

MINUTES

North Dakota Public Employees Retirement System Tuesday, October 26, 2021 8:30 A.M.

Members in Person: Ms. Kim Wassim
Ms. Yvonne Smith

Members Via Teams: Chairperson Mona Rindy
Representative Pamela Anderson
Senator Dick Dever
Mr. Adam Miller
Mr. Troy Seibel
Mr. Dirk Wilke

Members Absent: Ms. Casey Goodhouse

Others: Mr. Scott Miller, NDPERS
Mr. Derrick Hohbein, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. MaryJo Anderson, NDPERS
Mr. Bryan Reinhardt, NDPERS
Mr. Dean DePountis, Office of Attorney General
Ms. Melissa Thorpe, TIAA
Mr. Wayne McClain, TIAA
Mr. Phillip Asby, TIAA
Ms. Bonnie Wurst, Gabriel Roeder Smith
Ms. Abra Hill, Gabriel Roeder Smith

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

Chairperson Rindy called for any questions or comments regarding the minutes of the September 14, 2021 and September 28, 2021 meetings. Ms. Lund will correct a typo in the minutes of the September 28th meeting.

MS. SMITH MOVED TO APPROVE THE MINUTES OF THE SEPTEMBER 14 AND SEPTEMBER 28, 2021 BOARD MEETINGS. THE MOTION WAS SECONDED BY MS. WASSIM AND CARRIED BY VOICE VOTE. THE MINUTES WERE APPROVED.

PRESENTATIONS

Gabriel Roeder Smith (GRS) 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 the July 1, 2021 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 to provide accounting and other data. Ms. Wurst reviewed the actuarial valuation process, changes in provisions, and actuarial

assumptions. At the September Board Meeting the investment return assumption for Job Service was decreased from 4.25% to 3.75%. GRS will continue to monitor the PERS Main, Highway Patrol, and RHIC plan investment return assumptions and revisit in six months to make sure they reasonably represent 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 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 concluded her presentation with a look at actuarial projections and recommendations. The statutory employer contribution rates are significantly lower than the actuarial employer contribution rates for the Main System. Plan and contribution changes for new hires are expected to slowly improve the funding of the plan. The statutory employer contribution rates are significantly lower than the actuarial employer contribution rates for the Highway Patrol Plan. Highway Patrol contributions will increase by 4.0% of pay in the future, which will partially reduce the deficit. The statutory employer contribution rate is significantly higher than the actuarial employer contribution rate for the Judges plan and the funded ratio is currently over 114% (over 127% based on the market value of assets). Changes to the statutory contribution rates may be appropriate.

Ms. Wurst will present this information to the Legislative Employee Benefits Programs committee at their October 27, 2021 meeting.

Discussion followed.

RETIREMENT

Job Service COLA

Ms. MaryJo Anderson shared 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 5.9%. The actuarial assumption used in the annual valuation for the COLA is 2.25% per year; therefore, an increase of 5.9% represents a loss to the system. The increase will be effective December 1, 2021. Discussion followed.

MS. SMITH MOVED TO APPROVE A COST-OF-LIVING ADJUSTMENT (COLA) INCREASE OF 5.9% FOR THE JOB SERVICE PLAN AS OUTLINED. THE MOTION WAS SECONDED BY MR. WILKE.

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

Nays: None

Absent: Senator Dever and Ms. Goodhouse

MOTION PASSED

TIAA Follow-up

Representatives from TIAA were present by phone to provide additional information in follow-up to questions raised at the September Board Meeting. The discussion centered around a 2018 investigation by the New York Attorney General's Office and the Securities and Exchange Commission of certain TIAA practices. TIAA noted the investigation concerned retail practices and for NDPERS, TIAA representatives have been acting as fiduciaries; rollovers were an exception. Prior to 2018, TIAA's operated under a suitability standard; since 2018, they have been operating under fiduciary standards. It was revealed that three members in the NDPERS plan were affected and TIAA is making them whole. TIAA assured the Board that moving forward, all NDPERS members will receive fiduciary standards advice and commitment to fixing and being on track with NDPERS. Mr. Wayne McClain said it was not a malicious act but more of a training problem and the problem has been addressed. Discussion followed.

Gabriel Roeder Smith (GRS) Contract

Following Board approval of the GRS contract extension at the September meeting, legal counsel drafted a contract addendum extending the existing contract to June 30, 2024. Mr. Bryan Reinhardt presented the contract for the Board's review.

REPRESENTATIVE ANDERSON MOVED TO APPROVE THE CONTRACT ADDENDUM EXTENDING THE RETIREMENT CONSULTANT CONTRACT WITH GABRIEL ROEDER SMITH. THE MOTION WAS SECONDED BY MR. WILKE.

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

Nays: None

Absent: Senator Dever and Ms. Goodhouse

MOTION PASSED

The Board took a short break at 10:35 A.M. The Board Meeting resumed at 10:45 A.M., a quorum was present.

GROUP INSURANCE

Medicare Part D Insurance Transition Update

Mr. Bryan Reinhardt updated the board on activities related to the transition of the Medicare-Part-D EGWP plan administration to Humana. The plan is on track for a January 1, 2022 start date. The announcement letter was distributed in early October. The NDPERS website has been updated with information about the carrier change. Forms, retirement kits, and disability kits have been updated. Humana distributed a welcome enrollment kit that included plan details and information about the auto-enrollment process. Humana will be hosting virtual meetings in early November to educate retirees about Humana and plan design changes. The Humana call center has been live since October 1st.

NDPERS staff and Humana have been working through the processes for enrollment and billing, file processes, and addressing member and pharmacy concerns.

Mr. Scott Miller briefed the Board about concerns from members and pharmacies, specifically concern over reimbursement rates and pharmacies not in network. Mr. Miller has been responding to all who have contacted the office. Mr. Miller sent a lengthy communication by email addressed to concerned stakeholders, Legislators, and plan participants, outlining the RFP process and clarification of the Board's responsibilities and due diligence in the selection process. He reported there hasn't been other contacts from members or pharmacies since sharing the information. He welcomed contributions by any stakeholders in attendance, but there were no stakeholders who requested to participate. Discussion followed.

BCBS Settlement

Mr. Dean DePountis provided background regarding allegations of antitrust acts over the last eight years by BCBS. A class action lawsuit recently settled requiring BCBS to establish an escrow account for distribution to the Damage Class. Mr. DePountis wasn't sure if NDPERS will be an eligible member of the Damage Class but advised it prudent to file a claim.

MS. WASSIM MOVED TO APPROVE FILING A BCBS SETTLEMENT CLAIM AND AUTHORIZE STAFF TO SIGN NECESSARY DOCUMENTS. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

Absent: Senator Dever and Ms. Goodhouse

MOTION PASSED

MISCELLANEOUS

Legislative Relations

This topic will become a regular agenda item for the purpose of advising the Board of legislative matters, upcoming committee meetings, or other interactions with Legislators. Mr. Scott Miller provided an update regarding the Employee Benefits Programs Committee and the Retirement Committee meetings. Meeting notices will be forwarded to Board members. Discussion followed.

Quarterly Consultant Fees

Mr. Derrick Hohbein presented a quarterly statement of consulting, investment, and administrative fees paid.

Business System Upgrade Statement of Work Contract

Mr. Derrick Hohbein reviewed past discussion regarding a planned upgrade to the PERSLink Business System. The cost of \$257,600 was appropriated by the 67th Legislative Assembly. He outlined the Business Process Management (BPM) enhancement and the benefits of ensuring

the accuracy and completeness of the work and the efficient management of staff working remotely. The Statement of Work contract amendment has been reviewed by legal counsel.

MS. WASSIM MOVED TO APPROVE THE STATEMENT OF WORK CONTRACT AMENDMENT WITH SAGITEC AND AUTHORIZE THE EXECUTIVE DIRECTOR TO SIGN THE CONTRACT. THE MOTION WAS SECONDED BY REPRESENTATIVE ANDERSON.

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

Nays: None

Absent: Senator Dever and Ms. Goodhouse

MOTION PASSED

Contracts Under \$10,000

Mr. Scott Miller shared a running list of contracts under \$10,000 he has signed during 2021. In September, 18 staff received training and AED/CPR certification through the North Dakota Safety Council at a cost of \$712.50. This agenda item was informational.

Code of Ethical Responsibility

Senator Dever had previously raised a question about section six of the Code of Ethical Responsibility form. The State Ethics Officer was asked to review the form. Mr. Dave Thiele recommended removing the reference to \$50 in item six relating to gifts, special accommodations or favors. Discussion followed.

MS. WASSIM MOVED TO APPROVE THE REVISED CODE OF ETHICAL RESPONSIBILITY FORM AND REQUIRE ALL TRUSTEES TO SIGN AND RETURN IT TO STAFF. THE MOTION WAS SECONDED BY REPRESENTATIVE ANDERSON.

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

Nays: None

Absent: Senator Dever and Ms. Goodhouse

MOTION PASSED

Administrative Rules Update

Mr. Scott Miller updated the Board on activities related to proposed changes to Administrative Rules. The Notice of Intent was published in all required newspapers. The Public Hearing was held on Monday, October 25 and no interested parties were in attendance.

2022 Meeting Dates

Mr. Scott Miller shared a proposed schedule of 2022 meeting dates. The meetings occur on the second Tuesday each month except for August and October. Discussion followed.

MS. WASSIM MOVED TO APPROVE THE SCHEDULE OF 2022 BOARD MEETING DATES WITH THE EXCEPTION OF CHANGING THE MAY 10 MEETING DATE TO MAY 17, 2022. THE MOTION WAS SECONDED BY MR. SEIBEL.

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

Nays: None

Absent: Senator Dever and Ms. Goodhouse

MOTION PASSED

MEMBER

Retiree Health Insurance Credit (RHIC) Member Appeal Case # 697

Retiree Health Insurance Credit (RHIC) Member Appeal Case # 706

These agenda items were noticed for Executive Session.

MR. SEIBEL 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 FOR APPEAL CASE NUMBERS 697 AND 706. THE MOTION WAS SECONDED BY MS. WASSIM.

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

Nays: None

Absent: Senator Dever and Ms. Goodhouse

MOTION PASSED

All members named above, attorney Dean DePountis, NDPERS staff members Scott Miller, Rebecca Fricke, Derrick Hohbein, MaryJo Anderson, Mandy Nagel, and Jan Lund were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 11:27 A.M. The Member was present by phone for case number 697.

The meeting returned to Open Session at 11:53 A.M.

REPRESENTATIVE ANDERSON MOVED TO AFFIRM THE DECISION OF ASIFLEX TO DENY THE MEMBER'S RHIC BENEFIT PAYMENT IN CASE #697. THE MOTION WAS SECONDED BY MS. WASSIM.

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

Nays: None

Absent: Senator Dever and Ms. Goodhouse

MOTION PASSED

MS. WASSIM MOVED TO AFFIRM THE DECISION OF ASIFLEX TO DENY THE MEMBER'S RHIC BENEFIT PAYMENT IN CASE #706. THE MOTION WAS SECONDED BY MR. SEIBEL.

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

Nays: None

Absent: Senator Dever and Ms. Goodhouse

MOTION PASSED

Chairperson Rindy called for any other business or comments. The Board was reminded that the November meeting is a day-long Board Planning Meeting.

With no further business, the meeting was adjourned at 11:59 P.M.

Prepared by,

Jan Lund
Assistant to the Board