

# MINUTES

## North Dakota Public Employees Retirement System

ND Association of Counties, Bismarck

Thursday, September 21, 2017

8:30 A.M.

Members Present: Senator Dick Dever  
Ms. Casey Goodhouse  
Mr. Troy Seibel  
Ms. Kim Wassim  
Mr. Adam Miller  
Mr. Dirk Wilke  
Ms. Yvonne Smith  
Chairman Mark Dosch

VIA Conference phone: Representative Pamela Anderson  
Chairman Mark Dosch  
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. Lyndsay Schaff, NDPERS  
Ms. MaryJo Steffes, NDPERS  
Ms. Jan Murtha, Office of the Attorney General  
Mr. Steve Webster, SHP  
Ms. Regina Bergh, SHP  
Mr. Mike Klepitz, SHP  
Mr. Danny Weiss, SHP  
Mr. Tim Hoss, SHP  
Ms. Molly Carnody, SHP  
Ms. Lisa Carlson, SHP

Chairman Dosch called the meeting to order at 8:35a.m.

**SENATOR DEVER MOVED APPROVAL OF THE AUGUST 11, 2017, NDPERS BOARD MEETING MINUTES. THE MOTION WAS SECONDED BY MS. SMITH AND CARRIED BY VOICE VOTE. THE MINUTES WERE APPROVED.**

Chairman Dosch called for any questions or comments regarding the minutes of the August 17, 2017, board meeting.

**SENATOR DEVER MOVED APPROVAL OF THE AUGUST 17, 2017, NDPERS BOARD MEETING MINUTES. THE MOTION WAS SECONDED BY MS. WASSIM AND CARRIED BY VOICE VOTE. THE MINUTES WERE APPROVED.**

Chairman Dosch turned the meeting over to Mr. Seibel to chair and directed that Board Action Items be considered first.

## **RETIREMENT**

### Return to Work

Ms. Allen explained a situation that occurred some time ago where a member had returned to work after initial retirement and selected a new benefit option for the subsequent retirement. In this case, by statute, PERS was required to submit the information to the consultant for an actuarial determination of the elected benefit. The member filed an appeal due to the new benefit calculation being less than the original amount. The circumstance triggered staff to question the policy regarding the calculation of benefits for multiple retirements. At the direction of the Board staff worked with the consultant to review other actuarial methods of calculating benefits related to subsequent retirement situations. Ms. Allen outlined three options for the Board's consideration.

The staff's recommendation is to adopt Method 2 as this calculation does not involve an offset for prior benefits if the benefit option is changed, and it is more comprehensible to the member. Method 2 calculates the additional benefit attributable to the Return To Work (RTW) period based upon service and earnings during RTW period only. Total benefit equals original benefit plus the calculated new benefit with no offset for prior benefits received. There are several advantages to this method: 1) most comprehensible to member as separate calculations are done for original and subsequent benefit amounts, 2) Less likely to result in appeals related to reduced benefit amounts, 3) Clearly defines original benefit under old actuarial factor tables and subsequent RTW benefit under new actuarial factor tables, and 4) No actuarial calculations by consultant are required for subsequent benefit calculations. The only disadvantage is that it requires one-time cost for system change to process independent calculations of original benefit and RTW benefit. Discussion followed.

**MS. SMITH MOVED APPROVAL TO ADOPT METHOD 2 FOR CALCULATING BENEFITS FOR RETIREES THAT RETURN TO WORK. MOTION WAS SECONDED BY MR. WILKE.**

**Ayes:** Ms. Goodhouse, Ms. Smith, Mr. Seibel, Ms. Wassim, Representative Anderson, Senator Dever, Mr. Miller, Mr. Wilke and Chairman Dosch.

**Nays:** None

**Absent:** None

**MOTION PASSED**

MetLife Brighthouse Contract

Ms. Allen outlined the updates to the contract for the Job Service annuity and she indicated it maintains the same administrative fee. It was noted that in 2003, NDPERS assumed the administrative and recordkeeping services for the Job Service Travelers Plan and in 2006 MetLife purchased the Travelers. In March 2017, MetLife moved its main annuity business to Brighthouse Financial. This is an evergreen contract with no expiration date.

**MS. GOODHOUSE MOVED APPROVAL TO ACCEPT THE CONTRACT WITH BRIGHTHOUSE. MOTION WAS SECONDED BY MS. WASSIM.**

**Ayes:** Ms. Goodhouse, Ms. Smith, Mr. Seibel, Ms. Wassim, Representative Anderson, Senator Dever, Mr. Miller, Mr. Wilke and Chairman Dosch.

**Nays:** None

**Absent:** None

**MOTION PASSED**

**GROUP INSURANCE**

About the Patient Contract

Mr. Reinhardt reported that the About the Patient diabetes management program through the ND Pharmacy Association was approved. At this meeting staff is seeking approval of the new contract. It has been updated and reviewed by legal and is now ready for final approval. There were no notable changes from last time other than the confidentiality section was augmented. Staff will continue to investigate other related programs.

**MS. SMITH MOVED TO APPROVE THE ~~TWO-YEAR~~TWO-YEAR CONTRACT FOR THE ABOUT THE PATIENT PROGRAM. MOTION WAS SECONDED BY MS. GOODHOUSE.**

**Ayes:** Ms. Goodhouse, Ms. Smith, Mr. Seibel, Ms. Wassim, Representative Anderson, Senator Dever, Mr. Miller, Mr. Wilke and Chairman Dosch.

**Nays:** None

**Absent:** None

**MOTION PASSED**

Part D Contract

This agenda item was moved to the next meeting.

## **FLEX COMP**

### Voluntary FlexComp Products

Ms. Allen reported on the annual review of vendors for the voluntary insurance products approved for pretax premiums under our Section 125 FlexComp Plan. The following vendors responded with confirmation of ongoing eligibility of their products for pretax treatment under our FlexComp plan: Total Dental Administrators (TDA), Colonial Life, Central United, AFLAC and USABLE.

**SENATOR DEVER MOVED TO APPROVE THE INCLUSION OF THE PRODUCTS ELIGIBLE TO BE PRE-TAXED FOR THE FLEXCOMP 2018 PLAN YEAR. MOTION WAS SECONDED BY MS. WASSIM.**

**Ayes:** Ms. Goodhouse, Ms. Smith, Mr. Seibel, Ms. Wassim, Representative Anderson, Senator Dever, Mr. Miller, Mr. Wilke and Chairman Dosch.

**Nays:** None

**Absent:** None

## **MOTION PASSED**

### WageWorks Contract

This item was moved to the next meeting.

## **MISCELLANEOUS**

### Administrative Rules Proposed Changes

Ms. Schiermeister provided an update to the discussion at the August meeting regarding proposed Administrative Rule changes and identified additional areas for change. The next step in the rules process is to receive final Board approval of the proposed rules so they may be distributed for comment. It was noted that because of the cost, PERS addresses rule changes every other year following Legislative Session. A schedule of the rule change process was included for the Board's review. Discussion followed.

**MS. GOODHOUSE MOVED TO APPROVE THE ADMINISTRATIVE RULES FOR DISTRIBUTION FOR COMMENTS. MOTION WAS SECONDED BY SENATOR DEVER.**

**Ayes:** Ms. Goodhouse, Ms. Smith, Mr. Seibel, Ms. Wassim, Representative Anderson, Senator Dever, Mr. Miller, Mr. Wilke and Chairman Dosch.

**Nays:** None

**Absent:** None

## **MOTION PASSED**

#### Electronic Payment Policy

Ms. Schiermeister explained the following language added in the appropriation bill that was passed during the 2017 Legislative Session, "The Board shall establish policies and implement procedures to make and collect payments in the most cost-effective manner, including the use of electronic transfer of funds". Ms. Schiermeister stated that staff had met and identified various program payments that could be addressed by changes to policy concerning paper checks and electronic payments. Ms. Schiermeister reported that pension payments are the largest type of payment, and that 500 to 600 payments of the over 11,000 pension payments are made by check. Ms. Schiermeister outlined the administrative costs of issuing a paper check as opposed to a payment made by direct deposit. Staff presented various scenarios for consideration such as: direct deposit mandate, offering of a prepaid/reloadable bank card, holding funds, managing uncashed checks and undeliverable checks. It was noted that pension trust money is not turned over to unclaimed property and that PERS holds the payment(s) in a trust fund and will reissue the money if the member is found. Staff is seeking direction from the Board on what approach to move forward with in drafting a policy. Discussion followed.

**THE BOARD DIRECTED STAFF ON HOW TO PROCEED REGARDING GATHERING MORE DETAILS AND SPECIFIC INFORMATION CONCERNING ELECTRONIC PAYMENTS, AND TO BRING THE TOPIC BACK TO THE OCTOBER MEETING FOR FURTHER DISCUSSION.**

#### November Board Meeting

Mr. Collins provided information about the November Board meeting and having it in Fargo. He reviewed proposed itineraries for the Board's consideration. Items included a tour of the new Sanford Hospital, meeting with Sanford Health Plan and a meeting with BlueCross BlueShield. Discussion followed.

**THE BOARD DIRECTED STAFF TO GATHER MORE DETAILS AND TO BRING THE TOPIC BACK TO THE NEXT MEETING FOR FURTHER DISCUSSION.**

#### Board Planning Items

Included in the list of action items identified by the Board at the July Planning Meeting were letters discussing board expectations of vendors for the health plan, flex plan and the 457 plan. Mr. Collins reviewed the letters drafted by staff to the vendors.

**MS. WASSIM MOVED TO APPROVE THE LIST OF PLANNING ITEMS AND THE LETTERS TO VENDORS. MOTION WAS SECONDED BY MS. SMITH.**

**Ayes:** Ms. Goodhouse, Ms. Smith, Mr. Seibel, Ms. Wassim, Representative Anderson, Senator Dever, Mr. Miller, Mr. Wilke and Chairman Dosch.

**Nays:** None

**Absent:** None

## **MOTION PASSED**

Discussion followed on the board planning items.

**THE BOARD DIRECTED STAFF TO ADD THE FOLLOWING ITEMS TO THE PLANNING DOCUMENT: 1) REVIEW OF POLICY FOR PROVIDING BENEFITS TO 20 HOUR AND 30 HOUR STATE EMPLOYEES, 2) POLICIES ON SMOKING AND OTHER RELATED ITEMS, 3) TO BRING THE PLAN BACK TO 100 PERCENT FUNDED AND BRING THE TOPICS BACK FOR FURTHER DISCUSSION AT FUTURE MEETINGS.**

The Board took a short wellness break at 10:03 am.

### Transition Report

**SENATOR DEVER MOVED THAT THE BOARD 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. WASSIM.**

**Ayes:** Representative Anderson, Ms. Goodhouse, Mr. Miller, Ms. Smith, Mr. Wilke, Mr. Seibel, Senator Dever, Ms. Wassim and Chairman Dosch.

**Nays:** None

**Absent:** None

## **MOTION PASSED**

All members named above were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 10:21 a.m.

The Board returned to open session at 10:47 a.m.

**THE BOARD PROVIDED GUIDANCE TO STAFF REGARDING NEGOTIATING STRATEGY AND TO INVITE ALL QUALIFIED BIDDERS TO INTERVIEW ON SEPTEMBER 29.**

Having completed all of the Board Action items the Board moved on to agenda items that were informational.

## **RETIREMENT (continued)**

### Funding Projections

Ms. Schiermeister informed the Board that Gabriel Roeder Smith (GRS) will be at the October board meeting to report on the annual actuarial valuation and an update to the long-term funding status projections for the Main retirement plan. This will include the

effect of the change in the investment return assumption to 7.75% which the Board adopted for the 7/1/2017 actuarial valuation. Discussion followed.

## **GROUP INSURANCE (continued)**

### 2016 Active Health Care Report

Mr. Reinhardt reviewed the annual Active Health Care Report for 2016 and highlighted the following: 1) costs and trends are increasing slightly, 2) 2016 active charges increased 6.82% over 2015 and 2016 active plain paid increased 9.82% over 2015, 3) the 2014 to 2015 charge/paid increases were 6.4% and 13.8% respectively, and 4) a similar agency-specific report is developed for all large groups on the health plan (over 100 employees). Discussion followed.

### Retiree Special Enrollment

Ms. ~~Allen~~Fricke presented information about the upcoming retiree special enrollment for the dental and vision plans. At the February 23, 2017 Board Meeting, the Board approved allowing a special enrollment window for retirees that began receiving a benefit prior to July 1, 2015 and also requested that staff modify the NDCC to allow the RHIC to be used for reimbursement of any dental or vision plan premium, not just NDPERS plans when the next opportunity for law updates occurs. This enrollment opportunity will begin November 1, 2017 and will continue for a ~~six months~~six-month period ending April 30, 2018. Ms. Fricke~~Allen~~ outlined the plan to communicate this opportunity. Discussion followed.

### Dental and Vision Enrollment Policy

Ms. Allen reviewed the draft policy that was discussed and adopted at the August 17<sup>th</sup> meeting. The policy to prohibit employees from dropping dental or vision coverage during the calendar year will be implemented during annual enrollment and will have an effective date of January 1, 2018. Ms. Allen also shared information about the plans to communicate this change to members.

### Long Term Care

Ms. Allen reported that effective January 1, 2018 there will be a 15% rate increase for the ~~Long Term~~Long-Term Care plan with UNUM. This is the third increase since 2014. Staff will be reviewing options regarding a ~~long term~~long-term care plan for state employees. Ms. Allen noted that Long Term Care is a voluntary supplemental policy and there is no cost to the state.

### Wellness Update

Ms. Fricke reported on two annual wellness initiatives in the Bismarck-Mandan area -- a Wellness and Benefits Fair at the Capitol during State Employee Recognition Week and Flu Vaccination Clinics through the UND Center for Family Medicine.

## **DEFERRED COMP**

#### Second Quarter Investment Report

Mr. Reinhardt reviewed the 457 Companion Plan & 401(a) 2nd quarter investment report. Discussion followed. Mr. Reinhardt noted that the next report will be provided at the February meeting; the Board asked that staff share investment information as it is received.

#### **MISCELLANEOUS (continued)**

##### Operating Guidelines

Mr. Collins reviewed guidelines that distinguish between Board responsibilities and those of the Executive Director. Mr. Collins noted that these guidelines are in addition to what exists in Century Code and Administrative Rules. Discussion followed.

##### Audit Committee Report

Minutes from the May 23, 2017 PERS Audit Committee were included in the board materials.

With all agenda items completed, Mr. Seibel called for any other business or comments.

Ms. Wassim inquired about future plans for board materials to be distributed electronically. PERS staff reported that a task force has been formed to prioritize efforts in moving to electronic communications. The Board requested that it be added to the list of planning items.

The meeting was recessed at 11:26 a.m.

The Board attended the legislative Employee Benefit Programs Committee meeting for a presentation regarding "Overview of Retirement, Insurance, and Retiree Health Insurance Programs." The meeting began at 1:00pm and was held in the Roughrider Room at the State Capitol. The agenda was available at: <http://www.legis.nd.gov/assembly/65-2017/interim/19-5044-02000-meeting-agenda.pdf>

A quorum was no longer was present at 3:00 pm.

Prepared by,

Jan Lund  
Assistant to the Board