

MINUTES

North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

Thursday, April 27, 2017

8:30 A.M.

Members Present: Representative Pamela Anderson
Senator Dick Dever
Ms. Casey Goodhouse
Mr. Troy Seibel
Ms. Yvonne Smith
Ms. Kim Wassim

VIA Conference phone: Mr. Jon Strinden
Mr. Lance Weiss, GRS
Ms. Amy Williams, GRS

Others Present: Mr. Sparb Collins, NDPERS
Ms. Jan Lund, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Kathy Allen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Mr. Derrick Hohbein, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. Aime Miller, NDPERS
Ms. Mary Jo Steffes, NDPERS
Ms. Jan Murtha, Office of the Attorney General
Mr. Steve Webster, Sanford Health Plan
Mr. Danny Weiss, Sanford Health Plan
Ms. Katie Nermoe, Sanford Health Plan
Mr. Jim Wynstra, Sanford Health Plan
Ms. Lisa Carlson, Sanford Health Plan
Ms. Cindy Morrison, Sanford Health Plan
Mr. Curt Zimmer, Sanford Health Plan
Ms. Cathy Duncan, Wage Works
Ms. Kathy Carwile, Wage Works
Mr. David Hunter, RIO

Chairman Strinden called the meeting to order at 8:30 a.m.

Chairman Strinden called for any questions or comments regarding the minutes of the March 16, 2017, Board meeting.

MS. WASSIM MOVED APPROVAL OF THE MARCH 16, 2017, NDPERS BOARD MEETING MINUTES. THE MOTION WAS SECONDED BY MS. YVONNE SMITH AND CARRIED BY VOICE VOTE. THE MINUTES WERE APPROVED.

MS. SMITH MOVED APPROVAL OF THE MARCH 30, 2017, NDPERS BOARD MEETING MINUTES. THE MOTION WAS SECONDED BY MR. SEIBEL AND CARRIED BY VOICE VOTE. THE MINUTES WERE APPROVED.

PRESENTATIONS

ADP

Ms. Kathy Duncan and Ms. Cathy Carwile presented the ADP WageWorks Executive Summary. The presentation highlighted ADP's plan for communication and education to increase participation at open enrollment, information on enrollment trends, claims processing and call center review. Processes and timelines for the transition from ADP to WageWorks were reviewed. Discussion followed. No Board action was taken.

Sanford Quarterly Report

Mr. Steve Webster highlighted Quarter 4 annual membership summary, membership trend, fitness center reimbursement, health assessment and online wellness activities. Mr. Jim Wynstra presented quarterly information detailing claims. Mr. Danny Weiss covered the topics of generic and specialty utilization of prescription drugs. Ms. Katie Nermoe presented information regarding the Wellness Program. The Sanford team addressed a number of questions and comments from the Board with no Board action taken.

GROUP INSURANCE

Health Plan Prescriptions

Mr. Danny Weiss reviewed the NDPERS Prescription Drug Rebate Program. He noted that the proposed plan design for 2017-19 provided for an increase in the copay from \$5 to \$10 for generic drugs. He indicated that by changing the member rebate program from a credit to a reduction in the copay/coinsurance it would result in the plan design generic copay for 2017-19 increasing from \$5 to \$7.5 instead of \$10. This would also result in a reduction of the co-insurance from 15% to 12%. This change to the member rebate program would increase the long term sustainability of the program and encourage the use of generics.

MS. SMITH MOVED APPROVAL OF OPTION #1 AS PRESENTED WITH \$7.50 COPAY AND 12% COINSURANCE. MOTION WAS SECONDED BY MS. WASSIM.

Ayes: Ms. Goodhouse, Ms. Yvonne Smith, Mr. Seibel, Ms. Wassim, Representative Anderson, Senator Dever and Chairman Strinden.

Nays: None

Absent: Mr. Sandal, Ms. Tufte

MOTION PASSED

Rare and Complex Disease Management

This item to be discussed later in the agenda.

Dispense As Written (DAW)

Mr. Weiss provided information regarding the review of ancillary bypass requests or “dispense as written”. He noted that in the current benefit structure, if a member uses a brand name medication where a generic is available for that exact medication, there is what is called an ancillary penalty. This penalty is an additional charge that makes the member responsible for the difference in cost between the brand and generic medication. The intent of this penalty is to financially incentivize members to use generics whenever possible.

In the current benefit election, if a provider indicates that they request brand for a member, the ancillary penalty is automatically waived. In the majority of cases, when asked, a provider is willing to indicate this to appease a member request. When factoring in the effects of coupon cards, many members can exploit this loophole for personal gain. Mr. Weiss advised that the board want to consider allowing the health plan to review any ancillary bypass requests for medical necessity.

The staff recommendation is to delay action until the May meeting to allow time to consult with Deloitte. No Board action taken.

Glucometer

Mr. Collins reviewed information shared at the February meeting pertaining to glucometer test strips. The staff recommendation is to delay action until the May meeting to allow time to consult with Deloitte. No Board action taken.

The Board moved to agenda item Retirement

RETIREMENT

Economic Assumptions

Mr. Collins reviewed the economic assumptions for the retirement plan that was reported by Gabriel, Roeder, Smith & Co. at the March meeting. Mr. Lance Weiss and Ms. Amy Williams were available by phone to address questions and comments from the Board. The staff’s recommendation is to accept the GRS recommendations, except for the return assumption. Staff recommends reducing the 8% to 7.75% instead of 7.5%. The recommendation is based upon: 1.) long term rate of return, 2.) information relating to other retirement system changes and, 3.) this change is consistent with TFFR’s move on this assumption. Mr. David Hunter, RIO, spoke about the investment related aspects of the change. Specifically he noted that the GRS return assumption that were presented are based upon passive investment returns only and does not consider the “alpha” associated with active investing. He also reviewed the board the consideration of the Teachers Fund in adopting a 7.75% rate. Discussion followed.

REPRESENTATIVE ANDERSON MOVED APPROVAL TO MOVE TO AN ASSUMPTION RATE OF 7.75% AND BE LINE WITH TFFR. MS. SMITH SECONDED THE MOTION.

Ayes: Ms. Goodhouse, Ms. Yvonne Smith, Mr. Seibel, Ms. Wassim, Representative Anderson, Senator Dever and Chairman Strinden.

Nays: None

Absent: Mr. Sandal, Ms. Tufte

MOTION PASSED

MS. SMITH MOVED APPROVAL TO ACCEPT STAFF AND GRS RECOMMENDATION OF THE FOLLOWING ACTUARIAL ASSUMPTIONS: REDUCING THE RATE FOR PRICE INFLATION FROM 3.5% TO 2.5%; REDUCING THE PAYROLL GROWTH ASSUMPTION FROM 4.5% TO 3.75% FOR THE MAIN AND LAW ENFORCEMENT PLANS AND FROM 4% TO 3.25% FOR JUDGES. IN ADDITION TO CHANGE THE ASSET VALUATION METHOD FROM THE CURRENT METHOD TO A METHOD WHICH SMOOTHS TOTAL INVESTMENT GAINS OR LOSSES OVER A FIVE YEAR PERIOD. IN ADDITION FOR THE FOLLOWING ASSUMPTIONS FOR THE ACTUARIAL FACTORS PROJECT WILL BE USED: AN AVERAGE 5% SALARY INCREASE AND A UNISEX BLEND WITH A 50/50 BLEND OF MALE AND FEMALE RATES. MS. GOODHOUSE SECONDED THE MOTION.

Ayes: Ms. Goodhouse, Ms. Yvonne Smith, Mr. Seibel, Ms. Wassim, and Chairman Strinden.

Nays: None

Absent: Mr. Sandal, Ms. Tufte, Representative Anderson and Senator Dever

MOTION PASSED

GROUP INSURANCE

Rare and Complex Disease Management

Mr. Webster, SHP, presented information about the current Rare and Complex Disease Management agreement presently with a company called Accordant. Mr. Webster informed the Board that Sanford Health Plan has an internal program that manages these diseases. Mr. Webster outlined a plan to transition administration of this program from Accordant to Sanford Health. It is the staff's recommendation to allow Sanford to take over administration of this program of which 295 members are enrolled. Discussion followed.

THE BOARD ACCEPTED THE STAFF'S RECOMMENDATION TO TRANSITION ADMINISTRATION OF THE PROGRAM TO SANFORD HEALTH PLAN.

Vision RFP

Mr. Reinhardt reported that nine Vision proposals were received. Staff will be working with Conduent to review the proposals and will report back to the Board at the May meeting. There were no questions from the Board.

Heart of American Renewal

Ms. Allen provided information about a request from Sanford Heart of America Health Plan to continue to offer its health plan to state and participating political subdivision employees in the Rugby service area. Discussion followed.

MR. SEIBEL MOVED APPROVAL TO ACCEPT THE SANFORD HEART OF AMERICA REQUEST TO CONTINUE ITS HEALTH PLAN TO PERS MEMBERSHIP IN THE RUGBY SERVICE AREA FOR THE TERM OF 07/01/2017 THROUGH 06/30/2018 AND AT THE RATE OUTLINED IN THE MATERIAL PRESENTED. MS. WASSIM SECONDED THE MOTION.

Ayes: Ms. Goodhouse, Ms. Yvonne Smith, Mr. Seibel, Ms. Wassim, and Chairman Strinden.

Nays: None

Absent: Mr. Sandal, Ms. Tufte, Representative Anderson and Senator Dever

MOTION PASSED

EAP Update

Mr. Reinhardt presented information regarding the self-reported utilization from the Employee Assistance Program providers. There were no questions from the Board and no Board action taken.

Plan Design & Rates 2017-2019

Mr. Reinhardt outlined a comparison of the current plan design and proposed changes. He noted that the changes would still maintain the grandfathered status for the plan. Discussion followed.

MS. WASSIM MOVED TO ACCEPT THE NEW PLAN DESIGN WITH THE EXCEPTION OF THE CHANGE TO GENERIC RX AND THAT WOULD BE AS APPROVED ABOVE. MS. SMITH SECONDED THE MOTION.

Ayes: Ms. Goodhouse, Ms. Yvonne Smith, Mr. Seibel, Ms. Wassim, and Chairman Strinden.

Nays: None

Absent: Mr. Sandal, Ms. Tufte, Representative Anderson and Senator Dever

MOTION PASSED

Mr. Collins and Mr. Reinhardt presented information on the rate structure and buydown for active and pre-Medicare retirees. The staff recommends that the Board approve the

rates at a 9.8% increase for all groups on the plan in Rate Structure A (those on the plan before July 1, 2017). Groups joining the plan after would pay the full rates (Rate Structure B). For Medicare retirees the staff is suggesting that medical premiums for all members on this plan before July 1 be reduced by 2.15% (the same percentage buydown for the active group). For those members joining on July 1 and after they would not get the “buydown” and would be rate structure B. Staff is asking for approval of the methodology at this point and will bring an addendum to the contract for approval at the May meeting. Discussion followed.

THE BOARD DIRECTED STAFF ON HOW TO PROCEED REGARDING THE RATE STRUCTURE AND BUYDOWN.

RETIREMENT

Contribution Policy

Ms. Schiermeister reviewed information provided at the March meeting regarding proposed policies for overtime pay and written agreements to address inconsistencies in reported salary for retirement contribution purposes. Draft policies were distributed in early April to participating employers asking for feedback. Ms. Schiermeister summarized responses received from the Office of Management and Budget and from Political Subdivisions. In response to feedback received the staff recommended the adoption of a policy as presented which gives clarification to the definition of overtime and the reporting of overtime in current policy. Discussion followed.

THE BOARD IS IN SUPPORT OF MAINTAINING THE CURRENT INTERPRETATION OF OVERTIME AS IT RELATES TO RETIREMENT.

Ms. Schiermeister also reviewed responses received regarding Written Agreements Policy (between the employer and the employee) and she presented the staff's recommendation of a policy to address inconsistencies in reporting qualified wages. The effective date would be July 1, 2017. Prior to this date wages will be grandfathered. Generally, it is schools and not agencies that would utilize written agreements. Discussion followed.

MR. SEIBEL MOVED TO ADOPT THE WRITTEN AGREEMENT POLICY AS RECOMMENDED BY STAFF. MS. WASSIM SECONDED THE MOTION.

Ayes: Ms. Goodhouse, Ms. Yvonne Smith, Mr. Seibel, Ms. Wassim, Senator Dever and Chairman Strinden.

Nays: None

Absent: Mr. Sandal, Ms. Tufte, Representative Anderson

MOTION PASSED

GASB 68

Mr. Hohbein went over the GASB 68 Audit Report. There was no discussion. No Board action was taken.

FLEX COMP

Medical Spending Limits Policy

Ms. Allen reviewed Board action taken in January to adopt a lag policy for implementation of IRS medical spending account adjustments.

Pre-taxing HSA contributions and Enrollment Period

Ms. Allen provided an overview of two additional items for review with regard to Plan Document updates. The two additional items are being proposed to allow the Board the opportunity to request additional information for its consideration. The proposed items will be brought back to the board at a later date. There was no discussion and no Board action taken.

DEFERRED COMPENSATION

Hardship Withdrawal Application Form

Ms. Allen provided information about a concern from Groom Law regarding two questions on the application and the necessity of that information to the Board in their decision making. No discussion or Board action taken.

MISCELLANEOUS

Legislative Update

Mr. Collins summarized the 2017 legislation affecting NDPERS.

Quarterly Consultant Fee

Mr. Hohbein reviewed the report of the consulting, administrative, and investment fees paid in the first Quarter.

Board Election Update

Ms. Allen reported that the Election Subcommittee met to discuss the use of Facebook during the election process. It was noted that the deadline for nominations is May 5th.

Executive Director Annual Review

Mr. Collins indicated that it was the time of year for the Executive Director annual review. As noted in the past the board would appoint a committee to conduct to the review.

MS. WASSIM MOVED TO APPOINT MR. SEIBEL, MR. SANDAL AND MS. WASSIM TO A COMMITTEE TO COORDINATE THE ANNUAL REVIEW OF THE EXECUTIVE DIRECTOR. MS. SMITH SECONDED THE MOTION.

Ayes: Ms. Goodhouse, Ms. Yvonne Smith, Mr. Seibel, Senator Dever, Ms. Wassim, and Chairman Strinden.

Nays: None

Absent: Mr. Sandal, Ms. Tufte, Representative Anderson

MOTION PASSED

Mr. Collins requested clarification on the motion for the retirement assumptions/actuarial factors to insure the motion included the 5% salary increase assumption for the actuarial factors. It was noted that this was a part of the motion.

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 11:58 a.m.

Prepared by,

Jan Lund
Assistant to the Board