

MINUTES

**North Dakota Public Employees Retirement System
via Teams Meeting/teleconference
Tuesday, October 27, 2020
8:30 A.M.**

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

Others Via Phone: Mr. Scott Miller, NDPERS
Mr. Bryan Reinhardt, NDPERS
Mr. Derrick Hohbein, NDPERS
Ms. MaryJo Anderson, NDPERS
Ms. Bonnie Wurst, GRS
Mr. David Hunter, RIO
Mr. John Snyder, SHP
Mr. Steve Webster, SHP
Mr. Danny Weiss, SHP

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

Chairperson Rindy called for any questions or comments regarding the minutes of the September 8th meeting.

SENATOR GRABINGER MOVED APPROVAL OF THE SEPTEMBER 8, 2020, MEETING MINUTES. THE MOTION WAS SECONDED BY MS. WASSIM AND CARRIED BY VOICE VOTE. THE MINUTES WERE APPROVED.

PRESENTATIONS

GRS Actuarial Valuation Report

Mr. Scott Miller introduced Bonnie Wurst, Senior Consultant with Gabriel, Roeder, Smith (GRS) Consulting. Ms. Wurst presented an overview of the PERS actuarial valuation process and the July 1, 2019 actuarial valuations of the PERS fund, the Highway Patrolmen's retirement system fund, Job Service North Dakota retirement system fund, and Retiree Health Insurance Credit Program fund.

The purpose of the annual actuarial valuation is to determine funding status, develop actuarial contribution rates to compare to statutory rates, and to provide accounting and other data.

Ms. Wurst stated the only new change in plan provisions since the last actuarial valuations is a decrease from 7.0 percent to 6.5 percent interest rate on member contributions effective January 1, 2021. She provided historical information on actuarial assumptions and experience studies, which by statute are required to be conducted once every five years to ensure they continue to reasonably represent past and expected future experience.

Ms. Wurst explained asset smoothing methodology in calculating gain or loss each year and the effect of asset smoothing relative to volatility.

She outlined a number of causes of unfunded liability and touched on current funding policy for the Main System, Judges, Highway Patrol, Public Safety, Retiree Health Insurance Credit (RHIC) and Job Service plans. She shared demographic data for each of the plans.

Ms. Wurst concluded her presentation with a look at actuarial projections and recommendations. The current statutory contribution rate for the Main Plan is not sufficient to improve the funded ratio. When a stable population is assumed, the Main Plan assets are projected to be depleted in 2120. She summarized the implications for GASB accounting purposes.

Ms. Wurst will present this information to the Legislative Employee Benefits Programs committee at their October 28 meeting.

Discussion followed.

Annual Investment Performance Update

Mr. David Hunter, Executive Director of the Retirement and Investment Office (RIO), presented an Executive Summary of NDPERS investments for the periods ended June 30, 2020 and August 31, 2020.

He provided an overview of US economy and global capital markets, the effects of the pandemic on investing, and recovery trends during the second quarter of 2020. Mr. Hunter provided details of PERS' Investment Returns, use of active management, and policy benchmarks for both 3-year and 5-year returns. He highlighted how US equities outperformed world equities and strategic moves more towards domestic funds but cautioned against making too many changes too quickly. He talked about several investment funds and factors that have influenced the market fluctuations during this reporting period.

Mr. Hunter closed the presentation by discussing investment manager fees and investment expenses, comparing 2020 numbers against 2019. He answered questions about institutional investing, long term gains using active management, and passive management of investments.

GROUP INSURANCE

SHP Update

Representatives from Sanford Health Plan were in attendance to discuss three topics. Sanford Health Plan President John Snyder spoke to the Board about a recently announced Letter of Intent to merge Sanford Health and Intermountain Health of Salt Lake City. Mr. Snyder indicated the Letter of Intent sets the stage for the due diligence and regulatory process for approvals for a start date of July 1, 2021. He described how the intent to merge could not be disclosed prior to the health plan bid. Mr. Snyder emphasized the future and success of health care in this country will need to be based on scale, value-based medicine, and population health; the similarities with Intermountain make the merger beneficial and meaningful, resulting in a new high-volume health care organization. He stated there will be no change to the approach with NDPERS, the Fargo Office, or team in the Sioux Falls headquarters; there may be some changes with joining back-office processes. The depth, breadth and scale of this new entity, and the focus on population health, has tremendous opportunity to better serve NDPERS membership. Sanford Health Plan will keep its name in this region and the holding company will be Intermountain, otherwise nothing under the normal course of business is expected to change. Discussion followed.

Mr. Danny Weiss updated the Board about the recent pharmacy investigation. SHP is working with the State regarding their inquiry and is moving forward with the assessment in an accelerated fashion through an independent auditor (PricewaterhouseCoopers) to get to the bottom of the inquiry. Pharmacy Benefit Manager (PBM) Optum Rx will be providing the first detailed data file to the independent auditor this week. Based on SHP data, pharmacy benefit claims have been adjudicated and paid as expected for all lines of business from the initial transaction. The issue at question may involve retrospective reconciliation processes between the PBM and/or Pharmacy and/or the Pharmacy Services Administrative Organization (PSAO). This process occurs downstream after Sanford Health Plan's handling of the claim is completed. SHP is committed to seeing this through to a resolution and correcting any outstanding issues. The SHP team will keep NDPERS staff and the Board updated.

Mr. Steve Webster provided an update related to Covid-19 coverage. Effective October 1, 2020, SHP made changes to the coverage for COVID-19 testing and treatment. COVID-19 testing and ER/Office visits related to testing will continue to be covered at no-cost to the member until December 31, 2020. Telehealth coverage will continue to be covered at no-cost, for any diagnosis. Treatment for COVID-19, including medications and inpatient admissions, will no longer be covered at no-cost for the member after September 30, 2020. Coverage for treatment related to a COVID-19 diagnosis will apply cost sharing amounts in accordance to the benefit plan.

Health Insurance Plan RFP/Contract

Staff reported that the PERS attorney is working on contract negotiations with legal counsel from Sanford Health Plan.

Medicare Part D Plan Contract Amendment

Ms. Rebecca Fricke recapped previous discussion and Board Action taken for the NDPERS Medicare Part D Plan with Express Scripts. NDPERS legal staff and ESI have completed their review of the contract amendment which specifically addresses the requirements for pharmacy benefit transparency as passed last Legislative Session in HB 1374.

MS. SMITH MOVED TO APPROVE THE CONTRACT AMENDMENT FOR THE NDPERS MEDICARE PART D PLAN FOR THE 2021 CALENDAR YEAR. THE MOTION WAS SECONDED BY REPRESENTATIVE DOCKTER.

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

Nays: None

Absent: Mr. Wilke

MOTION PASSED

RETIREMENT

Job Service Plan COLA

Ms. MaryJo Anderson provided background regarding the practice of providing 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 1.3%. The actuarial assumption used in the annual valuation for the COLA is 2.5% per year; therefore, an increase of only 1.3% represents a gain to the system. The increase will be effective December 1.

MS. WASSIM MOVED APPROVAL OF THE 1.3% COST-OF-LIVING-ADJUSTMENT (COLA) INCREASE FOR RETIRED JOB SERVICE ANNUITANTS. THE MOTION WAS SECONDED BY MS. GOODHOUSE.

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

Nays: None

Absent: Mr. Wilke

MOTION PASSED

457 Deferred Compensation Provider Update

Ms. MaryJo Anderson recapped the April board meeting discussion about responses from Deferred Compensation providers concerning fiduciary language requiring investment providers to act as fiduciaries in the best interest of the NDPERS participant when

providing services. Mass Mutual recently requested revisions to the proposed amendment, along with a Broker Dealer Certification.

Attorney, Dean DePountis provided background on fiduciary duties as applied to investment advisors. The Mass Mutual response was based on the Best Interest Standard. It is a new standard and promulgated in 2019, it has not been tested and is not consistent with the fiduciary duty standard as required by the Board for its 457 providers. Practically speaking, the Best Interest Standard is not as robust as the fiduciary standard.

Non-compliant providers will be frozen to new participants beginning January 1, 2021 but may continue to receive contributions from existing participants.

Discussion followed.

MS. WASSIM MOVED TO DENY THE PROPOSED AMENDMENT REVISIONS FROM MASS MUTUAL. THE MOTION WAS SECONDED BY MS. GOODHOUSE.

Ayes: Ms. Goodhouse, Ms. Wassim, Senator Grabinger, Mr. Adam Miller, Mr. Seibel, Ms. Smith, and Chairperson Rindy.

Nays: None

Absent: Mr. Wilke

MOTION PASSED, WITH REPRESENTATIVE DOCKTER ABSTAINING.

Investment Options Update

Mr. Reinhardt announced the Investment Options Summary for the NDPERS 457 Deferred Compensation Plan has been updated and is now available on the website.

Investment Consultant RFP Update

Mr. Reinhardt reported that 10 proposals were received for the Investment Consultant Request for Proposal; the submissions were reviewed and scored by staff. The Board discussed whether to select firms as finalists and hold interviews during the November Board Meeting or designate the NDPERS Investment Subcommittee to hold a special meeting for that purpose and bring a recommendation to the full board at the November 10th meeting.

IT WAS THE CONSENSUS OF THE BOARD TO DELEGATE THE REMAINDER OF THE INVESTMENT CONSULTANT RFP PROCESS TO THE INVESTMENT SUBCOMMITTEE AND REPORT BACK TO THE FULL BOARD AT THE NOVEMBER MEETING.

MISCELLANEOUS

Quarterly Consultant Fees

Mr. Derrick Hohbein shared the quarterly report showing the consulting, investment and administrative fees paid during the third quarter of 2020.

Legislation

Mr. Hohbein indicated staff will be providing technical and actuarial comments at the Employee Benefits Programs Committee (EBPC) at their October 28th meeting and staff is looking to the Board for guidance on testimony for two bills.

Bill 135, introduced by Representative Keiser, would require the Board to re-open the non-Medicare retiree health plan for both non-Medicare retirees and those employees who either participated in the voluntary separation plan or were subject to a reduction in force. Representative Keiser is still working on the bill draft, and right now it is unclear whether the intent is to set the premiums at a subsidized level or an underwritten level. If the premium is subsidized (as it was before we closed the plan), the State's "Other Post-Employment Benefit" (OPEB) liabilities would increase substantially. When the plan was closed there was over \$60 million in OPEB liabilities; the amount is now down to around \$3 million.

Bill 148, introduced by Representative Kasper, would require the Board to do all of the Request for Proposal (RFP) work for each of the Uniform Group Insurance vendors, including consultants, and then forward the materials and recommendations to the EBPC for them to make a decision. The EBPC would also have the decision-making authority for determining whether to renew a contract or go out to bid. It was noted the Board has made approximately 30 decisions over the course of 20 different meetings since January 1, 2019.

At the September 9, 2020 meeting, the Employee Benefits Programs Committee took the following action: (Bill text was provided in the board materials)

Favorable Recommendation:

- Bill 55 – requires health insurance policies to cover physicals that include Department of Transportation requirements.
- Bill 89 – 5.12% employer contribution increase (PERS)
- Bill 90 – 2% and 2% employer contribution increase to the Highway Patrol plan (PERS/HP)
- Bill 91 – Penalty for violating PERS statutory processes (PERS)
- Bill 92 – Technical corrections (PERS)
- Bill 94 – Deferred compensation plan administrative expense assessment (PERS)
- Bill 95 – 1% employer and 1% employee contribution increases (PERS)

No Recommendation:

- Bill 87 – 1.95% employer contribution increase (PERS)
- Bill 88 – 2% employer contribution increase (PERS)

The Committee also took jurisdiction over the following bills:

- Bill 49 – establish health insurance minimums in the event the ACA is eliminated
- Bill 135 – establishes Health Plan participation for former state employees who were subject to a reduction in force
- Bill 148 – removes the uniform group insurance plan decision-making from the NDPERS Board and transfers it to the Employee Benefits Programs Committee
- Bill 170 – cleans up unclear language regarding stop loss insurance acquisition
- Bill 183 – requires certain health insurance policies to cover insulin

Removed from Consideration:

- Bill 136 which would have established a retirement plan for “protective services employees” of the Department of Corrections.

Discussion followed.

MS. WASSIM MOVED TO OPPOSE BILL #148. THE MOTION FAILED FOR LACK OF A SECOND.

Discussion followed.

MS. GOODHOUSE MOVED TO OPPOSE BILL #148 UNDER CONSIDERATION BY THE EMPLOYEE BENEFITS PROGRAMS COMMITTEE. THE MOTION WAS SECONDED BY MS. SMITH.

Ayes: Ms. Goodhouse, Ms. Wassim, Ms. Smith, and Chairperson Rindy.

Nays: Representative Dockter, Mr. Adam Miller, and Mr. Seibel

Absent: Mr. Wilke, Senator Grabinger

MOTION PASSED

Contracts Under \$10,000

A list of contracts signed by the Executive Director since the last board meeting was included in the board materials.

2021 Board Meeting Schedule

Board Members were asked to review a tentative schedule of meeting dates for 2021. The dates will be finalized at the board meeting in November.

MEMBER

The remainder of the agenda is noticed for Executive Session.

REPRESENTATIVE DOCKTER 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 MS. SMITH.

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

Nays: None

Absent: Senator Grabinger and Mr. Wilke

MOTION PASSED

All members named above, attorney Dean DePountis, and NDPERS staff Scott Miller, Rebecca Fricke, Derrick Hohbein, and Jan Lund were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 11:50 A.M.

The Closed Session ended at 12:27 P.M.

Retirement Benefit Appeal Case # 595
Information only; no board action taken.

Retirement Benefit Appeal Case # 579

MS. WASSIM MOVED TO APPROVE THE FINDINGS OF THE ADMINISTRATIVE LAW JUDGE AND AUTHORIZE CHAIRPERSON RINDY TO SIGN THE ORDER. 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 Grabinger

MOTION PASSED

Hardship Withdrawal Case # 639

MS. WASSIM MOVED TO APPROVE THE APPLICANT'S REQUEST FOR A HARDSHIP WITHDRAWAL FROM THE 457 ACCOUNT. 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 Grabinger

MOTION PASSED

Chairperson Rindy called for any other business or comments. Hearing none the meeting was adjourned at 12:33 P.M.

Prepared by,

Jan Lund, Assistant to the Board