

**MINUTES OF THE
Retirement Board Workshop
Administrative Board Meeting
September 19-20, 2019, 1:55 p.m., Stein Eriksen Lodge**

Present: Ms. Laura Houston, Board President
Mr. Ryan Hessenthaler, Board Vice President
Mr. Ed Alter, Board Member
Mr. David Damschen, Board Member
Mr. Roger Donohoe, Board Member
Mr. Larry Evans, Board Member
Mr. William Wallace, Board Member

Excused:

Staff: Mr. Jeff Allen, Shared Services Director
Mr. Daniel Andersen, Executive Director
Mr. Dave Bjarnason, Chief Compliance Officer, Investments
Mr. Mark Brown, Business Operations Director, PEHP
Mr. Kevin Catlett, Investment Counsel
Mr. Bruce Cundick, Chief Investment Officer
Mr. Rob Dolphin, Chief Financial Officer
Mr. Dave Hansen, Associate General Counsel, PEHP
Ms. Gail Keeler, Finance, URS Controller
Mr. Dee Larsen, General Counsel
Mr. Chet Loftis, PEHP Director
Ms. Tiffany Lund, URS Project Management Director
Ms. LuAnn Miskin, Administrative Assistant
Mr. Jason Morrow, Deputy Chief Investment Officer
Mr. Todd Rupp, Deputy Executive Director
Mr. Travis Tolley, Clinical Management Director, PEHP
Mr. Lance Toms, PEHP Program Management Sr. Manager

Guests: Mr. Thomas Young, Legislative Fiscal Analyst Office

September 19, 2019

Call to Order

President Laura Houston called the meeting to order at 1:55 p.m. and welcomed Board members, staff, and guests.

FTE Requests

Mr. Todd Rupp and Mr. Jason Morrow discussed the rationale and business need for two new Retirement Planning Advisor FTEs and two new Investment Research Associate FTEs, respectively.

ACTION: Mr. Ryan Hessenthaler moved, seconded by Mr. Roger Donohoe, to approve two new Retirement Planning Advisor FTE's for the Retirement Planning Department and two new Research Associate FTE's for the Investment Department and the associated budget increases. The motion passed unanimously, 7-0.

AUREUS Update

Ms. Tiffany Lund gave an update on the AUREUS project, including the following items:

- Look Back...One Year Ago
- Laying Foundation For Success
- Data Conditioning/Migration
- AUREUS Project Overview
- Look Ahead...One Year From Now

PEHP Core System Update

Mr. Lance Toms gave an update on the PEHP Core System HealthEdge project, including the following items:

- Procurement
- Implementation Team
- Implementation Launch Date
- Project Plan and Timeline
- Project Governance and Method
- Implementation Challenges

PEHP Update

Mr. Chet Loftis introduced the PEHP Update topics which included the following:

- HealthEdge Implementation
- HealthEdge Impact on Clinical Integration
- Nuts & Bolts of PBMs with Legislative Audit Pending
- Addition of RX to Cost Comparison Tool & Cash Back
- Status of Risk Sharing Arrangement with IHC
- Update on State Issues
- Update of Pools and Membership
- Update on PEHP Strategic Objectives
- January Renewals

Mr. Travis Tolley presented on Clinical Integration, including the following items:

- Transition to post TACS world
- HealthEdge will create capacity

- Finding the most valuable tasks
- Using Wellness to engage members
- What you should know about PBM (Pharmacy Benefit Manager)

Mr. Mark Brown presented on the following items:

- Cost Comparison Tools Update
 - Find and Compare Costs
 - Compare Prescription Costs
- Value-Based Arrangements
 - Arrangement Objectives
 - PEHP Gainshare Agreements
 - Intermountain Value-Based Arrangement

Mr. Chet Loftis provided an update on the following State items:

- Medical
- Dental
- TPA Services for Utah Department of Corrections
- Proposal for More Cash Conversion
- Met with Lt. Governor Cox
- Met Separately with Vertex
- My Takeaways

Additional PEHP information included:

- Medical Membership as of 7/31/2019
- PEHP Medical Risk Pools
- PEHP Dental Risk Pools
- Other Product Lines

He also gave an update on the PEHP Division Strategic objectives.

PEHP Renewals

Mr. Chet Loftis explained that the final rate renewals may be different than what is presented in the meeting based on group migrations or rate adjustments during the renewal process.

Mr. Loftis reviewed the LGRP January and Medicare renewals that will be effective January 1, 2020, and the Jordan School District Medical/Rx and USBA renewals that were effective September 1, 2019.

ACTION: Mr. Roger Donohoe moved, seconded by Mr. Ryan Hessenthaler, to approve the following PEHP Renewals, effective January 1, 2020, with the understanding that the final aggregate rate for LGRP January may be different based on group migration or rate adjustments arising from the renewal process:

- LGRP January – Medical/Rx 3.9% increase
- LGRP January – Dental 0.0% rate hold
- Medicare – Supplement 4.0% increase
- Medicare – Part D (6.5%) decrease
- Medicare – Dental (1.4%) decrease

The motion passed unanimously, 7-0.

ACTION: Mr. Larry Evans moved, seconded by Mr. David Damschen, to ratify the following PEHP Renewals, effective September 1, 2019:

- Jordan School District – Medical/Rx 0.0% rate hold
- USBA – Medical/Rx 2.6% increase

The motion passed unanimously, 7-0.

Contribution Rate Management Discussion

Mr. Dan Andersen led the discussion on Contribution Rate Management. He distributed portions of the URS 2019 Stress Test Analysis drafted by GRS and compared the current contribution rate methodology and the proposed contribution rate management plan. The complete Analysis was provided in the Board Workshop materials. Discussion followed.

Staff will provide additional information and the Board will have further discussion in the October Administrative meeting.

Mr. Bill Wallace moved, seconded by Mr. Ryan Hessenthaler, to adjourn the meeting until the morning. The motion passed unanimously, 7-0. The meeting adjourned at 4:48 p.m. and will readjourn September 20, 2019, at 8:00 a.m.

September 20, 2019

Approval of Minutes

ACTION: Mr. Roger Donohoe moved, seconded by Mr. Ryan Hessenthaler, to approve the minutes of the August 8, 2019, Administrative Board Meeting. The motion passed unanimously, 5-0. Mr. Ed Alter and Mr. Larry Evans were absent for this vote.

ACTION: Mr. Ryan Hessenthaler moved, seconded by Mr. David Damschen, to approve the minutes of the August 13, 2019, Audit/Risk/Insurance Committee Meeting. The motion passed unanimously, 5-0. Mr. Ed Alter and Mr. Larry Evans were absent for this vote.

ACTION: Mr. Bill Wallace moved, seconded by Mr. Roger Donohoe, to approve the minutes of the August 15, 2019, Investment Board Meeting. The motion passed unanimously, 5-0. Mr. Ed Alter and Mr. Larry Evans were absent for this vote.

Consolidated URS/PEHP Annual Budget Report

Mr. Rob Dolphin reviewed the following budget items:

- Overview of budget process and calendar
- Review of historical expenses and FTE's
- Proposed Board Policy Accounting treatment of software
- Review variances between budget and actuals for FY 2019
- Review proposed FY 2020, 2021, and 2022 operating budget
- Review proposed FY 2020, 2021, and 2022 capital budget
- Review AUREUS and HealthEdge multi-year budget
- Board approvals of 2019 FY expenditures, FY 2020 adjusted budget, and 2021 and 2022 preliminary budget

The following motions were made to approve budgets as shown on page 217 of the Board Workshop materials.

ACTION: Mr. David Damschen moved, seconded by Mr. Ryan Hessenthaler, to approve the Board Policy Regarding Accounting Treatment of Software. The motion passed unanimously, 7-0.

ACTION: Mr. David Damschen moved, seconded by Mr. Roger Donohoe, to approve the 2018-2019 final actual fiscal year ended expenditures as presented. The motion passed unanimously, 7-0.

ACTION: Mr. Larry Evans moved, seconded by Mr. David Damschen, to approve the 2019-2020 budget as presented. The motion passed unanimously, 7-0.

ACTION: Mr. Ryan Hessenthaler moved, seconded by Mr. Bill Wallace, to approve the 2020-2021 preliminary budget as presented. The motion passed unanimously, 7-0.

ACTION: Mr. Roger Donohoe moved, seconded by Mr. Larry Evans, to approve the 2021-2022 preliminary budget as presented. The motion passed unanimously, 7-0.

ACTION: Mr. Ryan Hessenthaler moved, seconded by Mr. Bill Wallace, to approve the 2018-2019 final actual fiscal year ended capital expenditures as presented. The motion passed unanimously, 7-0.

ACTION: Mr. David Damschen moved, seconded by Mr. Roger Donohoe, to approve the 2019-2020 capital projects budget as presented. The motion passed unanimously, 7-0.

ACTION: Mr. Roger Donohoe moved, seconded by Mr. Ryan Hessenthaler, to approve the preliminary 2020-2021 capital projects budget as presented. The motion passed unanimously, 7-0.

ACTION: Mr. Bill Wallace moved, seconded by Mr. Ryan Hessenthaler, to approve the 2021-2022 preliminary capital projects budget as presented. The motion passed unanimously, 7-0.

Annual Fiduciary and Open & Public Meetings Training

Mr. Dee Larsen provided Open & Public Meetings training, Fiduciary training, and an update on Board Governance policies. The following topics were reviewed and discussed:

- Open & Public Meetings Training
 - Meetings
 - Open Meetings
 - Closed & Emergency Meetings
- Fiduciary Training
 - Fiduciary Duties
 - Who is a Fiduciary?
 - Fiduciary Duty of Prudence
 - Fiduciary Duty of Loyalty
- Board Governance Policies Update

The Board Member Annual Fiduciary Compliance Certificate was distributed to each Board Member for completion and signature. The certificates will be kept on file at the URS Retirement Office.

Mr. Ryan Hessenthaler moved, seconded by Mr. Bill Wallace, to move into Closed Session to discuss confidential pending legal matters. The motion passed unanimously, 7-0.

At 10:47 a.m., Mr. David Damschen moved, seconded by Mr. Larry Evans to move back into Open Session. The motion passed unanimously, 7-0.

Final Motions/Other Business

Order to Dismiss 19-23H

ACTION: Mr. David Damschen moved, seconded by Mr. Bill Wallace, to approve the Order to Dismiss 19-23H as submitted by the adjudicative hearing officer. The motion passed unanimously, 7-0.

Default Judgment on Notice of Board Action 19-21S

ACTION: Mr. Ed Alter moved, seconded by Mr. Ryan Hessenthaler, to approve the Default Judgment on Notice of Board Action 19-21S as submitted by the adjudicative hearing officer. The motion passed unanimously, 7-0.

At 10:48 a.m., Mr. Larry Evans moved, seconded by Mr. David Damschen, to move into Executive Session to discuss fiduciary and confidential information. The motion passed unanimously, 7-0.

Executive Session

The following were present:

- Board Members Present
- Mr. Dan Andersen

Mr. David Damschen moved, seconded by Mr. Ed Alter, to move back into Open Session. The motion passed unanimously, 7-0. The meeting resumed at 12:08 p.m.

BOARD ELECTIONS

During the Executive Session, Mr. Ryan Hessenthaler was elected president and Mr. David Damschen was elected vice president and chairman of the Audit/Risk/Insurance Committee.

Adjournment

Mr. Roger Donohoe moved, seconded by Mr. Ryan Hessenthaler, to adjourn the meeting. The motion passed unanimously, 7-0. The meeting adjourned at 12:09 p.m.

Laura O. Houston, Board President

Daniel D. Andersen, Executive Director