

**MINUTES OF THE
Retirement Board Workshop
September 27-28, 2018, 8:30 a.m., Stein Eriksen Lodge**

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

Excused:

Staff: Mr. Jeff Allen, Shared Services Director
Mr. Daniel Andersen, Executive Director
Mr. Michael Anderson, Sr. Compliance Officer, Investments
Mr. Steve Baker, Operations Director, PEHP
Mr. Dave Bjarnason, Chief Compliance Officer, Investments
Mr. Mark Brown, Business Operations Director, PEHP
Mr. Kevin Catlett, Investment Counsel
Mr. Scott Clayton, Investment Operations Director
Mr. Rob Dolphin, Finance Director
Mr. Dave Hansen, Associate General Counsel, PEHP
Mr. Dee Larsen, General Counsel
Mr. Chet Loftis, PEHP 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

Guests: Mr. James Callahan, Callan Associates
Mr. Steve Harding, Funston Advisory Services LLC
Ms. Anne Heaphy, Callan Associates
Mr. Jay Kloepfer, Callan Associates
Mr. Girard Miller, Funston Advisory Services LLC
Mr. Randy Miller, Funston Advisory Services LLC

Call to Order

President Roger Donohoe called the meeting to order at 8:30 a.m. and welcomed Board members, staff, and guests.

Mr. Ryan Hessenthaler moved, seconded by Mr. Ed Alter, to move into Closed Session to discuss investment and proprietary information. The motion passed unanimously, 7-0.

Mr. Bill Wallace moved, seconded by Mr. David Damschen, to move into Open Session. The motion passed unanimously, 7-0.

Strategic Plan Update

Mr. Dan Andersen reviewed the 2018-2019 Strategic Plan highlighting the AUREUS and MIMS projects.

Discussion on Future Board Certified Rate

Mr. Dan Andersen distributed and reviewed a draft document to the Board on the 110% statutory funding status outlining certain triggers and mechanism for prudently and responsibly lowering the certified rate. Discussion followed.

PEHP Update

PEHP Directors provided an update of the following topics:

Mr. Chet Loftis

- Reorganization
- Medical Membership – 9/2018
- PEHP Medical Risk Pools
- PEHP Dental Risk Pools
- PEHP Long Term Disability
- PEHP Life

Mr. Steve Baker

- Process Improvement & MIMS Rewrite

Mr. Mark Brown

- Treatment Cost Comparison Tool & Cash Back Program

Mr. Travis Tolley

- Medical Cost Trends & Clinical Improvements Efforts

Mr. Chet Loftis

- Strategy & External Affairs

Ms. Laura Houston moved, seconded by Ms. Sheri Nelson, to move into Executive Session to elect board officers. The motion passed unanimously, 6-0. Mr. Bill Wallace was absent for this vote.

EXECUTIVE SESSION

The following were present:

- Board Members Present

BOARD ELECTIONS

During the Executive Session, Ms. Laura Houston was elected president and Mr. Ryan Hessenthaler was elected vice president and chairman of the Audit/Risk Committee.

Mr. David Damschen moved, seconded by Mr. Ryan Hessenthaler, to move into Open Session. The motion passed unanimously, 6-0. Mr. Bill Wallace was absent for this vote.

Ms. Sheri Nelson move, seconded by Ms. Laura Houston, to adjourn the meeting until the morning. The motion passed unanimously, 6-0. Mr. Bill Wallace was absent for this vote. The meeting adjourned at 4:50 p.m. and will readjourn September 28, 2018, at 8:00 a.m.

Call to Order

President Roger Donohoe called the meeting to order at 8:00 a.m. on Friday, September 28, 2018, and welcomed Board members and staff.

Mr. Ryan Hessenthaler moved, seconded by Ms. Laura Houston, to move into Closed Session to discuss investment and pending confidential legal matters. The motion passed unanimously, 5-0. Mr. Bill Wallace and Mr. David Damschen were absent for this vote.

At 8:25 a.m., Ms. Sheri Nelson moved, seconded by Mr. Ryan Hessenthaler to move into Open Session. The motion passed unanimously, 6-0. Mr. Bill Wallace was absent for this vote.

Approval of Minutes

ACTION: Mr. Ryan Hessenthaler moved, seconded by Mr. Ed Alter, to approve the minutes of the August 9, 2018, Administrative Board Meeting. The motion passed unanimously, 6-0. Mr. Bill Wallace was absent for this vote.

ACTION: Ms. Laura Houston moved, seconded by Mr. David Damschen, to approve the minutes of the August 16, 2018, Investment Board Meeting. The motion passed unanimously, 6-0. Mr. Bill Wallace was absent for this vote.

New Employer – Central Wasatch Commission

Mr. Dan Andersen reviewed the application for Central Wasatch Commission to participate in the Public Employees' Retirement System. He stated that all eligibility requirements have been met and recommended approval of the application.

ACTION: Mr. Ed Alter moved, seconded by Mr. Ryan Hessenthaler, to approve Central Wasatch Commission as a member of the Public Employees' Retirement System. The motion passed unanimously, 6-0. Mr. Bill Wallace was absent for this vote.

Variance Report

ACTION: Mr. David Damschen moved, seconded by Ms. Sheri Nelson, to accept the Variance Report as of August 31, 2018. The motion passed unanimously, 6-0. Mr. Bill Wallace was absent for this vote.

Order to Dismiss 18-12H

ACTION: Mr. Ryan Hessenthaler moved, seconded by Ms. Laura Houston, to approve the Order to Dismiss 18-12H as submitted by the adjudicative hearing officer. The motion passed unanimously, 6-0. Mr. Bill Wallace was absent for this vote.

Findings of Fact, Conclusions of Law and Order 16-37H

ACTION: Mr. David Damschen moved, seconded by Mr. Ryan Hessenthaler, to approve the Findings of Fact, Conclusions of Law and Order 16-37H as submitted by the adjudicative hearing officer. The motion passed unanimously, 6-0. Mr. Bill Wallace was absent for this vote.

Consolidated URS/PEHP Annual Budget Report

Mr. Rob Dolphin reviewed the following budget items:

- Overview of budget structure and cost centers
- Review of historical expenses and FTE's
- Review variances between budget and actuals for FY 2018
- Review proposed FY 2019 and 2020 operating budget
- Review proposed FY 2019 and 2020 capital budget
- Review proposed AUREUS multi-year budget
- Board approvals of 2018 FY expenditures, FY 2019 adjusted budget, and FY 2020 preliminary budget

The following motions were made to approve budgets as shown on page 318 of the Board Workshop materials.

ACTION: Mr. Ryan Hessenthaler moved, seconded by Ms. Sheri Nelson, to approve the 2017-2018 actual fiscal year ended expenditures as presented. The motion passed unanimously, 6-0. Mr. Bill Wallace was absent for this vote.

ACTION: Mr. David Damschen moved, seconded by Mr. Ed Alter, to approve the 2018-2019 budget as presented. The motion passed unanimously, 6-0. Mr. Bill Wallace was absent for this vote.

ACTION: Mr. David Damschen moved, seconded by Mr. Ryan Hessenthaler, to approve the 2019-2020 preliminary budget as presented. The motion passed unanimously, 6-0. Mr. Bill Wallace was absent for this vote.

ACTION: Ms. Laura Houston moved, seconded by Mr. Ryan Hessenthaler, to approve the 2017-2018 actual fiscal year ended capital purchases as presented. The motion passed unanimously, 6-0. Mr. Bill Wallace was absent for this vote.

ACTION: Ms. Sheri Nelson moved, seconded by Ms. Laura Houston, to approve the 2018-2019 capital projects budget as presented. The motion passed unanimously, 6-0. Mr. Bill Wallace was absent for this vote.

ACTION: Mr. Ryan Hessenthaler moved, seconded by Ms. Laura Houston, to approve the Preliminary 2019-2020 capital projects budget as presented. The motion passed unanimously, 6-0. Mr. Bill Wallace was absent for this vote.

ACTION: Mr. Ed Alter moved, seconded by Mr. David Damschen, to approve the multi-year AUREUS pension and defined contribution system modernization budget for fiscal years 2019-2023 as presented. The motion passed unanimously, 6-0. Mr. Bill Wallace was absent for this vote.

Annual Fiduciary and Open & Public Meetings Training

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

- Fiduciary Training
 - Fiduciary Duties
 - The Prudent Fiduciary (adapted from the book, ONE OF A KIND! A Practical Guide for 21st Century Public Pension Trustees, by Funston Advisory Services LLC, March 2017)
 - Who is a Fiduciary?
 - Fiduciary Duty Fundamentals
 - Trustee Responsibilities, Core Competencies, and Education
 - Meetings: Preparation & Conduct
 - Casting Votes
 - Proper Board Role
 - Conflicts of Interest
 - Evolution of Investment and Pension Practices
- Open & Public Meetings Training

- Meetings
- Open Meetings
- Closed & Emergency Meetings
- 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.

At 10:46 a.m., Mr. David Damschen moved, seconded by Mr. Ed Alter, to move into Executive Session to discuss fiduciary and confidential information. The motion passed unanimously, 6-0. Mr. Bill Wallace was absent for this vote.

Executive Session

The following were present:

- Board Members Present
- Mr. Dan Andersen

Mr. Ed Alter moved, seconded by Mr. Ryan Hessenthaler, to move back into Open Session. The motion passed unanimously, 6-0. Mr. Bill Wallace was absent for this vote. The meeting resumed at 12:04 p.m.

Adjournment

Mr. Ryan Hessenthaler moved, seconded by Ms. Laura Houston, to adjourn the meeting. The motion passed unanimously, 6-0. Mr. Bill Wallace was absent for this vote. The meeting adjourned at 12:05 p.m.

Roger Donohoe, Board President

Daniel D. Andersen, Executive Director