuesday, December 12, 2023 8:30 A.M.

Members Present: Chairperson Michelle Kommer
Mr. Adam Miller
Mr. Tyler Erickson
Representative Greg Stemen
Representative Jason Dockter
Senator Dick Dever
Mr. Jeffry Volk
Mr. Gerald Buck
Mr. Joe Morrissette

Members by Teams: Ms. Casey Goodhouse

Members Absent: Sen. Shawn Veda

Other present: Ms. Rebecca Fricke, NDPERS
Mr. Derrick Hohbein, NDPERS
Ms. Katheryne Korom, NDPERS
Ms. MaryJo Anderson, NDPERS
Ms. Shawna Piatz, NDPERS
Mr. Dean DePountis, Office of Attorney General
Ms. Brittany Smith, CliftonLarsonAllen
Ms. Courtney Meyer, SHP
Dr. Emily Griese, SHP
Mr. Mark Powell, Humana

Chairperson Kommer called the meeting to order at 8:30 A.M. A quorum was present.

Chairperson Kommer called for questions or comments regarding the November 14, 2023, meeting minutes. Mr. Volk wished to provide clarification of the motion he made last month concerning the dismissal of the Executive Director. For the record, the intention of the motion was to provide a payout of a cash equivalent to the cost of a service purchase amount necessary for Mr. Scott Miller to reach the rule for retirement.

SENATOR DEVER MOVED TO APPROVE THE MINUTES OF THE NOVEMBER 14, 2023, BOARD MEETING. THE MOTION WAS SECONDED BY MR. BUCK AND CARRIED BY A VOICE VOTE. THE MINUTES WERE APPROVED.

CONFLICT OF INTEREST DISCLOSURE CONSIDERATION

Representative Jason Dockter submitted a disclosure on August 14, 2023, and at today's meeting announced that the conflict still exists relative to the topic of the Recordkeeper Request For Proposal. "*I am contracted with Empower to sell 457 deferred plans to state employees.*" There were no questions from the board and no action was taken on the matter.

PRESENTATIONS

External Auditor's Report

Ms. Shawna Piatz introduced Ms. Brittany Smith, CliftonLarsonAllen (CLA), who joined the meeting by Teams to review the FY 2023 Audit Report. Ms. Smith's presentation included the audit results, required communications, and financial highlights. She noted that the result of the 2023 audit was the highest level -- an unmodified clean opinion issued on the financial statements.

Ms. Smith reviewed the financial highlights and actuarial data of the PERS Main, Highway Patrol, Job Service, Group Insurance, and Retiree Health Insurance Credit (RHIC) Plans. She touched on changes in Total Pension Liability of the main plan and the effect of reducing the rate of assumption and provided a historical account of the Single Discount Rate changes.

She closed the presentation with a look at GASB 68 and 75 schedule audit updates.

The FY 2023 NDPERS Financial Statements and the full audit report were provided in the board packet.

Sanford Health Plan Updates

Health Plan Executive Summary:

Ms. Rebecca Fricke introduced Ms. Courtney Meyer. Ms. Meyer presented the Health Plan Executive Summary for Quarter 2. She gave a high-level overview of annual membership and trends, claims paid including high-dollar claims, pharmacy drug spending and specialty drug utilization.

Ms. Meyer spoke about cost effectiveness and cited an example of 169 people currently receiving the brand drug Humira, and most will now go on a biosimilar option, which is a less expensive drug that became available December 1, 2023.

She closed her presentation with a look at the Wellness Initiatives and special events.

Mr. Mark Powell, Humana, shared information about drug utilization in the retiree group. He noted that the specialty drug utilization has dropped over the past year. He explained that plan design causes member to look for the most cost-effective drug.

Cost Savings Report:

Ms. Meyer updated the board on cost containment initiative results. Payment integrity is ensuring that NDPERS is the plan liable for a claim i.e., coordination of benefits, auto insurance claims, or work-related injury claims. She stated that systems are in place to prevent fraud and abuse. She reviewed total gross savings and PerMemberPerMonth (PMPM) gross savings data and indicated that Sanford Health Plan is a good steward of premium dollars.

Health Effectiveness Data and Information Set (HEIDS) Results:

Ms. Courtney Meyer presented results of this measurement. She stated that HEIDS consists of scoring patient experience, prevention and equity, and treatment. It is balancing the priority of quality and cost savings for a health plan. Ms. Meyer highlighted the top areas of performance and areas of focus moving forward.

DEFINED CONTRIBUTION PLAN IMPLEMENTATION

House Bill 1040 Implementation Status

Ms. Rebecca Fricke provided an update on activities related to the implementation of House Bill 1040. Staff are continuing to work on the Record-keeper RFP. A candidate was selected to fill the Defined Contribution Program Manager position. Staff is exploring options for a marketing intern to assist with the volume of communication effort necessary during the upcoming year. Staff continues to work with the PERSLink Business System vendor on necessary programming updates. Proposed amendments to Title 71 Administrative Rules are being prepared and Ms. Fricke reported that an extension for delayed rules was approved by the Administrative Rules Committee on December 11. Staff provided updates to both the Retirement Committee and the Employee Benefits Programs Committee during the month of November.

The board requested educational information on Administrative Rules, Statute, and Board policy in preparation for the promulgation process occurring over the next several months.

The board expressed interest in developing a timeline and task list for tracking progress on the implementation of HB 1040.

The Board took a short break from 10:30 A.M. to 10:45 A.M.

DEFERRED COMPENSATION / DEFINED CONTRIBUTION

Recordkeeper Request For Proposal Best and Final Offer and Finalist Selection

This agenda item was noticed for Executive Session to discuss negotiating strategy or provide negotiating instructions to its attorney or other negotiator in Closed Session.

REPRESENTATIVE STEMEN MOVED TO ENTER INTO EXECUTIVE SESSION PURSUANT TO N.D.C.C. §44-04-19.1(9) AND §44-04-19.2 TO DISCUSS NEGOTIATING STRATEGY OR PROVIDE NEGOTIATING INSTRUCTIONS TO ITS ATTORNEY OR OTHER NEGOTIATOR IN CLOSED SESSION. THE MOTION WAS SECONDED BY SENATOR DEVER.

Ayes: Representative Stemen, Ms. Goodhouse, Mr. Morrissette, Senator Dever, Mr. Erickson, Mr. Buck, Mr. Adam Miller, Mr. Volk, and Chairperson Kommer

Nays: None

Absent: Senator Vedaa and Representative Dockter

MOTION PASSED

All members named above, attorney Dean DePountis, Consultant Ben Taylor, NDPERS staff members Rebecca Fricke, Derrick Hohbein, Katheryne Korom, MaryJo Anderson, Robin Mistelski, Shawna Piatz, Brittany Berreth, and Jan Lund were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 10:47 A.M. The meeting returned to Open Session at 12:16 P.M.

The Board provided guidance to staff on how to proceed with the Recordkeepers Request for Proposal.

The Board recessed for lunch at 12:18 P.M. and resumed at 1:18 P.M.

457 Companion Plan & 401(a) Plan 3rd Quarter 2023 Report

A summary of the 457 Companion Plan & 401(a) Plan 3rd Quarter 2023 Report was presented by Mr. Derrick Hohbein. The report was reviewed by the NDPERS Investment Subcommittee and is available on the website.

Mr. Hohbein stated that assets in both plans decreased during the third quarter as did the number of participants. He noted that participant numbers in third quarter typically dip because small account balance distributions are made during that period. He also discussed benchmarks and fund/investment news.

DEFINED BENEFIT

Retirement Plan Services Request For Proposal Approval

Ms. Katheryne Korom shared a draft of the Request for Proposal (RFP) for Retirement Plan Services consultant and a proposed timeline for the RFP process.

MR. MORRISSETTE MOVED TO APPROVE THE RETIREMENT PLAN SERVICES REQUEST FOR PROPOSAL AND THE TIMELINE FOR THE PROPOSAL PROCESS. THE MOTION WAS SECONDED BY REPRESENTATIVE DOCKTER.

Ayes: Representative Stemen, Ms. Goodhouse, Mr. Morrisette, Senator Dever, Representative Dockter, Mr. Erickson, Mr. Buck, Mr. Adam Miller, Mr. Volk, and Chairperson Kommer

Nays: None

Absent: Senator Vedaa

MOTION PASSED

GROUP INSURANCE / FLEX COMP

Uniform Group Insurance Consultant Request for Proposal Best and Final Offer Update

This agenda item was noticed for Executive Session to discuss negotiating strategy or provide negotiating instructions to its attorney or other negotiator in Closed Session.

REPRESENTATIVE STEMEN MOVED TO ENTER INTO EXECUTIVE SESSION PURSUANT TO N.D.C.C. §44-04-19.1(9) AND §44-04-19.2 TO DISCUSS NEGOTIATING STRATEGY OR PROVIDE NEGOTIATING INSTRUCTIONS TO ITS ATTORNEY OR OTHER NEGOTIATOR IN CLOSED SESSION. THE MOTION WAS SECONDED BY MR. BUCK.

Ayes: Representative Stemen, Representative Dockter, Ms. Goodhouse, Mr. Morrisette, Senator Dever, Mr. Erickson, Mr. Buck, Mr. Adam Miller, Mr. Volk, and Chairperson Kommer

Nays: None

Absent: Senator Vedaa

MOTION PASSED

All members named above, attorney Dean DePountis, NDPERS staff members Rebecca Fricke, Derrick Hohbein, Katheryne Korom, Lindsay Schaf, Shawna Piatz, Brittany Berreth, and Jan Lund were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 1:26 P.M. The meeting returned to Open Session at 1:39 P.M.

MR. BUCK MOVED TO AWARD THE CONTRACT FOR THE UNIFORM GROUP INSURANCE CONSULTANT TO DELOITTE CONSULTING PENDING SUCCESSFUL CONTRACT NEGOTIATIONS. THE MOTION WAS SECONDED BY MR. ERICKSON.

Ayes: Representative Stemen, Ms. Goodhouse, Mr. Morrisette, Senator Dever, Representative Dockter, Mr. Erickson, Mr. Buck, Mr. Adam Miller, Mr. Volk, and Chairperson Kommer

Nays: None

Absent: Senator Vedaa

MOTION PASSED

OPERATIONS / ADMINISTRATIVE

Audit Committee Report

The Chief Audit Officer, Shawna Piatz, touched on highlights of the August 18, 2023, meeting of the Audit Committee.

Operating Guidelines

Mr. Derrick Hohbein presented the NDPERS Operating Guidelines. The document helps to clarify Board versus Executive Director and/or staff responsibilities. The Board reviewed items under the General, Finance and Personnel categories and discussed an interest in creating bylaws and charters for the board subcommittees. Currently, only the Audit Committee has a Charter.

Staffing Updates

The board reviewed the current salary of Rebecca Fricke. Guidance from HRMS and the salary of the former Executive Director was considered as the board discussed an appropriate rate of compensation for Ms. Fricke as the Interim Executive Director. The board agreed on an interim salary increase, an effective date for the increase, and interest in reviewing the rate of compensation after a period of three months (from the effective date).

REPRESENTATIVE STEMEN MOVED TO INCREASE THE ANNUAL COMPENSATION OF THE INTERIM EXECUTIVE DIRECTOR TO \$185,000 AND TO MAKE THE INCREASE RETROACTIVE TO THE APPOINTMENT DATE OF NOVEMBER 15, 2023, AND REVIEW IT AGAIN IN THREE MONTHS FROM THE EFFECTIVE DATE. THE MOTION WAS SECONDED BY MR. MORRISSETTE.

Ayes: Representative Stemen, Ms. Goodhouse, Mr. Morrisette, Senator Dever, Representative Dockter, Mr. Erickson, Mr. Buck, Mr. Adam Miller, Mr. Volk, and Chairperson Kommer

Nays: None

Absent: Senator Vedaa

MOTION PASSED

Chairperson Kommer provided an update regarding the severance agreement offered to former Executive Director, Scott Miller. The agreement was emailed to Mr. Miller last week, he has 21 days in which to respond.

Ethics Commission Request for Opinion

Chairperson Kommer was informed by the North Dakota Ethics Commission of a Request for Advisory Opinion filed by Ms. Mona Rindy in September while she was the chairperson of the NDPERS Board. The request for the Advisory Opinion is related to the litigation challenging the constitutionality of the majority leaders appointing legislators to the Executive Branch Board (NDPERS) and a perceived direct conflict of interest in the legislator's participation in any topic related to the litigation. The next meeting of the ND Ethics Commission is scheduled for the week of January 2, 2024.

Contracts Under \$10,000

The board reviewed an updated list of contracts signed by the Interim Executive Director since the last report.

Confirmation of 2024 Meeting Dates

The board reviewed a schedule of proposed meeting dates. Ms. Fricke explained that regular board meetings are held on the second Tuesday with the exception of the 3rd Tuesday in August to accommodate timing of the Medicare Part D premium rate, and two meetings in October to allow for the actuary to complete the retirement plans valuation.

REPRESENTATIVE DOCKTER MOVED TO APPROVE THE SCHEDULE OF 2024 MEETING DATES AS PRESENTED. THE MOTION WAS SECONDED BY MR. VOLK.

Ayes: Representative Stemen, Ms. Goodhouse, Mr. Morrisette, Senator Dever, Representative Dockter, Mr. Erickson, Mr. Buck, Mr. Adam Miller, Mr. Volk, and Chairperson Kommer

Nays: None

Absent: Senator Vedaa

MOTION PASSED

Ms. Lund will send the 2024 Outlook meeting series to the board members and provide the 2024 meeting dates to Legislative Council.

Committee Assignments

Ms. Rebecca Fricke reviewed the subcommittees of the NDPERS Board, current membership, and vacancies on each committee. The board discussed available appointments and considered appointments to fill the vacancies. The 5-year term of Ms. Goodhouse will expire on June 30, 2024, making her ineligible to serve on the Election Subcommittee. In accordance with NDAC, members will be appointed to the Election Subcommittee in February.

REPRESENTATIVE STEMEN MOVED APPROVAL OF SENATOR DEVER, MR. ERICKSON, MR. ADAM MILLER, AND MR. MORRISSETTE TO THE AUDIT COMMITTEE. THE MOTION WAS SECONDED BY MR. BUCK.

Ayes: Representative Stemen, Ms. Goodhouse, Mr. Morrisette, Senator Dever, Representative Dockter, Mr. Erickson, Mr. Buck, Mr. Adam Miller, Mr. Volk, and Chairperson Kommer

Nays: None

Absent: Senator Vedaa

MOTION PASSED

REPRESENTATIVE STEMEN MOVED APPROVAL TO APPOINT MR. ADAM MILLER AND MR. MORRISSETTE TO THE STATE INVESTMENT BOARD. THE MOTION WAS SECONDED BY MR. MORRISSETTE.

Ayes: Representative Stemen, Ms. Goodhouse, Mr. Morrisette, Senator Dever, Representative Dockter, Mr. Erickson, Mr. Buck, Mr. Adam Miller, Mr. Volk, and Chairperson Kommer

Nays: None

Absent: Senator Vedaa

MOTION PASSED

Chairperson Kommer appointed Ms. Goodhouse, Mr. Buck, Representative Dockter, Senator Vedaa and Chairperson Kommer to the Executive Director Performance Review and Compensation Subcommittee. The Chairperson appointed Mr. Adam Miller,

Mr. Volk, Representative Stemen, Mr. Erickson, and Mr. Morrissette to the Investment Subcommittee. Per Administrative Rules governing board elections, the Election Committee will be filled in February.

MEMBER

Retirement Benefit Appeal Case #834

This agenda item was noticed for Executive Session to discuss confidential member information in a Closed Session.

MR. ERICKSON 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. THE MOTION WAS SECONDED BY MR. BUCK.

Ayes: Representative Stemen, Ms. Goodhouse, Mr. Morrissette, Senator Dever, Representative Dockter, Mr. Erickson, Mr. Buck, Mr. Adam Miller, Mr. Volk, and Chairperson Kommer

Nays: None

Absent: Senator Vedaa

MOTION PASSED

All members named above, attorney Dean DePountis, NDPERS staff members Rebecca Fricke, Derrick Hohbein, MaryJo Anderson, Shawna Piatz, Brittany Berreth, and Jan Lund were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 2:41 P.M. The member was present by phone. The meeting returned to Open Session at 3:03 P.M.

MR. ERICKSON MOVED TO AFFIRM THE DENIAL OF THE CLAIM BY ASIFLEX. THE MOTION WAS SECONDED BY MR. ADAM MILLER.

Ayes: Representative Stemen, Ms. Goodhouse, Mr. Morrissette, Senator Dever, Representative Dockter, Mr. Erickson, Mr. Buck, Mr. Adam Miller, Mr. Volk, and Chairperson Kommer

Nays: None

Absent: Senator Vedaa

MOTION PASSED

REPRESENTATIVE DOCKTER MOVED TO ADJOURN THE MEETING. THE MOTION WAS SECONDED BY MR. ERICKSON AND CARRIED BY A VOICE VOTE.

The meeting was adjourned at 3:05 P.M.

Prepared by,

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December 12, 2023
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Jan Lund
Assistant to the Board