

MINUTES

North Dakota Public Employees Retirement System

Harold Schafer Leadership Center

University of Mary, Bismarck

Thursday, July 20, 2017

8:30 A.M.

Members Present: Representative Pamela K. Anderson
Senator Dick Dever
Ms. Casey Goodhouse
Mr. Adam M. Miller
Ms. Mylynn Tuft
Ms. Yvonne Smith
Mr. Troy Seibel
Ms. Kim Wassim

Others Present: Mr. Sparb Collins, NDPERS
Ms. Jan Lund, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Kathy Allen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Aime Miller, NDPERS
Ms. Rebecca Fricke, NDPERS
Ms. MaryJo Steffes, NDPERS
Ms. Jamie Kinsella, NDPERS
Ms. Jan Murtha, Office of Attorney General

In the absence of a Chairman, Troy Seibel called the meeting to order at 8:30 a.m.

Mr. Collins reviewed with the Board a presentation discussing NDPERS retirement plans, group insurance plans, and administration during the past two years. He explained that the purpose of this meeting is to review the PERS programs, administrative operations and consider issues, initiatives and possible actions for future considerations.

NDPERS EXTERNAL REVIEW

Mr. Collins reviewed several external considerations relating to PERS. It was noted that a legislative interim study will be conducted on two major topics: PERS and Medicare/Medicaid. The PERS portion will cover public employee health insurance plan, including the feasibility and desirability of transitioning to a self-insurance plan. The study will also include a review of the current plan and consideration of the costs and benefits of the current plan compared to the costs and benefits of a self-insurance plan. The first meeting is planned for August 2017. Mr. Collins reviewed information relating to the Health Care Reform Committee activities and said that at this time there is no indication of what action or recommendation may come out of that committee.

Regarding the revenue shortfall, indications are that the 2019-2021 budgeting process will be as challenging as the 2017-2019 which resulted in reductions in staffing reductions and challenges for benefits programs. Mr. Collins noted that premiums will receive more attention as they are continuing to take a larger percentage of the budget.

Legislative relations between and NDPERS was reviewed. NDPERS has been a more active partner with the Legislature due to an increase in the number of bills introduced.

Executive branch relationship observations were shared. It may be both beneficial and necessary to reach out to the new administration to explain the history of PERS health and retirement plans as well as other PERS programs and benefits. It is unknown at this time what policy direction the Governor will take.

It was noted that relations with both PERS partnerships and vendors is on a good path.

Observations were shared about the perception of NDPERS with respect to employee organizations, participating employers and members. It's imperative to serve many members because it spreads out the cost over many organizations. It is important to note that the state is mandated by NDCC to participate whereas political subdivisions elect to participate. State employees make up about 45% of retirement participants and 52% of health plan participants. Membership is continually increasing, driving down the average cost per member. Presentations and workshops conducted by NDPERS staff such as PREP, FEW, Wellness/Benefit Fairs and New Employee Orientation help keep a positive perception of PERS.

Mr. Collins reviewed the health plan changes made this biennium. A significant amount of reserves was spent to bring the premium increase down, leaving about \$26 million in reserves. It was noted that further changes to plan design puts the grandfather status at risk. Concerning the retirement plan he noted the challenge going forward will be to stop the downward trend in the funded status of the plans, to stabilize the plans, and to put the plans on a course back to 100% funded.

Additionally, it was noted that there is no cost of living adjustment planned for retirees, the last increase was in 2008 resulting in the retirees group continuing in growing more unsettled.

REVIEW OF NDPERS PROGRAMS AND LEGISLATIVE CONSIDERATIONS

Retiree Health Credit Program

Mr. Collins described the benefit formula for calculating the Retiree Health Insurance Credit (RHIC). This credit provides assistance to retirees to pay premiums through NDPERS or elsewhere. Previously the RHIC could only be used on the PERS Plan now the credit may be used for any health insurance and/or prescription drug plan premium expense. Mr. Collins noted that the number of retirees using the RHIC is continually growing and last year the vast majority of claims reimbursed through the administrator ASIFlex was made by direct deposit. Gabriel, Roeder, Smith (GRS) has recommended

NDPERS BOARD PLANNING MEETING

July 20, 2017

Page 3 of 8

changing the RHIC return assumptions from the present 8% to 7.25% based upon the 60% equity/40% fixed income allocation.

The Board may want to examine participation assumption and determine if it should be changed for the 2018 valuation.

The recommendation from the Retiree Subcommittee is to keep the PERS Part D plan bundled and not age rated because retirees prefer a steady premium when on a fixed income. The Board may wish to consider maintaining existing Part D coverage and review again in 2018.

Defined Benefit Plans

Mr. Collins presented background information on the Main, Judges, Law Enforcement, Highway Patrol and Job Service plans, including fund balances, membership statistics (both active and retiree), annual benefits, retirement system assets, and number of pensions in force. He noted that the Highway Patrol and Job Service plans are separate trusts. All others are a trust under the PERS plan. The challenge the Board has been addressing is for all plans to meet the following three goals: 1) to stop the downward trend in the funded status, 2) to stabilize the plans, and 3) to put the plans on a track back to 100%.

Mr. Collins outlined the effects of the passing of HB 1148 expanded eligibility of the NDPERS Law Enforcement plan to include firefighters. The change effective August 1 required updates to employer agreements. The staff is considering changing the name of the NDPERS Law Enforcement Plan to the NDPERS Public Safety Retirement Plan to reflect the broader membership.

Mr. Collins reviewed the membership data, the actuarial market value of assets and benefit payments for the Main Plan. He noted that the plan is below the actuarially recommended contribution and the state has not met the actuarial required contribution level in many years. The goals remain the same for this system which are to stop the downward trend, stabilize the plans and put them on a track back to 100% funded status. The Board had proposed a 4 year recovery plan to accomplish these goals. In the 2011 session, the legislature approved 2 years of the requested 4 year contribution recovery plan. In the 2013 session, the legislature approved 1 year of the requested 2 years remaining in the recovery plan. In the 2015 session, the legislature approved a retirement benefit reduction, but did not approve the last year of the contribution recovery plan. 2017 recovery plan proposed legislation failed. Currently, the main plan is not on track to 100% funded status.

There was discussion regarding fiduciary responsibilities with respect to the retirement plan, reserves and underfunding the plans. The Board may want to ask the legal counsel to research this and report back to the Board.

Defined Contribution Plans

NDPERS BOARD PLANNING MEETING

July 20, 2017

Page 4 of 8

Mr. Collins reviewed the Companion Plan activities and member engagement efforts with the Board. It was noted that the DC option for classified employees expires as of July 31, 2017. No changes recommended at this time. Based upon discussion, the Board may want to consider adding annuities to the line up of funds for both the 401(a) and 457 plans.

Deferred Compensation

Mr. Collins reported that this plan is doing well, assets continue to grow, and membership has increased. The bid for the PERS Companion Plan and 457 Deferred Compensation Plan was awarded to the incumbent, TIAA. Mr. Collins reviewed highlights of TIAA's presentation at the June board meeting regarding their 2017 planned expansion of communication and member engagement. No changes are recommended at this time. Based upon discussion, the Board may wish to consider the creation of a savings plan for employees of businesses that do not offer a retirement plan and model it after the DC plan administered by NDPERS and TIAA.

The Board may want to consider communication with TIAA concerning board expectations and indicate these will be considered as part of the next renewal.

GROUP INSURANCE

Long Term Care Insurance

Mr. Collins indicated members can go out to the market to find a wide selection of competitively priced plans and therefore PERS is not taking any actions in this area. No future action is recommended at this time.

Dental Insurance Plan

Mr. Collins reviewed the dental insurance plan information with the Board including enrollment, plan history and current rates. The contract with Delta Dental expires December 31, 2018, completing the six year contract so it will have to go to bid. Work on the RFP will begin in October with the Board approval slated for the January 2018 meeting. Vendor interviews will be held in June and a dental vendor selected.

Vision Insurance Plan

Mr. Collins reviewed the vision insurance plan information with the Board. The contract was awarded to the incumbent Superior Vision and will expire on December 31, 2019.

Life Insurance Plan

Mr. Collins reviewed the coverage information with the Board. The contract was awarded to the incumbent Voya with no increase in rate. Plan enhancement effective August 1, 2017, include the basic increased from \$3,500 to \$7,500 and first level of employee supplemental coverage will be changing from \$1,500 to \$3,000. The new contract with Voya expires June 30, 2019. No changes recommended at this time.

Employee Assistance Program

NDPERS BOARD PLANNING MEETING

July 20, 2017

Page 5 of 8

Mr. Collins gave an update on the four current EAP providers. Based upon discussion, the Board may want to consider adding the reporting of EAP utilization to the Board on a semi-annual basis.

Flex Comp Program

Mr. Collins reviewed the FlexComp program plan activities, member engagement efforts, and key performance measures with the Board. PERS continues to partner with ADP. Staff reported there have been no major issues or complaints from members relating to claims processing. The contract with ADP expires December 31, 2018. The RFP will be issued in February with vendor interviews and a selection in August 2018.

The Board may want to consider communication with WageWorks concerning board expectations and indicate these will be considered as part of the next renewal.

GROUP HEALTH INSURANCE

Mr. Collins reviewed with the Board information about membership and demographics and also shared observations regarding Governor Burgum's recommendation for state employees to share in the cost of the health insurance premium.

There were areas of staff concern noted regarding the current carrier. Discussion took place regarding areas of improvement, premiums, operations and business level review as well as future challenges and opportunities. Renewal criteria was outlined and discussed.

Mr. Collins reviewed the status of wellness program efforts, including the short term and long term strategies for wellness with the Board. It was noted that the Employee Wellness Incentive \$250 benefit was temporarily suspended to determine a plan to work through handling the tax consequences to members and employers.

The Board also discussed special programs such as Healthy Pregnancy Program, Smoking Cessation, About the Patient and the disease management programs (medical home, specialty Rx, About the Patient, Accordant, case management, etc. The Board expressed a strong interest in adding mental health to the list when looking to opportunities in program planning.

The Board may want to consider communication with Sanford concerning board expectations and indicate these will be considered as part of the next renewal.

The process of preparing an RFP will begin in January in the event the Board decides to go to bid. If it goes to bid the following timeline would apply:

January – August:	Prepare RFP's in case the decision is to go to bid
July – August:	Do the renewal estimate
August-September:	Receive and consider the proposed renewal and other information required in NDCC 54-52.1-05.

NDPERS BOARD PLANNING MEETING

July 20, 2017

Page 6 of 8

September:	If the renewal is not approved we need to go to bid immediately with the following timeline
September:	issue RFP
November:	receive RFP's
Dec/Jan/Feb:	review RFP's
February:	award the plan for the 2019-21 biennium

NDPERS INTERNAL REVIEW

Mr. Collins summarized highlights of the NDPERS Board Subcommittees.

Audit Committee

The Audit Committee continues to meet on a quarterly basis. Ms. Schiermeister reported on Risk Assessment efforts of staff focusing on payments to retirees. A temporary employee was hired to assist in performing reviews of final average salary, service credit and benefit calculations ahead of new retirees being set up for first benefit payment. In the process some problem areas were identified and processes and procedures were modified. A goal of 97% accuracy rate had been set. Staff will focus resources on internal controls and process improvements to meet the new goal. The Board inquired about the nature of the errors. Staff explained that most problems are due to unique situations regarding the calculation of final average salary and service credit issues rather than computer causes.

Investment Committee

The Investment Committee meets the most frequently. Three members from this committee also serve as members of the State Investment Board.

Retiree Committee

The Retiree Committee meets the least often. During the 2015-2017 biennium the committee has reviewed the concept of unbundling the retiree medical and prescription. The committee also reviewed the Part D Plan and provided advice about how to go forward.

Benefits Committee

During 2017 the Benefits Committee reviewed PERS programs and considered possible legislative changes.

Election Committee

There were no solicitations in 2016. In 2017 the committee conducted one selection for an active member trustee.

The following committee assignments were made:

Audit: Representative Anderson, Mr. Miller, Ms. Tufte, vacant chairman position

Benefits: Ms. Tufte, Ms. Wassim, Ms. Goodhouse, Representative Anderson

Election: Ms. Goodhouse, Ms. Wassim, Mr. Seibel

Investment: Mr. Seibel, Mr. Miller, Ms. Smith (SIB), Senator Dick Dever (SIB alternate)

Retiree: Ms. Smith, Ms. Tufte

PERS Staffing/Organizational Update

Mr. Collins reviewed information relating to the NDPERS organization with the Board. He provided background on staffing changes namely the addition of a Chief Operating Officer position during the 2015 Legislative Session. Previously, the Chief Financial Officer filled both roles within the organization. The addition of the COO allowed for dispersion of responsibilities and depth in each area. It also provided a basis for a succession plan within the NDPERS COG and COOP plan. Staff continues to focus efforts on increasing external communication and also increasing agency controls.

Mr. Collins reviewed the communications strategy with the Board. He reported that staff had been working with MABU on updating the website and the new website was launched this past spring. The addition of a Public Information Specialist has been pivotal in enhancing PERS communication efforts through social media, the new PERS website, newsletters and correspondence with members. The utilization of the mobile app continues to increase and it is a useful tool for running a benefit estimate and annual enrollment. It was noted that there is a multifactor authentication process in using the mobile app which significantly reduces security concerns.

Mr. Collins reviewed the successes with Member Self Service (MSS) in the areas of enrollment and the annual open enrollment process in the fall. Future enhancements to consider are to expand MSS to include refund and retirement applications and to develop benefit enrollment interface for the state PeopleSoft system.

Ms. Schiermeister presented background on the PERSLink business system that went live in October 2010. She also shared information about accomplishments and initiatives that have been implemented since go-live. Some of the points covered were new vendors, new benefit plans, new legislation, Member Self Service, Disaster Recovery (which is tested annually), framework upgrades and the mobile app.

Ms. Schiermeister updated the Board on the staff's response to the legislative intent in HB 1048 with regard to Electronic Distribution of Materials. A Task Force has been set up to identify opportunities to create operating efficiencies when feasible by discontinuing the distribution of paper materials, including newsletters and benefit statements. The Task Force will make recommendations to develop procedures to electronically distribute materials or provide access to materials through member self-service website applications. Several areas have already been identified and changes are being implemented. The Board may want to consider developing policies relating to electronic payments and electronic communications.

The Board thanked Mr. Collins and staff for their efforts this past year and for preparing the information for this Board planning meeting. Mr. Seibel called for any other business or comments. Hearing none, this portion of the meeting was adjourned at 3:15 pm.

TRANSITION SUBCOMMITTEE REPORT

NDPERS BOARD PLANNING MEETING

July 20, 2017

Page 8 of 8

The Executive Director Transition Subcommittee met with the full Board to provide a report and recommendations for a transition plan. Committee Chairman Seibel summarized 3 options that the committee had been considering. The Board advised the Transition Committee on how to proceed regarding the search process for an Executive Director. Mr. Collins and Ms. Schiermeister joined the meeting. Further discussion took place regarding the Board's plans for the transition process.

The Board concluded the transition portion of the planning meeting at 4:15 p.m.

Prepared by,

Jan Lund
Assistant to the Board