

MINUTES

**North Dakota Public Employees Retirement System
VIA TELECONFERENCE
Tuesday, September 8, 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
Mr. Steve Webster, SHP
Mr. Josh Johnson, Deloitte Consulting
Mr. Drew Rasmussen, Deloitte Consulting
Mr. Paul Erlendson, Callan
Mr. Alex Browning, Callan
Ms. Julia Moriarty, 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 August 18 meeting.

MS. GOODHOUSE MOVED APPROVAL OF THE AUGUST 18, 2020, MEETING MINUTES. THE MOTION WAS SECONDED BY MS. SMITH AND CARRIED BY VOICE VOTE. THE MINUTES WERE APPROVED.

PRESENTATIONS

RHIC Primer

Ms. MaryJo Anderson provided an educational overview of the NDPERS Retiree Health Insurance Credit (RHIC). The RHIC benefit reduces the cost of eligible insurance premiums paid during retirement years. Ms. Anderson outlined who is eligible for RHIC benefit, the calculation methodology, eligible premiums under the plan, and the process for claim reimbursement. Currently, the deadline to submit claims is September 30 following the close of the plan year on June 30th. Beginning in 2021, the plan year will run January 1 through December 31, with a new reimbursement deadline of March 31 following the close of the calendar year plan. Ms. Anderson reviewed the communication efforts to membership regarding this change. She closed the presentation by explaining

the circumstances in which spouses may combine the RHIC benefits. Discussion followed.

Asset Liability Study Results

Representatives from Callan presented the findings of the 2020 Asset Liability Study for the NDPERS Main Plan and the Retiree Health Insurance Credit (RHIC) plan. The NDPERS Investment Committee has reviewed the report. The Asset Liability Study is required by statute and NDPERS is required to use the same consultant that the Retirement & Investment Office contracts with.

Ms. Julia Moriarty opened the presentation by discussing the interaction of three key policies to identify the optimal investment policy. The policies identified were the Investment Policy, Benefits Policy, and Funding Policy. She also spoke about the Asset-Liability modeling process. Ms. Moriarty highlighted current conditions of the Main System Plan, the Judges Plan, and both Public Safety Plans. She outlined deterministic forecasts and stochastic financial modeling.

Ms. Moriarty shared recommendations and factors behind the recommendations. The statutory contribution policy combined with the relatively large illiquid allocation leads to the recommendation to maintain the current risk posture or moving to a slightly less aggressive asset allocation. The board discussed long term strategy behind moving a large amount of money and the fees associated with the move.

Ms. Moriarty covered the same points relative to the Retiree Health Insurance Credit (RHIC) Plan and discussed the following recommendations: 1) Many factors support an asset allocation with a risk posture similar to (mix 4) or slightly more aggressive (mix 4a) than the current target; 2) Further diversification via core real estate might be worth studying but it is not recommended to be included in the asset allocation at this particular time. In-depth information about the 'mix' she referenced was provided in the board materials.

Discussion followed.

RETIREMENT

Asset Liability Study

Mr. Bryan Reinhardt reported that the Investment Subcommittee has reviewed the Asset Liability Study but did not make a recommendation. The Board tabled further discussion and requested the Investment Subcommittee bring a recommendation to the December Board Meeting.

Investment Consultant RFP Update

Mr. Reinhardt reported that the RFP for an Investment Consultant is on track and 10 proposals were received by the August 31, 2020 deadline. Further information will be presented at the October 27th Board Meeting.

Quarter 2 Investment Report

Mr. Reinhardt shared the 401(a) and 457 Companion Plan 2nd Quarter Investment Report. The report reflected positive fund returns and a nice bounce-back from Quarter 1 performance. The full report is available on the NDPERS website.

457 and 401(a) Defined Contribution Plan Renewal

Ms. Rebecca Fricke provided information about the 2017 contract with TIAA and the subsequent 2-year renewal in 2019. She reported that the current contract expires June 30, 2021, with one 2-year renewal option remaining. Ms. Fricke said the TIAA Employee Engagement 2020 Quarter 2 summary was provided to the Investment Subcommittee. The summary includes member counseling services data in addition to feedback from the participants. TIAA has indicated they will provide the same cost for services for the final contract period. Staff is satisfied with the services provided by TIAA and recommends renewal.

MR. ADAM MILLER MOVED APPROVAL OF AN AMENDMENT TO THE CURRENT CONTRACT TO RENEW WITH TIAA FOR THE FINAL 2-YEAR PERIOD. THE MOTION WAS SECONDED BY MR. WILKE.

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

Nays: None

Absent: None

MOTION PASSED

De Minimis & Internal Review Policies

The De Minimis policy provides guidance to staff to handle various retirement account errors due to wages, service credit, account contributions or interest. Mr. Derrick Hohbein reported that the Audit Committee has been reviewing the De Minimis policy. The current policy was adopted by the Board in September 2016 and the Audit Committee feels that the policy should go before the full Board for final review and approval. Mr. Hohbein outlined how overpayments and underpayments are currently handled.

He also discussed the Final Average Salary (FAS) review procedure. The Audit Committee recommends revising the FAS review process to include correcting any active or deferred member account where the FAS process would not reasonably catch errors, so the account is squared away before a retirement benefit begins. The fix would apply to active or deferred accounts only and have no impact on members already receiving a benefit or have received a payout.

SENATOR GRABINGER MOVED APPROVAL TO ADOPT BOTH POLICIES BASED ON THE RECOMMENDATION OF THE AUDIT COMMITTEE. THE MOTION WAS SECONDED BY REPRESENTATIVE DOCKTER.

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

Nays: None

Absent: None

GROUP INSURANCE

Deloitte Pharmacy Carve Out Study

The Pharmacy Carve-Out Study was prepared by Deloitte Consulting at the request of the Employee Benefits Programs Committee as required by HB 1374. The study outlined the pros, cons, and trends related to carving out the medical and pharmacy arrangement that NDPERS currently has.

Discussion followed.

THE BOARD TOOK A BRIEF BREAK FROM 10:07 A.M. TO 10:17 A.M. THE MEETING RESUMED AT 10:17.

Health Plan Request for Proposal Update

Mr. Scott Miller indicated the agenda item is noticed for Executive Session. Deloitte Consulting was on the phone to give the board an update on the technical and cost proposals received.

REPRESENTATIVE DOCKTER 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. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

Absent: None

MOTION PASSED

All members named above, attorney Dean DePountis, Drew Rasmussen and Josh Johnson from Deloitte Consulting, and NDPERS staff Scott Miller, Bryan Reinhardt, Rebecca Fricke, Derrick Hohbein, Lindsay Schaf, and Jan Lund were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 10:22 A.M.

The Closed Session ended at 11:50 A.M.

The Board directed staff to schedule vendor interviews at the end of September. The Board directed Deloitte staff to request Best and Final Offers from the vendors to be interviewed.

FlexComp Voluntary Insurance Products

Staff conducted the annual review of the vendors for the voluntary insurance products approved for pretax premiums in the Section 125 FlexComp Plan. All vendors responded to confirm the ongoing eligibility of their products for pretax treatment.

MS. SMITH MOVED TO APPROVE THE INCLUSION OF THE PRODUCTS ELIGIBLE TO BE PRE-TAXED FOR THE FLEXCOMP 2021 PLAN YEAR. THE MOTION WAS SECONDED BY MR. WILKE.

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

Nays: None

Absent: Senator Grabinger

Life Insurance Plan Renewal

Ms. Rebecca Fricke provided a summary of the 2017 contract with Voya and the subsequent 2-year renewal in 2019. The current contract expires June 30, 2021, with one 2-year renewal option remaining. Voya confirmed they will provide the same premium guarantee for the final contract period. Voya provided the Life Client Experience Report for paid claims by incurred date for 2019.

Staff is satisfied with the services provided by Voya and recommends renewal at the same premium guarantee, or to renew with the slight increase of 0.3% to accommodate the bi-monthly payrolls of employers on the life insurance plan. The issue with the premium affecting bi-monthly payroll cycles surfaced with the switch to debit ACH. The premium deficiency will be addressed with the next RFP.

Discussion followed.

MR. SEIBEL MOVED TO APPROVE THE RENEWAL OF THE LIFE PLAN WITH VOYA AT THE SAME PREMIUM GUARANTEE. THE MOTION WAS SECONDED BY MS. GOODHOUSE.

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

Nays: None

Absent: None

Sanford Health Plan Update on COVID-19 and Virtual ID Card

Representatives from Sanford Health Plan provided an update on the impact of COVID-19 to the NDPERS group health insurance plan. The pandemic has impacted primarily the areas of behavioral health, family medicine and Physical Therapy/Occupational

Therapy. Covid care started in April and continued an upward swing in the months of May through July.

The SHP Virtual ID Card was implemented in August 2020. Members can download the Sanford MyChart App and obtain a Mobile ID Card. The Mobile ID Card is available to any eligible family member and will be particularly convenient for members with college students living away from home.

MISCELLANEOUS

Audit Committee May Meeting Minutes

The May meeting minutes were provided as informational only.

Actuarial Primer

Mr. Scott Miller provided a refresher presentation on actuarial theories and language to assist the Board with understanding actuarial issues in advance of the Actuarial Valuation presentation planned for the October Board Meeting. Discussion followed.

Legislation

Mr. Miller reviewed 8 bills in front of the Employee Benefits Programs Committee for consideration. The proposed legislation would affect one or more of the plans administered by NDPERS. He provided a short description of each bill and a copy of the text of each.

Discussion followed.

Chairperson Rindy called for any other business or comments. Hearing none the meeting was adjourned at 12:48 P.M.

Prepared by,

Jan Lund
Assistant to the Board