

MINUTES

North Dakota Public Employees Retirement System Tuesday, September 14, 2021 8:30 A.M.

Members In Person: Senator Dick Dever
Mr. Adam Miller
Ms. Kim Wassim
Ms. Yvonne Smith

Members Via Teams: Chairperson Mona Rindy
Representative Pamela Anderson
Ms. Casey Goodhouse
Mr. Troy Seibel
Mr. Dirk Wilke

Others: Mr. Scott Miller, NDPERS
Mr. Derrick Hohbein, NDPERS
Ms. Rebecca Fricke, NDPERS
Mr. Bryan Reinhardt, NDPERS
Mr. Dean DePountis, Office of Attorney General
Mr. Don Schott, SHP
Mr. Steve Webster, SHP
Mr. Eric Chin, RIO
Ms. Melissa Thorpe, TIAA
Ms. Bonnie Wurst, 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 meeting.

SENATOR DEVER MOVED TO APPROVE THE MINUTES OF THE AUGUST 24, 2021 BOARD MEETING. THE MOTION WAS SECONDED BY MS. SMITH AND CARRIED BY VOICE VOTE. THE MINUTES WERE APPROVED.

PRESENTATIONS

Investment Update

Mr. Eric Chin, Interim State Investment Officer, presented an Executive Summary of NDPERS Investment and Performance for the period ended June 30, 2021. He gave a brief review of the market and despite the global lockdown and businesses and borders closing due to the pandemic, equities and fixed income generated positive returns. He commented on fund ranking, asset allocation and PERS one-year relative attribution effects, and 5-year and 10-year annualized relative attribution effects. Mr. Chin presented an investment expense comparison of the Actual Investment Performance net of fees for FY 2021 to FY 2020. He reviewed the effects of the pandemic on risk and fund performance. Mr. Chin spoke about the influence of social media on the markets during this reporting period.

He noted that changes in the portfolio are not contributing to the increase in risk and staff monitors portfolio allocations and rigorously rebalances to ensure exposures and allocations remain within targets.

Mr. Chin also provided a performance update on Job Service, Group Insurance, and Retiree Health Insurance Credit Funds.

There was no recommendation for changes. Discussion followed.

Actuarial Primer

Mr. Scott Miller presented a tutorial on actuarial valuation reports, providing the Board a good understanding of actuarial theories, principles, and terminology. He shared screenshots of the 2020 valuation report for the Main Plan explaining what the numbers represent and provided definitions for valuation-related terms such as smoothing, single discount rate, unfunded liability, and differentiated market value and actuarial value.

The Board discussed the primer and how the information presented would benefit legislators and those on the committee involved in the study of the closure of the Defined Benefit plan.

Discussion followed.

Board Member Troy Seibel left the meeting at 9:45 A.M.

DEFERRED COMPENSATION

TIAA Update

Ms. Rebecca Fricke reported TIAA has provided notice that a settlement has been reached regarding an investigation by the New York Attorney General and the Securities and Exchange Commission concerning TIAA's sales practices. Melissa Thorpe, TIAA, was present by phone to update the Board about a new fiduciary standard that has been implemented. Ms. Thorpe explained the investigation was centered around process and not products and that TIAA fell short in its oversight of brokers. Ms. Thorpe informed the Board she will research contract language and convey what was said at the time the bid was awarded to TIAA.

Ms. Fricke noted there are no renewals remaining on the 6-year contract with TIAA, and the current contract will expire on June 30, 2023.

Discussion followed.

TIAA Administration Fees

Mr. Bryan Reinhardt outlined how revenue is generated to cover the TIAA fees for the Deferred Compensation Plan. He reported that the revenue sharing generated has fallen short to cover the 23 basis points of assets necessary to cover the fees. Last year's deficit was approximately \$17,300. The Investment Subcommittee and staff have worked with Callan and TIAA on options to resolve the issue. The Investment Subcommittee recommends having TIAA spread the shortfall evenly across all accounts (roughly 8,600 accounts). Mr. Reinhardt stated it would amount to just over \$2 per account.

MS. SMITH MOVED TO APPROVE SPREADING OUT THE ADMINISTRATION FEES DEFICIT EVENLY ACROSS ALL THE ACCOUNTS. THE MOTION WAS SECONDED BY SENATOR DEVER.

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

Nays: Ms. Wassim

Absent: Mr. Seibel

MOTION PASSED

RETIREMENT

Job Service Assumed Rates of Return

When staff met with GRS to discuss the valuations they are working on, Bonnie Wurst advised them that the asset allocation for the Job Service plan resulted in a reduction in the projected reasonable range of returns. If the assumed rate of return for the Job Service plan is not changed it may result in an audit finding from the external auditors. Scott Miller noted that Job Service is a small plan and a closed plan receiving no contributions; it is currently 150% funded. Discussion followed.

MS. SMITH MOVED TO ADOPT THE RECOMMENDED ASSUMED RATE OF RETURN OF 3.75 PERCENT FOR THE JOB SERVICE PLAN. THE MOTION WAS SECONDED BY MS. WASSIM.

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

Nays: None

Absent: Mr. Seibel

MOTION PASSED

The Board took a short break at 10:26 A.M. The Board Meeting resumed at 10:35 A.M., a quorum was present.

Retirement Consultant Renewal

Staff has discussed the contract with Gabriel Roeder Smith (GRS) that will expire on June 30, 2023 and the impact switching consultants may have in the middle of the legislative study to close the Defined Benefit plan should the incumbent lose the bid. GRS provided input on a possible renewal and provided fees for the extended period of the contract. Staff indicated that the proposed fees are reasonable. Discussion followed.

SENATOR DEVER MOVED TO APPROVE THE RETIREMENT CONSULTANT RENEWAL AND EXTEND THE CURRENT CONTRACT WITH GABRIEL ROEDER SMITH FOR A 2-YEAR PERIOD ENDING JUNE 30, 2024. THE MOTION WAS SECONDED BY MS. WASSIM.

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

Nays: None

Absent: Mr. Seibel

MOTION PASSED

Investment Options Summary Book

Mr. Bryan Reinhardt indicated that the Investment Options Summary booklet for the Deferred Compensation Plan is available on the website. The book contains a description of the investment options available and contact information for the 457 providers.

457 Companion Plan & 401(a) Plan 2nd Quarter 2021 Report

Mr. Reinhardt presented the 2nd Quarter Investment Report for the 457 Companion Plan & 401(a) Plan. The plans have a combined total of 8,827 participants with about \$206 million in assets. All fund benchmarks for the quarter were positive. Core fund performance was mixed when compared to benchmarks and peer funds. Index funds are expected to slightly underperform their benchmarks because of fund administrative fees.

The NDPERS Investment Subcommittee reviewed the 2nd quarter 2021 plan review and field activity report with TIAA. Callan provided the subcommittee with a market overview and investment performance report. There are no recommendations at this time.

The subcommittee reviewed the TIAA administration fee and discussed options.

The report was informational only.

GROUP INSURANCE

FlexComp Vendors

Ms. Rebecca Fricke reported the annual review of vendors for the voluntary insurance products that are approved for pretax premiums has been completed. Five companies, AFLAC, Central United, Colonial Life, Total Dental Administrators, and USABLE, responded and have confirmed eligibility of their products for pre-tax under the FlexComp Plan. Discussion followed.

MS. GOODHOUSE MOVED TO APPROVE THE INCLUSION OF 5 PRODUCTS ELIGIBLE TO BE PRE-TAXED FOR THE 2022 FLEXCOMP PLAN YEAR. THE MOTION WAS SECONDED BY MS. WASSIM.

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

Nays: None

Absent: Mr. Seibel

MOTION PASSED

Medicare Part D Plan Update

Bryan Reinhardt reported that staff has been working with Deloitte Consulting and Humana on the implementation of the EGWP plan administration with Humana. The contract has been reviewed by legal and is ready for board review.

MS. WASSIM MOVED TO APPROVE THE CONTRACT WITH HUMANA. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

Absent: Mr. Seibel

MOTION PASSED

Ms. Fricke reviewed member communications and resources that are in progress. Humana has been very involved in the transition process. An announcement letter will be mailed in early October. Information in the letter will include a notice on the vendor change and plan design changes. A plan comparison of the current Part-D and the new design will be included in the mailing. The timing of the CMS required Creditable Coverage notice is in line with the Humana mailing so the two communications will be combined into a single mailing to 9,254 retiree members. A welcome kit from Humana will be sent on October 26. Humana will be hosting virtual meetings to educate members on the vendor and plan changes. The meetings are planned for the week of November 8th. Humana will open their call center for questions related to prescriptions on October 1, this is two months earlier than what was outlined in the RFP. The call center will be live when the announcement hits the mail.

Mr. Derrick Hohbein reported that staff has been meeting with Humana to review current processes for enrollments and billings. Staff learned of a new opportunity in how NDPERS administers the reduction of premium due to CMS-approved credits (Low Income Subsidy – LIS). In addition, there is an opportunity to modify additional premium payments required by CMS due to a late enrollment in a Part D Plan (Late Enrollment Penalties—LEP). Mr. Hohbein outlined the current process of handling CMS-required adjustments for both LIS and LEP. Humana offers the services to administer these processes. Mr. Hohbein reviewed pros and cons of options to turn over the administration of LIS and LEP and the impact to the members who would be affected. Discussion followed.

Board Member Troy Seibel returned to the meeting at 11:30 A.M.

SENATOR DEVER MOVED TO ADOPT OPTION C TO HAVE HUMANA ADMINISTER BOTH THE LOW-INCOME SUBSIDY AND THE LATE ENROLLMENT PENALTIES AS PART OF THE PREMIUM COLLECTION. THE MOTION WAS SECONDED BY REPRESENTATIVE ANDERSON.

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

Nays: None

Absent: None

MOTION PASSED

Value Based Care

Mr. Scott Miller summarized discussion from the June and July meetings regarding a proposal from Sanford Health Plan to modify the Value Based Care arrangement with health care providers. Staff sought input from Deloitte Consulting regarding the proposed modifications. Deloitte did not support Option 1 but was supportive of Option 2. Mr. Don Shott (SHP) stated that Sanford Health Plan officials are agreeable. Discussion followed.

MS. SMITH MOVED TO APPROVE THE MODIFICATION OF THE VALUE BASED CARE PLAN OPTION 2 (PROGRESSIVE UPSIDE POTENTIAL WITH NO DOWNSIDE RISK). THE MOTION WAS SECONDED BY MS. WASSIM.

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

Nays: None

Absent: None

MOTION PASSED

MISCELLANEOUS

Audit Committee May 2021 Minutes

The Board was provided with the approved minutes of the May 10, 2021, Audit Committee meeting.

Office Relocation Update

Mr. Derrick Hohbein recapped final costs associated with the office relocation. Staff have been in the new office setting several weeks and have had time to evaluate how the new space is working out. Staff reports that occupants of the hoteling stations have noticed they are distracted by foot traffic in the hallways outside the hoteling areas. Adding a door to each of the hoteling stations would eliminate the distraction and help with privacy and protect the security of member information. A quote for eight doors was presented at the May Board Meeting. The current quote is \$260 higher because of installation charges that would not have been incurred if the work had been done at the same time the hoteling offices were reconfigured by the contractor. Discussion followed.

MS. WASSIM MOVED TO APPROVE THE QUOTE TO ADD 8 SLIDING DOORS TO THE HOTELING AREA OFFICES, AND TO AUTHORIZE THE EXECUTIVE DIRECTOR TO SIGN THE QUOTE. THE MOTION WAS SECONDED BY MR. ADAM MILLER.

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

Nays: None

Absent: None

MOTION PASSED

Board Elections

Ms. Aime Miller provided background regarding the manual process for board elections, including associated costs. Changes to Administrative Rules governing board elections, and recent upgrades to the PERSLink Business System, makes it possible to accommodate a paperless board election process. The Board discussed opportunities with transitioning to online elections and favored further exploring paperless elections for the Active Member group.

Board Member Dirk Wilke left the meeting at 12:00 P.M.

Board Planning Meeting

The Board discussed changing the date of the November Board Planning Meeting due to a conflict with the Legislative Special Session scheduled for the same week.

MS. WASSIM MOVED APPROVAL TO CHANGE THE DATE OF THE NOVEMBER BOARD PLANNING MEETING FROM NOVEMBER 9 TO WEDNESDAY, NOVEMBER 17. THE MOTION WAS SECONDED BY MS. SMITH.

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

Nays: None

Absent: Mr. Wilke

MOTION PASSED

Administrative Rules

Proposed changes to Administrative Rules were presented at the August Board Meeting, with no changes made to the rules or the proposed timeline, the Board discussed moving forward with the rulemaking process.

MS. WASSIM MOVED TO APPROVE MOVING FORWARD WITH THE PROPOSED ADMINISTRATIVE RULES. THE MOTION WAS SECONDED BY SENATOR DEVER.

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

Nays: None

Absent: Mr. Wilke

MOTION PASSED

Assurance NM Testing

The Board participated in a test of the emergency notification system.

The Board took a short break at 12:16 P.M. The Board Meeting resumed at 12:28 P.M., a quorum was present.

MEMBER

Retiree Health Insurance Credit (RHIC) Member Appeal Case # 698, Retiree Health Insurance Credit (RHIC) Member Appeal Case # 699, and Insurance Member Appeal Case #700

These agenda items were noticed for Executive Session.

MS. WASSIM 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 698, 699, AND 700. THE MOTION WAS SECONDED BY MS. GOODHOUSE.

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

Nays: None

Absent: Mr. Wilke

MOTION PASSED

All members named above, attorney Dean DePountis, NDPERS staff members Scott Miller, Rebecca Fricke, Derrick Hohbein, MaryJo Anderson, Lindsay Schaf, Mandy Nagel, and Jan Lund were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 12:33 P.M.

The meeting returned to Open Session at 12:50 P.M.

MS. WASSIM MOVED TO AFFIRM THE DECISION OF ASIFLEX TO DENY THE MEMBER'S RHIC BENEFIT PAYMENT IN CASE #698. THE MOTION WAS SECONDED BY REPRESENTATIVE ANDERSON.

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

Nays: None

Absent: Mr. Wilke

MOTION PASSED

MS. SMITH MOVED TO AFFIRM THE DECISION OF ASIFLEX TO DENY THE MEMBER'S RHIC BENEFIT PAYMENT IN CASE #699. THE MOTION WAS SECONDED BY MR. ADAM MILLER.

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

Nays: None
Absent: Mr. Wilke

MOTION PASSED

MS. WASSIM MOVED TO AFFIRM THE DECISION OF ASIFLEX TO DENY THE MEMBER'S RHIC BENEFIT PAYMENT IN CASE #700. THE MOTION WAS SECONDED BY MS. GOODHOUSE.

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

Nays: None
Absent: Mr. Wilke

MOTION PASSED

Chairperson Rindy called for any other business or comments.

With no further business, the meeting was adjourned at 12:55 P.M.

Prepared by,

Jan Lund
Assistant to the Board