

MINUTES

North Dakota Public Employees Retirement System Tuesday, October 25, 2022 8:30 A.M.

Members Present: Senator Dick Dever
Mr. Adam Miller
Mr. Jason Grueneich

Members Via Teams: Representative Pamela Anderson
Chairperson Mona Rindy
Ms. Yvonne Smith
Ms. Claire Ness
Ms. Casey Goodhouse

Absent: Mr. Dirk Wilke

Others: Mr. Scott Miller, NDPERS
Mr. Derrick Hohbein, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. MaryJo Anderson, NDPERS
Ms. Bonnie Wurst, GRS
Mr. Scott Anderson, RIO

Chairperson Mona Rindy called the meeting to order at 8:30 A.M. Roll call was taken, and a quorum was present.

SPECIAL BOARD ELECTION RESULTS

Election Subcommittee Report

The Election Subcommittee met on Monday, October 24, to canvass the ballots. Committee Chairperson Ms. Goodhouse reported the final results of the Special Election. Mr. Jason Grueneich received 917 of the 947 votes cast and was elected to fill the unexpired active-elected term ending June 30, 2023.

SENATOR DEVER MOVED TO FORMALLY ACCEPT THE RESULTS AS REPORTED BY THE ELECTION SUBCOMMITTEE. THE MOTION WAS SECONDED BY MR. ADAM MILLER.

Ayes: Representative Anderson, Ms. Ness, Ms. Smith, Senator Dever, Ms. Goodhouse, Mr. Adam Miller, and Chairperson Rindy

Nays: None

Absent: Mr. Wilke

MOTION PASSED

Mr. Grueneich was welcomed to the NDPERS Board.

MINUTES

The minutes of September 13, 2022, will be presented for approval at the November meeting.

PRESENTATIONS

Actuarial Valuation Presentation

Mr. Scott Miller introduced Bonnie Wurst, Senior Consultant with GRS Consulting. Ms. Wurst presented an overview of the PERS actuarial valuation process and July 1, 2022, actuarial valuations of the PERS fund, the Highway Patrolmen's retirement system fund, the Job Service North Dakota retirement system fund, and the Retiree Health Insurance Credit Program (RHIC) fund.

The purpose of the annual actuarial valuation is to determine funding status, develop actuarial contribution rates to compare to statutory rates and provide accounting and other data. Ms. Wurst reviewed the actuarial valuation process, changes in provisions, and actuarial assumptions.

The Main System will possibly receive future Legacy Fund earnings but this potential source of revenue has no immediate actuarial impact. Other Actuarial Assumptions discussed were: 1) in July 2022, NDPERS adopted GRS recommendations to lower investment return assumptions, based on decline in capitalmarket assumptions, 2) decrease investment return assumption for PERS and Highway Patrol from 7.00% to 6.50%, 3) decrease investment return assumption for Job Service, from 3.75% to 3.00%, 4) decrease investment return assumption for RHIC, from 6.50% to 5.75%, 5) future de-risking for RHIC may lead to a lower assumed return. Investment return assumptions will continue to be monitored for reasonability.

Ms. Wurst explained asset smoothing methodology in calculating gain or loss each year and the effect of asset smoothing relative to volatility. Market value investment returns across plans in 2021 were in the +24 to +27 percent range, and 2022 investment returns sit at -6 to -14.7 percent.

She outlined several causes of unfunded liability and touched on current funding policy for the Main System, Judges, Highway Patrol, Public Safety, RHIC, and Job Service plans. She shared demographic data for each of the plans. Ms. Wurst shared actuarial results recommendations and projection results.

She concluded the presentation with a discussion of Actuarial Standards of Practice No. 4 and GRS' obligation to advise NDPERS.

Ms. Wurst will present this information to the Legislative Employee Benefits Programs committee at their October 26, 2022 meeting.

Discussion followed.

Annual Investment Report

Mr. Scott M. Anderson, Retirement and Investment Office, presented an Executive Summary of NDPERS Investment and Performance for the fiscal year 2021-22. He provided comments on the impact of inflation, and bond and equity volatility. Mr. Anderson presented an investment comparison net of fees for June 30, 2022, and August 31, 2022, that included a 1-year, 3-year, and 5-year breakout. Mr. Anderson stated that overall the performance is still good on all plans but you can't get out of an underfunded status merely by investments.

Discussion followed.

THE BOARD TOOK A SHORT BREAK FROM 10:25 A.M. TO 10:40 A.M.

Ms. Goodhouse left the meeting at 10:35 A.M.

RETIREMENT

Retirement Plan Contribution Increases

Mr. Scott Miller introduced a discussion regarding drafting legislation to increase contributions for the Main PERS plan, the Highway Patrol plan, and the Retiree Health Insurance Credit plan in response to the actuarial valuation presentation by GRS. Ms. Bonnie Wurtz shared the following comments. The Highway Patrol plan would benefit from a cash infusion/contribution increase. The Main plan shortfall should be addressed but it is not as clear-cut as Highway Patrol. The RHIC trust is almost too close to call this year.

It was the consensus of the Board to request the Employee Benefits Programs Committee to accept a late bill(s) submission.

Public Safety Employer Contribution Rate

Mr. Scott Miller stated that the retirement contribution rates for the political subdivision Public Safety Plan (one for members with prior PERS service and one for members without) and the Bureau of Criminal Investigation/National Guard Public Safety Plan are not set in statute. Based on the results of the July 1, 2022 valuation report, the employer contribution amount will need to be increased. The Administrative Code provides guidance to the Board to set these contributions. The Board discussed increasing contributions to 11.40% for the BCI/National Guard plan and the Public Safety with prior service plan (up from the current 9.81%), and up to 9.16% for the Public Safety without prior service plan (up from the current 7.93%). Discussion followed.

MR. ADAM MILLER MOVED TO APPROVE THE PROPOSED INCREASES EFFECTIVE JANUARY 1, 2024, FOR THE THREE PLANS (BCI/NATIONAL GUARD PLAN, PUBLIC SAFETY WITH PRIOR SERVICE PLAN, AND PUBLIC SAFETY WITHOUT PRIOR SERVICE PLAN). THE MOTION WAS SECONDED BY MS. SMITH.

Ayes: Representative Anderson, Ms. Smith, Senator Dever, Mr. Adam Miller, Mr. Grueneich, and Chairperson Rindy

Nays: None

Abstain: Ms. Ness

Absent: Mr. Wilke and Ms. Goodhouse

MOTION PASSED

Job Service COLA

Ms. MaryJo Anderson provided background regarding the practice of an annual cost-of-living-adjustment (COLA) for Job Service retirement annuitants. The practice has been to provide a COLA consistent with the Federal Civil Service Plan. This year the COLA index for the Federal Civil Service Plan is 8.7%. The actuarial assumption used in the annual valuation for the COLA is 2.25% per year; therefore, an increase of 8.7% represents a loss to the system. The increase will be effective December 1, 2022. Discussion followed.

REPRESENTATIVE ANDERSON MOVED TO APPROVE THE 8.7% COST-OF-LIVING-ADJUSTMENT (COLA) INCREASE FOR JOB SERVICE ANNUITANTS. THE MOTION WAS SECONDED BY MS. NESS.

Ayes: Representative Anderson, Mr. Grueneich, Ms. Smith, Senator Dever, Ms. Ness, Mr. Adam Miller, and Chairperson Rindy

Nays: None

Absent: Mr. Wilke and Ms. Goodhouse

MOTION PASSED

Medical Consulting Contract with Mid Dakota Clinic/Essentia Health

NDPERS has a contract in effect with Mid-Dakota Clinic for medical consulting services related to disability determinations for our retirement plans. Mid Dakota has been purchased by Innovis Health, an affiliate of Essentia Health. It is necessary to sign a new agreement consenting to the transfer of rights and responsibilities under the current consulting agreement. The agreement has been reviewed by legal.

A Business Associate Agreement (BAA) with Innovis was not completed in time for the October board meeting. The BAA is needed in order to share confidential member medical information.

MS. NESS MOVED TO APPROVE THE PROPOSED CONTRACT. THE MOTION WAS SECONDED BY MR. ADAM MILLER.

Ayes: Representative Anderson, Ms. Smith, Mr. Grueneich, Ms. Ness, Mr. Adam Miller, and Chairperson Rindy

Nays: None

Absent: Mr. Wilke, Senator Dever, and Ms. Goodhouse

MOTION PASSED

DEFERRED COMPENSATION / FLEXCOMP

457 Deferred Compensation Provider Processes

This agenda item was tabled until the November Board Meeting.

GROUP INSURANCE

Medicare Part D Contract Amendment

The Medicare Part D contract with Humana was renewed at the August meeting for the 2023 calendar year. Ms. Fricke presented the contract amendment that was prepared by legal and signed by Humana.

MS. SMITH MOVED TO APPROVE THE CONTRACT AMENDMENT FOR THE NDPERS MEDICARE PART D PLAN FOR THE 2023 CALENDAR YEAR FOR SIGNATURE BY CHAIRPERSON RINDY. THE MOTION WAS SECONDED BY MS. NESS.

Ayes: Representative Anderson, Ms. Smith, Mr. Grueneich, Senator Dever, Ms. Ness, Mr. Adam Miller, and Chairperson Rindy

Nays: None

Absent: Mr. Wilke and Ms. Goodhouse

MOTION PASSED

Life Insurance Request For Proposal

Ms. Fricke presented a draft of the Group Life Insurance Request for Proposal (RFP). Staff worked with Buck Consultants to implement changes. The timeline for the RFP process was reviewed.

MS. NESS MOVED TO APPROVE THE GROUP LIFE INSURANCE PLAN RFP AND TIMELINE FOR THE PROPOSAL PROCESS. THE MOTION WAS SECONDED BY MS SMITH.

Ayes: Representative Anderson, Mr. Grueneich, Ms. Ness, Ms. Smith, Senator Dever, Mr. Adam Miller, and Chairperson Rindy

Nays: None

Absent: Mr. Wilke and Ms. Goodhouse

MOTION PASSED

MISCELLANEOUS

Legislative Relations/Update

Mr. Scott Miller provided a brief summary of the bills before the Employee Benefits Programs committee. The EBPC is scheduled to meet on October 26. The next meeting of the Retirement Committee is on Monday, October 31st to review two bill drafts relating to the closure of the main plan defined benefit retirement plan.

Contracts Under \$10,000

A list of contracts signed by the Executive Director was provided for information only.

Quarterly Consultant Fees

The quarterly report of fees paid for consulting, investment, and administrative fees was shared for the board's review.

Board Self-Evaluation

Mr. Scott Miller provided a reminder to the board that self-evaluation surveys will be sent out shortly. Results will be reviewed at the November meeting.

MEMBER

This portion of the agenda was noticed for Executive Session to confidential member information.

Retirement Benefit Appeal Case #764

This agenda item was moved to the November meeting.

Retirement Benefit Appeal Case #769

MS. NESS MOVED TO ENTER INTO EXECUTIVE SESSION PURSUANT TO N.D.C.C. §44-04-19.2, §44-04-19.2(1), AND/OR §54-52-26 TO DISCUSS CONFIDENTIAL RECORDS OR CONFIDENTIAL MEMBER INFORMATION. THE MOTION WAS SECONDED BY MR. ADAM MILLER.

Ayes: Senator Dever, Mr. Grueneich, Mr. Adam Miller, Ms. Smith, Representative Anderson, Ms. Ness, and Chairperson Rindy

Nays: None

Absent: Mr. Wilke, Ms. Goodhouse

MOTION PASSED

All members named above, attorney Dean DePountis, and NDPERS staff members Scott Miller, Rebecca Fricke, Derrick Hohbein, MaryJo Anderson, Laurie Enzi, and Jan Lund were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 11:55 A.M. The meeting returned to Open Session at 12:20 P.M.

Representative Anderson left the meeting at 11:55 A.M.

MR. ADAM MILLER MOVED TO AFFIRM THE STAFF'S DETERMINATION THAT THE MEMBER DID NOT PROVIDE WRITTEN NOTIFICATION TO THE NDPERS OFFICE UNTIL JUNE 21, 2022 WHEN THE DIVORCE DECREE WAS RECEIVED, AND THE HIGHER SINGLE-LIFE BENEFITS MAY NOT BE PAID RETROACTIVELY BUT MUST BE PAID THE FIRST OF THE MONTH FOLLOWING NOTICE WHICH IS EFFECTIVE JULY 1, 2022 PER N.D.A.C. 71-02-04-04(1). THE MOTION WAS SECONDED BY MS. NESS.

Ayes: Ms. Ness, Ms. Smith, Senator Dever, Mr. Adam Miller, Mr. Grueneich. Wassim,
and Chairperson Rindy

Nays: None

Absent: Mr. Wilke, Representative Anderson, and Ms. Goodhouse

MOTION PASSED

Chairperson Rindy called for any other business or comments. With no further business,
the meeting was adjourned at 12:25 P.M.

Prepared by,

Jan Lund
Assistant to the Board