

NDPERS BOARD MEETING

Agenda

Bismarck Location:

ND Association of Counties

1661 Capitol Way

Fargo Location:

Sanford Health Plan

1749 38th Street South

April 21, 2016

Time: 8:30 AM

I. MINUTES

- A. March 17, 2016

II. RETIREMENT CONSULTANT INTERVIEWS *– Bryan & Sparb (Board Action)

- A. AON Hewitt *
- B. Gabriel Roeder Smith & Company (GRS) *
- C. Segal Consulting *

III. RETIREMENT

- A. BCI Employer Contribution – Sharon (Board Action)
- B. Unclaimed Benefits – MaryJo (Board Action)

IV. GROUP INSURANCE

- A. Quarterly Executive Summary – Sanford
- B. OPEB Request for Proposal – Bryan (Board Action)
- C. Deloitte Contract – Sparb (Board Action)
- D. Health Insurance Renewal
 - 1. General – Sparb (Board Action)
 - 2. Survey – Sparb/Sanford (Board Action)
 - 3. Operational Review – Sparb (Board Action)
- E. Health Update – Rebecca/Sanford (Information)
- F. Tobacco Cessation Program – Kathy (Information)

V. MISCELLANEOUS

- A. Board Planning – Sparb (Board Action)
- B. Website Enhancements and Enrollment Technology – Sparb (Board Action)
- C. Mobile App Update – Sharon (Information)
- D. Website Update – Bryan (Information)
- E. Member Surveys (Flexcomp and Deferred Compensation) – Bryan (Information)
- F. Executive Director Annual Review – Sparb (Board Action)
- G. Audit Committee Minutes and Charter Activity Review – Jamie (Information)
- H. Quarterly Consultant Fees – Derrick (Information)

VI. APPEALS

- A. Deferred Comp Hardship Appeal #303 - Kathy (Board Action)
- B. Health Insurance Appeal #325 - Kathy (Board Action)

*Pursuant to N.D.C.C. § 44-04-19.2(6) sequester all competitors in a competitive selection or hiring process from that portion of a public meeting wherein presentations are heard or interviews are conducted. (Motion is necessary)

Any individual requiring an auxiliary aid or service must contact the NDPERS ADA Coordinator at 328-3900, at least 5 business days before the scheduled meeting.



**North Dakota
Public Employees Retirement System**
400 East Broadway, Suite 505 • Box 1657
Bismarck, North Dakota 58502-1657

Sparb Collins
Executive Director
(701) 328-3900
1-800-803-7377

FAX: (701) 328-3920 • EMAIL: NDPERS-info@nd.gov • www.nd.gov/ndpers

Memorandum

TO: NDPERS Board
FROM: Sharon Schiermeister
DATE: April 12, 2016
SUBJECT: BCI Employer Contribution

Membership in the Law Enforcement with Prior Service retirement plan includes peace officers and correctional officers employed by political subdivisions, peace officers employed by the Bureau of Criminal Investigation (BCI) and security officers employed by the National Guard. The employee and employer contribution rate for each of these groups is as follows:

Employer group	Employee Contribution	Employer Contribution
Political Subdivision	5.5%	9.81%
BCI	6.0%	10.31%
National Guard	5.5%	9.81%

As you can see, the contribution rates for BCI are higher than the rates for the other two groups. Staff is recommending that the rates be consistent for all groups in the plan.

The employee contribution rate is set in statute. The technical bill that was approved at the last board meeting, to be submitted for the 2017 session, includes a section to reduce the employee contribution for the BCI group from 6.0% to 5.5%.

The employer contribution rate is set by the Board. NDCC 54-52-06.4 states "The peace officer's or security officer's employer shall contribute an amount determined by the board to be actuarially required to support the level of benefits specified in section 54-52-17". The last actuarial valuation shows the actuarial required contribution for 2015-2016 to be 9.78%. Therefore, if the BCI rate was changed to 9.81% to be consistent with the other groups, it would be sufficient to cover the actuarial rate.

We asked Segal for their assessment of the proposed changes and received the following response:

The recommended employer contribution for the Law Enforcement with Prior Service group was 9.78% of payroll as of July 1, 2015. As such, even if the BCI employer rate is reduced from 10.31% to 9.81%, there should still be a slight margin overall. Since it is intended for the BCI member rate to also be reduced to match the non-BCI rate (from 6% to 5.5%), the employer normal cost component of the recommended contribution amount will increase a bit. However, since only 42 of the 318 actives in the whole group are BCI employees, a change in the BCI contribution rates will not have a material impact on the plan's funded status.

Staff is recommending that the employer contribution rate for BCI be set at 9.81% effective July 1, 2016.

Board Action Requested: Set the employer contribution rate for BCI.



**North Dakota
Public Employees Retirement System**
400 East Broadway, Suite 505 • Box 1657
Bismarck, North Dakota 58502-1657

Sparb Collins
Executive Director
(701) 328-3900
1-800-803-7377

FAX: (701) 328-3920 • EMAIL: NDPERS-info@nd.gov • www.nd.gov/ndpers

Memorandum

TO: NDPERS Board
FROM: MaryJo
DATE: April 12, 2016
SUBJECT: Unclaimed Benefits

NDPERS has unclaimed retirement benefits for members who do not have a current address on file. Following are scenarios that have caused this issue:

Scenario 1 – “undeliverable”

A retiree check may be printed and mailed each month but returned to NDPERS as undeliverable mail. In some cases, a member is due a refund but may have moved after separating from employment. It is NDPERS policy to issue auto refunds to non-vested members with account balances under \$1,000, unless the member requests differently. If NDPERS does not have a valid address or phone number, members cannot be reached and notified they have unclaimed benefits or an uncashed check.

Scenario 2- “beneficiary information unknown”

NDPERS has no valid address or phone number and, therefore, no way of contacting the beneficiary.

NDPERS Administrative Rule 71-02-04-03 states:

Benefits must be sent to the member’s last-known address. If the benefit checks are returned with no forwarding information, the benefits will remain in the fund, and will be distributed in a lump sum retroactive to the required beginning date upon location of the member.

Currently, NDPERS has staff members that research member files and online websites for leads on how members/beneficiaries can be reached to claim any benefits that may be due to them. In some cases, NDPERS is able to contact the former member’s previous employer to provide forwarding information. In cases where an associated family member or beneficiary can be reached, NDPERS provides notification that an address and phone number update is required so we can reach the member/beneficiary. If we are able to connect with a member/beneficiary, NDPERS requires verification steps for identification and provides the paperwork needed to update the member’s contact information.

According to NDCC 54-52-26 (10), NDPERS does have the option of publishing names of members we have been unable to locate in the NDPERS newsletter. Staff is requesting the Board's consideration to initiate this option.

NDCC 54-52-26(10). Confidentiality of records states:

All records relating to the retirement benefits of a member or a beneficiary under this chapter, chapter 54-52.2, and chapter 54-52.6 are confidential and are not public records. Information and records may be disclosed, under rules adopted by the board to.....
.....The general public, but only after the board has been unable to locate the member for a period in excess of two years, and limited to the member's name and the fact that the board has been unable to locate the member.

In addition to our current procedures, NDPERS would like to be more proactive in trying to reach members or beneficiaries that may have unclaimed benefits. With the NDPERS website revision, NDPERS would like an unclaimed benefits database feature. This enhancement will allow members/beneficiaries to initiate a confidential search of NDPERS unclaimed benefit records by entering specific member/beneficiary information.

Board Action:

- Approve publishing names of missing members in the NDPERS newsletter
- Approve exploring options for an unclaimed benefits database feature on the NDPERS website as a resource for members/beneficiaries with unclaimed benefits.

NDPERS staff will be at the meeting to answer any questions.



**North Dakota
Public Employees Retirement System**
400 East Broadway, Suite 505 • Box 1657
Bismarck, North Dakota 58502-1657

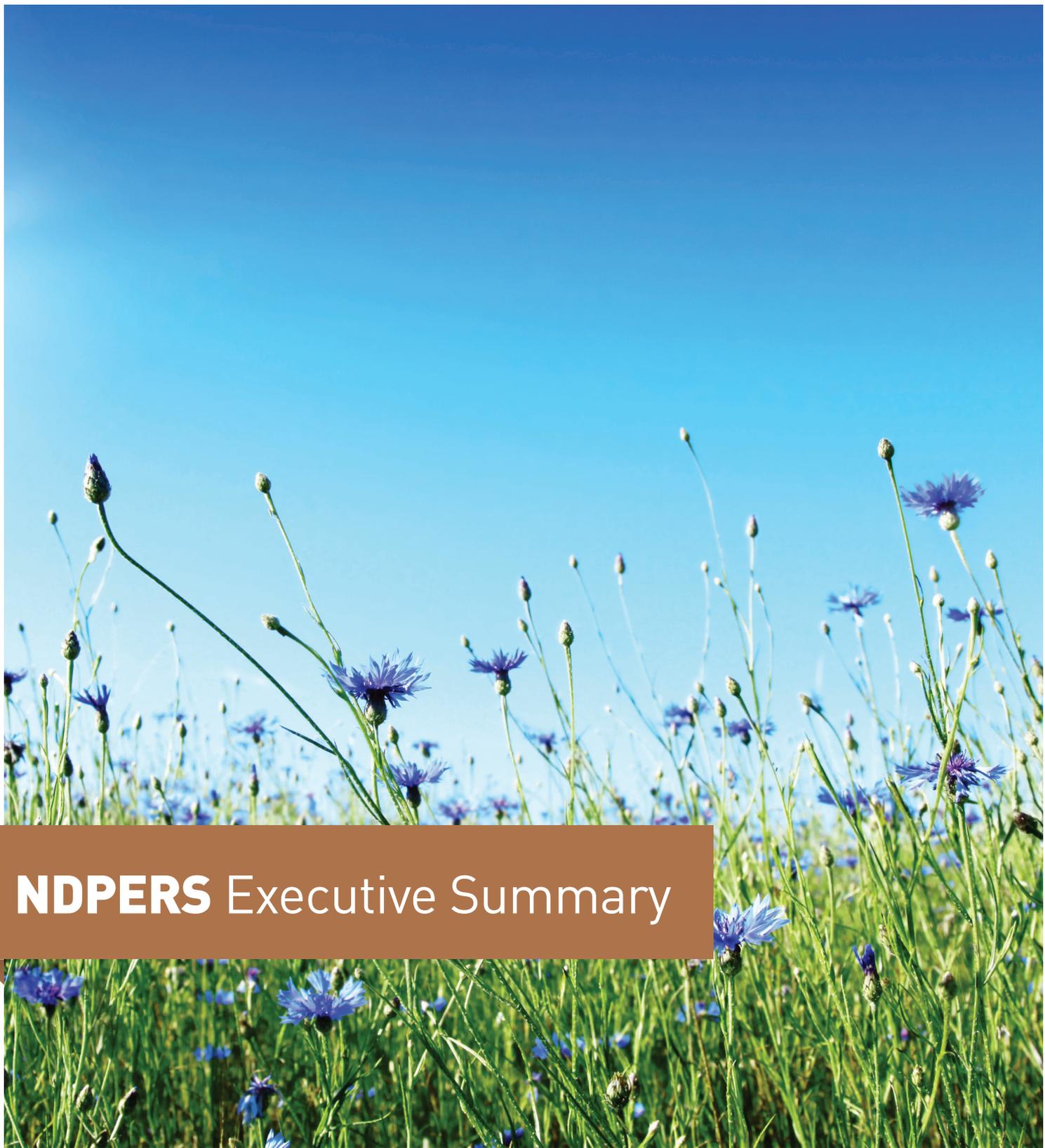
Sparb Collins
Executive Director
(701) 328-3900
1-800-803-7377

FAX: (701) 328-3920 • EMAIL: NDPERS-info@nd.gov • www.nd.gov/ndpers

Memorandum

TO: PERS Board
FROM: Sparb
DATE: April 11, 2016
SUBJECT: Quarterly Executive Summary

Representatives from Sanford Health Plan will be present their report to the Board.
Attached is a copy of their presentation.



NDPERS Executive Summary

Quarter 4 | 2015

Presented April 2016



**North Dakota
Public Employees
Retirement System**
Dakota Plan Health Benefits



CONTENTS

3

Summary

5

Claims Analysis

7

Membership & Utilization

9

High Dollar Cases

11

Prescription Drugs

14

Dakota Wellness Program

18

Tobacco Cessation Program

19

Performance Standards & Guarantees

ANNUAL MEMBERSHIP SUMMARY

Stable year over year growth:

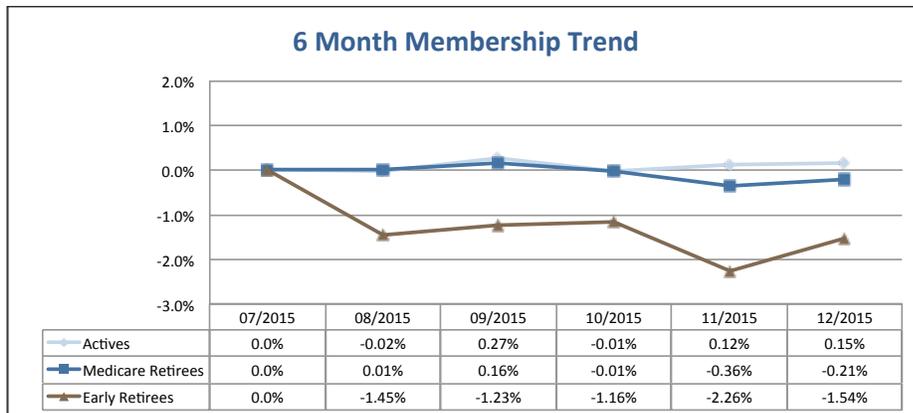
ACTIVES > **+0.3%**
 EARLY RETIREES > **-4.4%**
 MEDICARE RETIREES > **-0.2%**

MEMBERSHIP COMPARISON		
	Q3 2015	Q4 2015
Actives	56,818	56,981
Early Retirees	1,224	1,170
Medicare Retirees	8,692	8,674

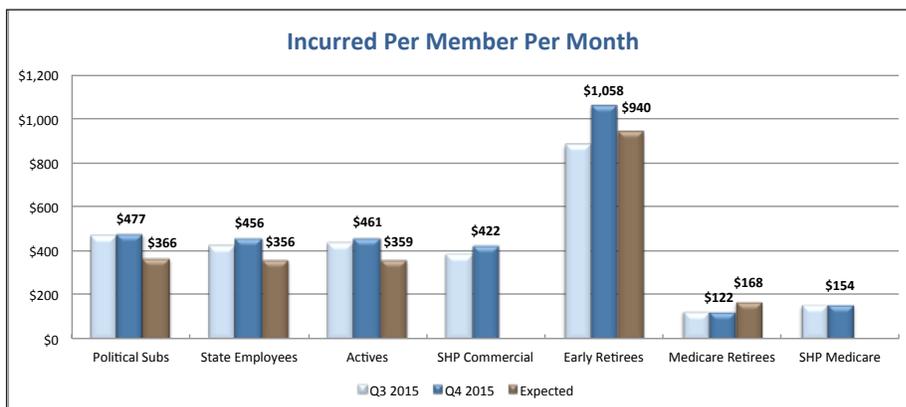
MEMBERSHIP TREND

LARGEST MEMBERSHIP INCREASE > **+0.27%**
 LARGEST MEMBERSHIP DECLINE > **-2.26%**

Actives, September 2015 Early Retirees, November 2015



PMPM SUMMARY



*** Incurred between July 1, 2015 and Dec. 31, 2015 and paid through Feb. 29, 2016.

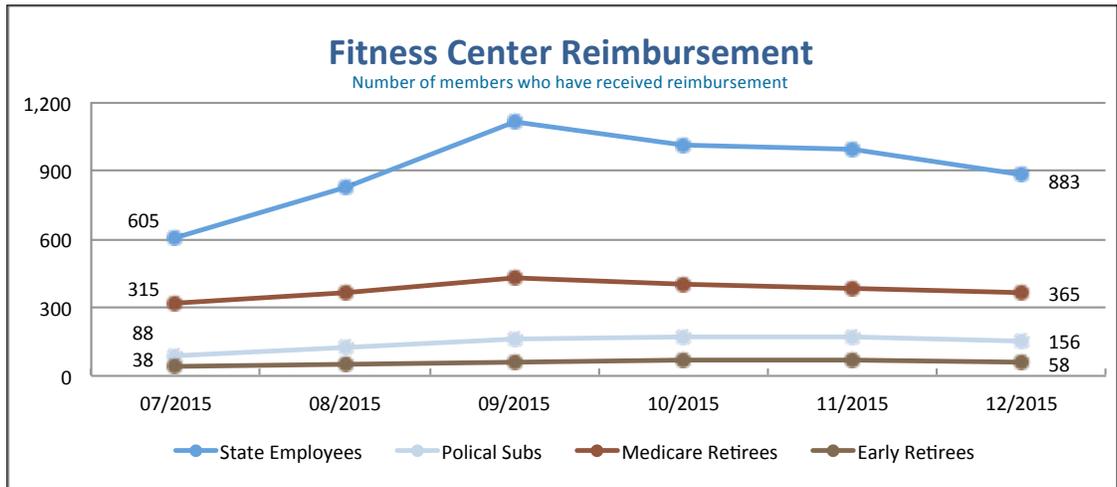
Includes IBNR for July through December, as of Feb. 29, 2016.

** Historically, 98% of claims will be accounted for within 90 days of the effective date.

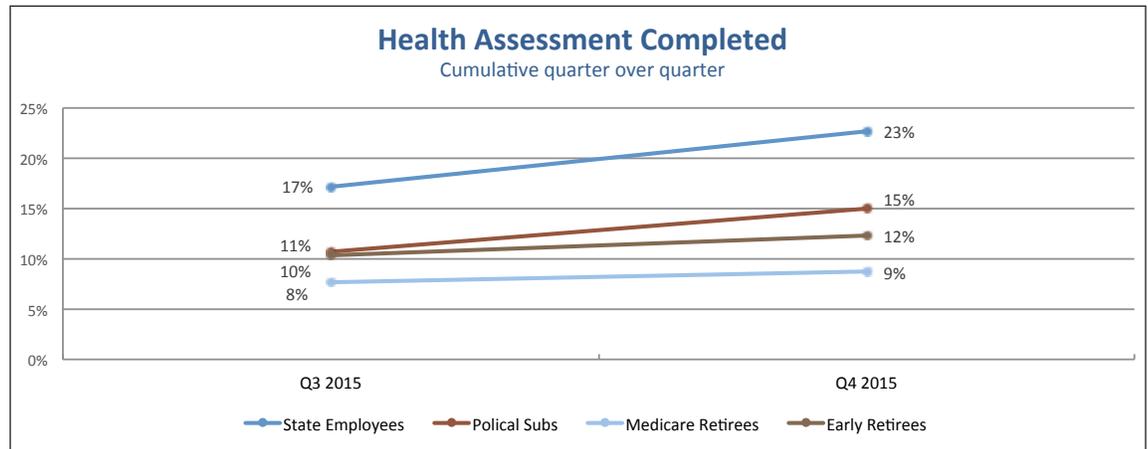
*Medicare Retirees PMPM excludes prescription drug coverage (Medicare Part D).

Summary

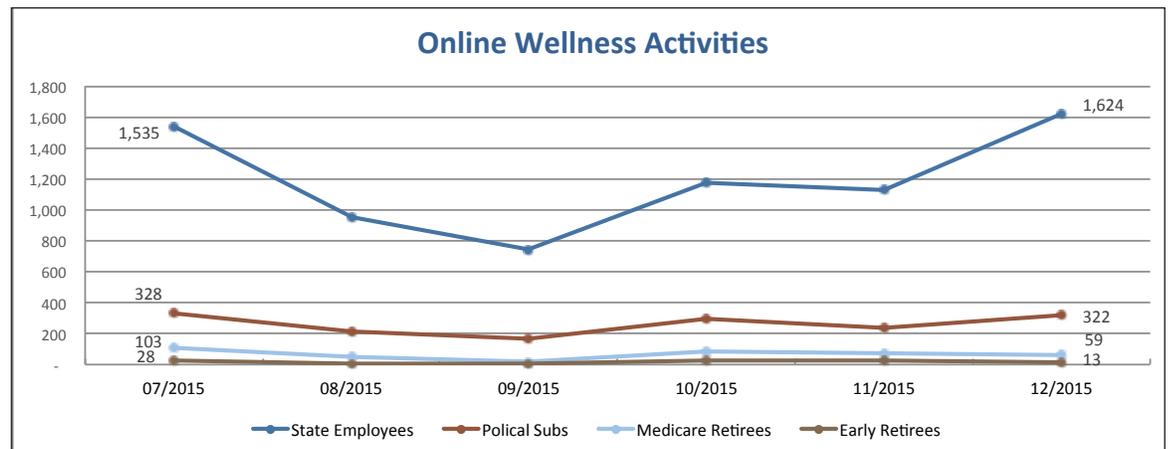
FITNESS CENTER REIMBURSEMENT



HEALTH ASSESSMENT

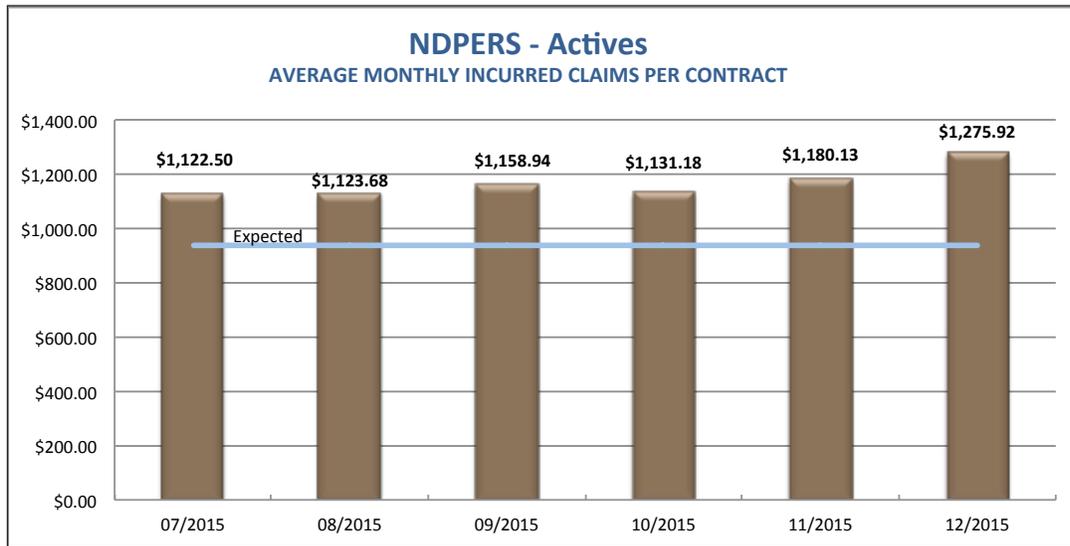


ONLINE WELLNESS ACTIVITIES



PAID CLAIMS PER CONTRACT

Claims Analysis



*** Incurred between July 1, 2015 and Dec. 31, 2015 and paid through Feb. 29, 2016.

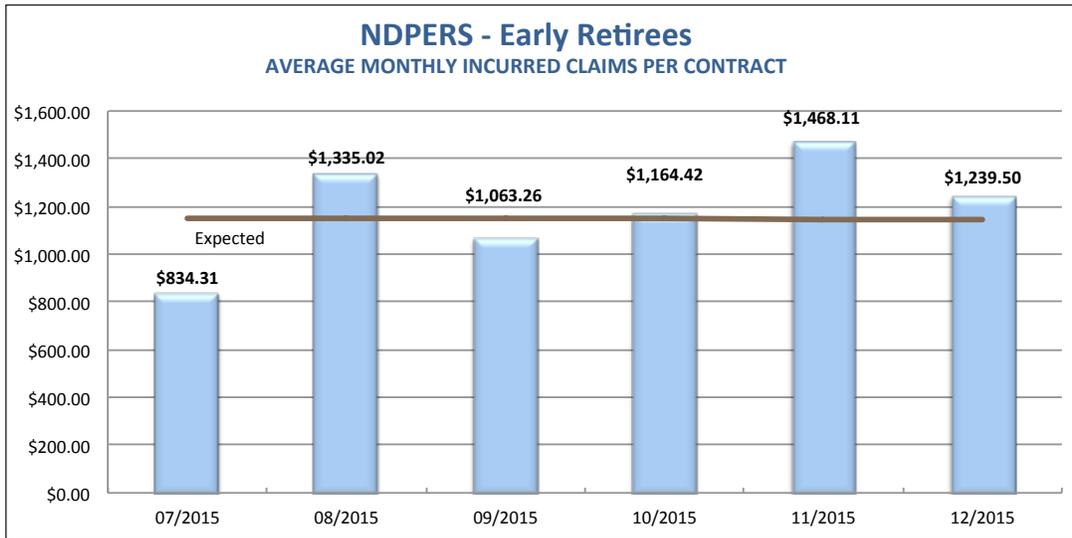
Includes IBNR for July through December, as of Feb. 29, 2016.

** Historically, 98% of claims will be accounted for within 90 days of the effective date.

*NDPERS Active contracts have approximately 2.59 members per contract.

Claims Analysis

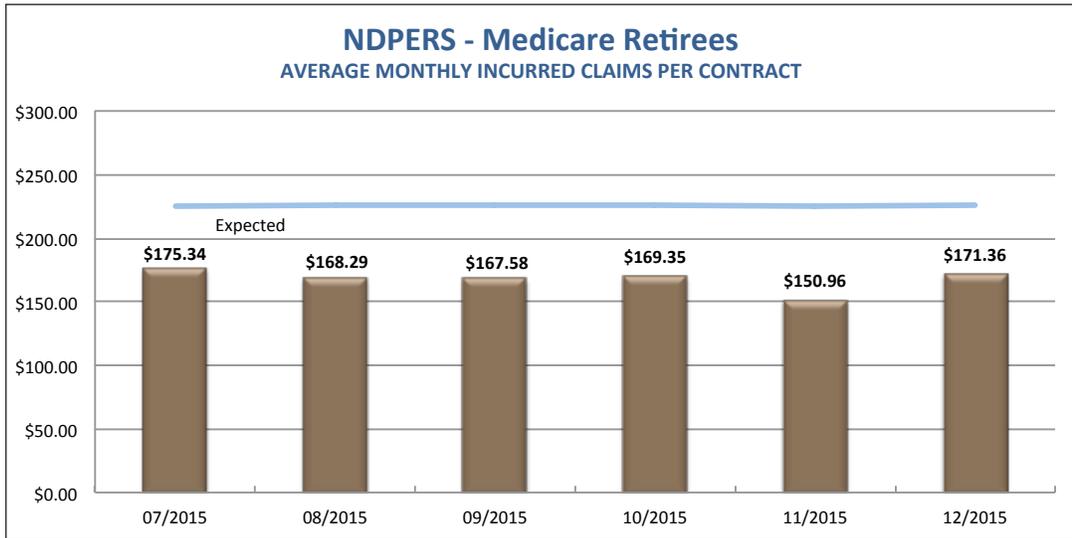
PAID CLAIMS PER CONTRACT



*** Incurred between July 1, 2015 and Dec. 31, 2015 and paid through Feb. 29, 2016. Includes IBNR for July through December, as of Feb. 29, 2016.

** Historically, 98% of claims will be accounted for within 90 days of the effective date.

*NDPERS Active contracts have approximately 1.22 members per contract.



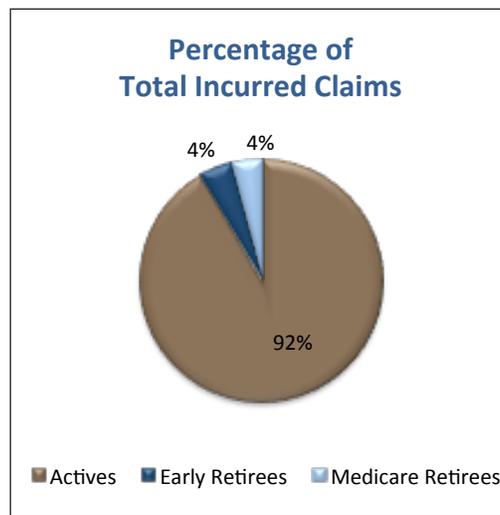
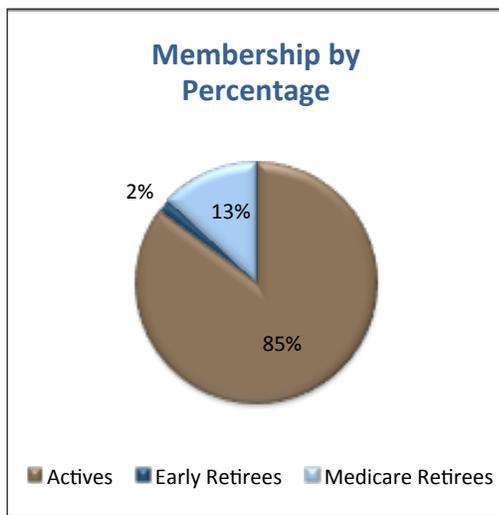
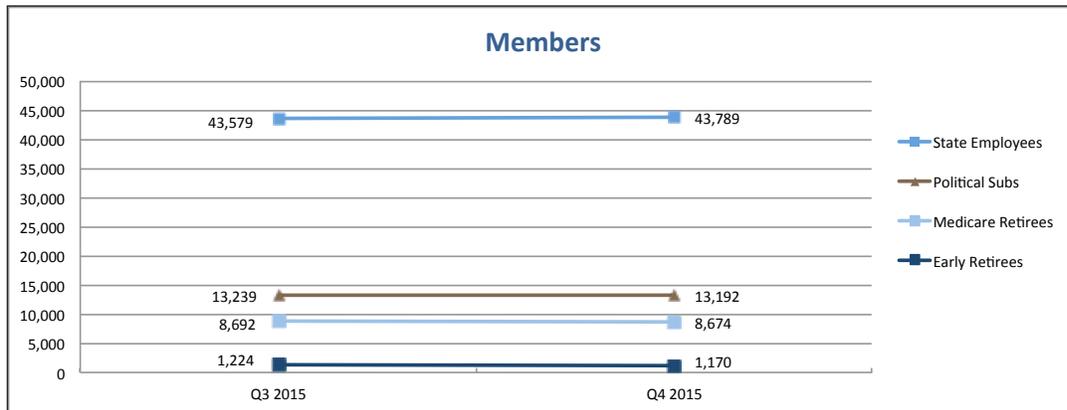
*** Incurred between July 1, 2015 and Dec. 31, 2015 and paid through Feb. 29, 2016.

Includes IBNR for July through December, as of Feb. 29, 2016.

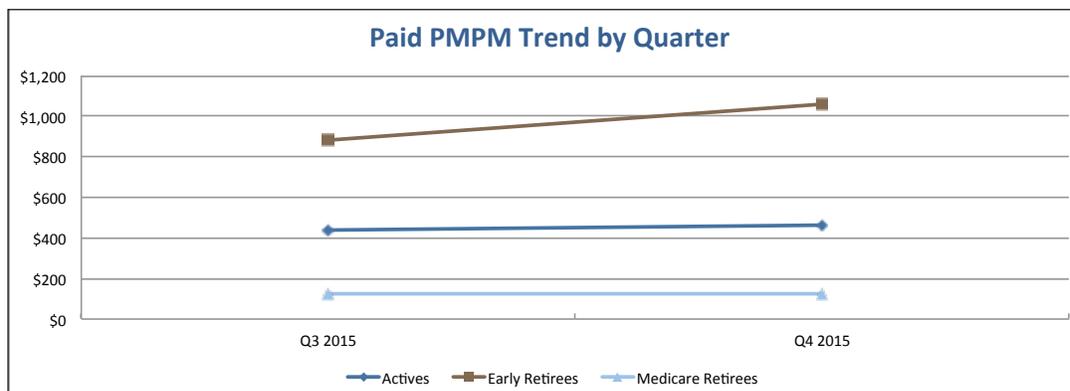
** Historically, 98% of claims will be accounted for within 90 days of the effective date.

*NDPERS Active contracts have approximately 1.34 members per contract.

MEMBERSHIP PERCENTAGE



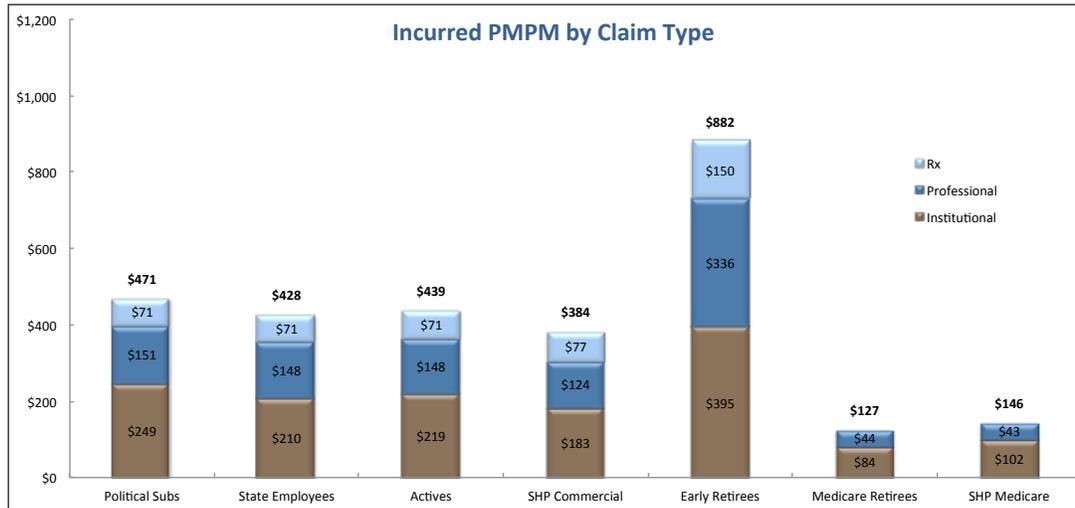
PMPM BY CLAIM TYPE, BY QUARTER



*** Incurred between July 1, 2015 and Dec. 31, 2015 and paid through Feb. 29, 2016.
Includes IBNR for July through December, as of Feb. 29, 2016.

Membership
& Utilization

PMPM BY CLAIM TYPE



*** Incurred between July 1, 2015 and Dec. 31, 2015 and paid through Feb. 29, 2016.
Includes IBNR for July through December, as of Feb. 29, 2016.

MEMBER RISK PROFILE & UTILIZATION

	State Emps	Political Subs	Early Retirees	SHP Commercial
Average Age	35.12	34.80	60.12	33.74
% Male (Current)	49.16	49.72	32.28	45.10
Average Risk Score	1.23	1.28	2.45	1.19
Average Care Gap Index	0.24	0.28	0.30	1.19
Inpatient Days Per 1000	255	311	368	276
Total Admissions Per 1000	60	71	65	70
ER Visits Per 1000	207	239	173	159
Total Office Visits Per 1000	4,052	3,724	5,658	3,992
Pharmacy Scripts Per 1000	8,611	9,065	18,534	10,031

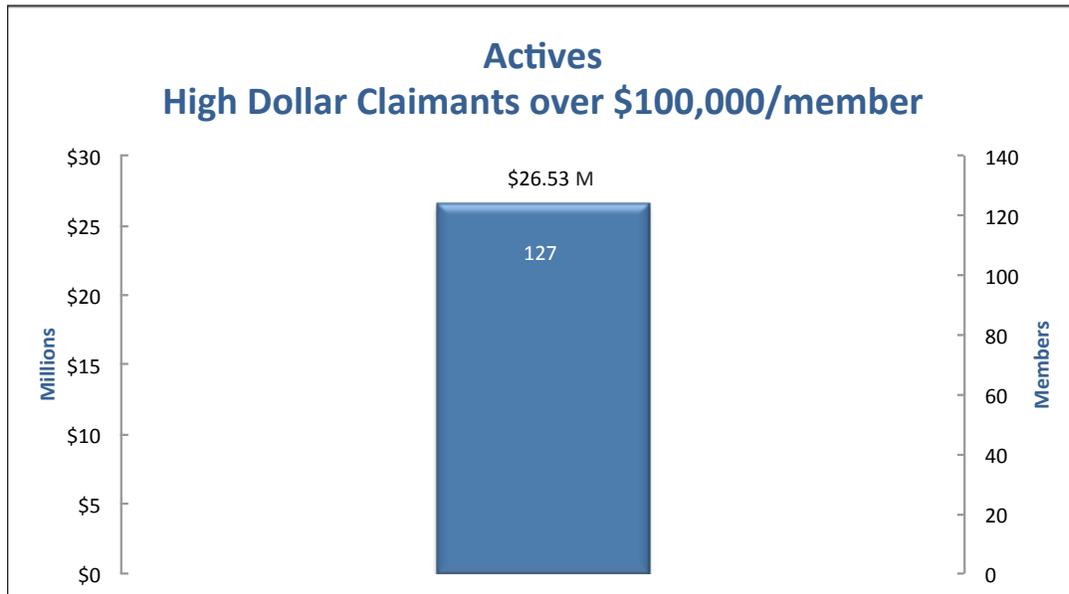
*** Incurred between July 1, 2015 and Dec. 31, 2015 and paid through Feb. 29, 2016.
Includes IBNR for July through December, as of Feb. 29, 2016.

**All data was Normalized using Verisk's methodologies and algorithms.

NDPERS includes Political Subdivisions, Pre-Medicare Retirees and State Employees.

ACTIVES

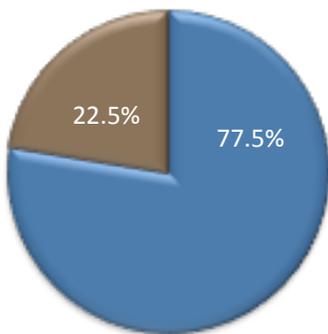
High Dollar Cases



*** Incurred between July 1, 2015 and Dec. 31, 2015 and paid through Feb. 29, 2016.

Q3 & Q4 2015 as a % of Total Medical Payments

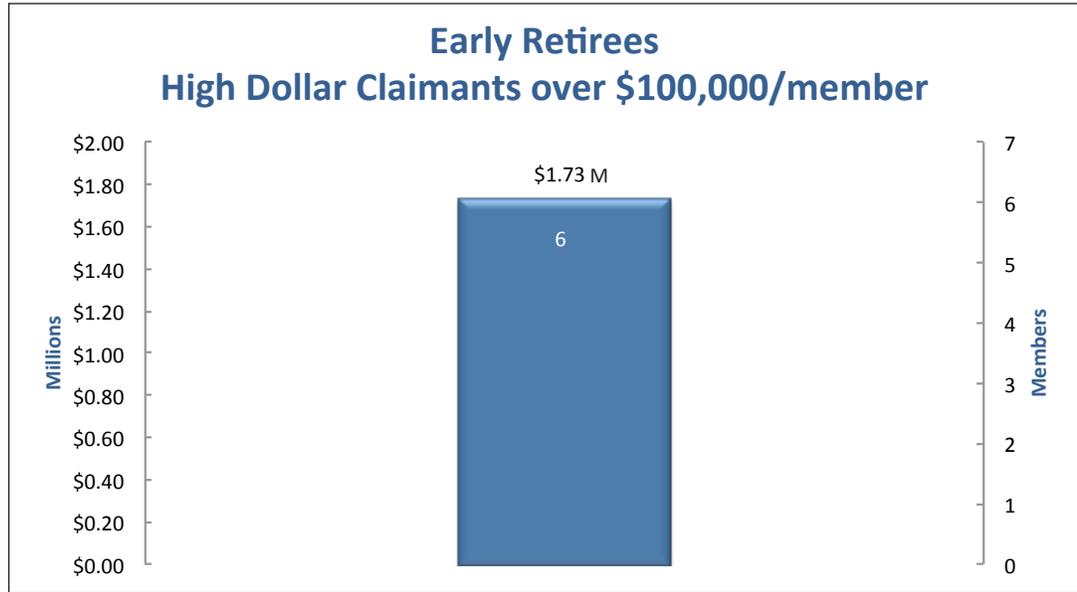
■ Non High \$ Pay ■ High Dollar Pay



Avg. Paid/Case	\$208,923
% of Total Payments	22.5%

High Dollar Cases

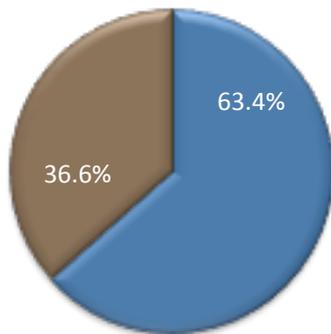
EARLY RETIREES



*** Incurred between July 1, 2015 and Dec. 31, 2015 and paid through Feb. 29, 2016.

**Q3 & Q4 2015
as a % of Total
Medical Payments**

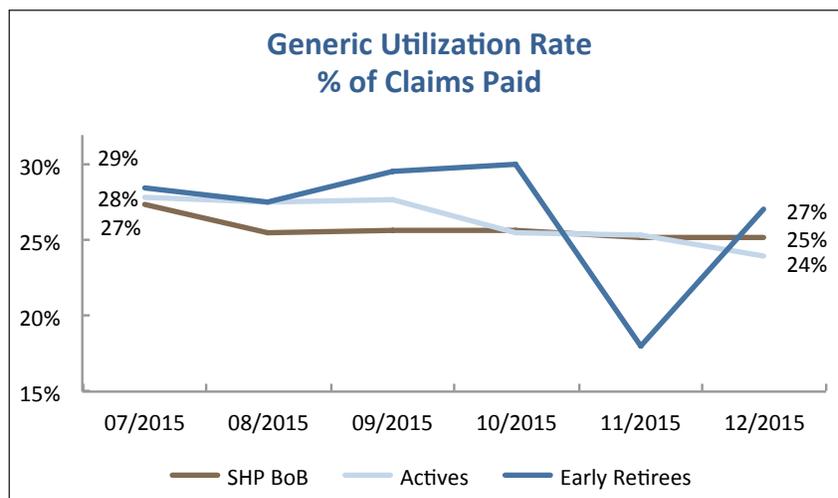
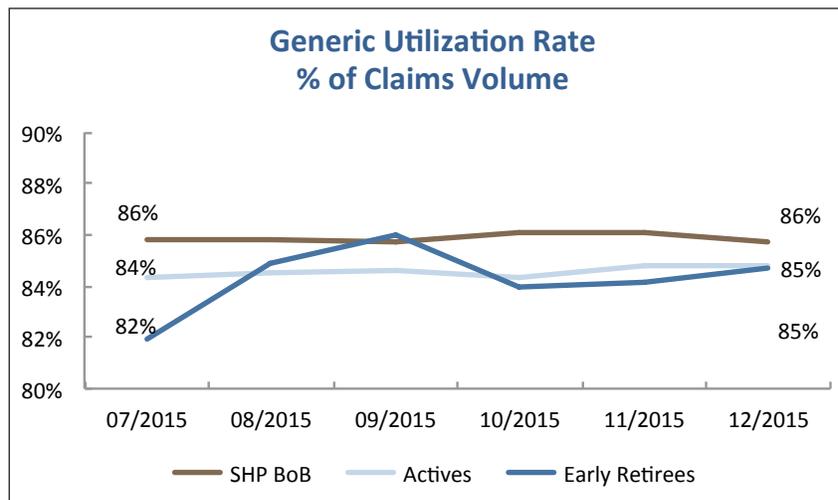
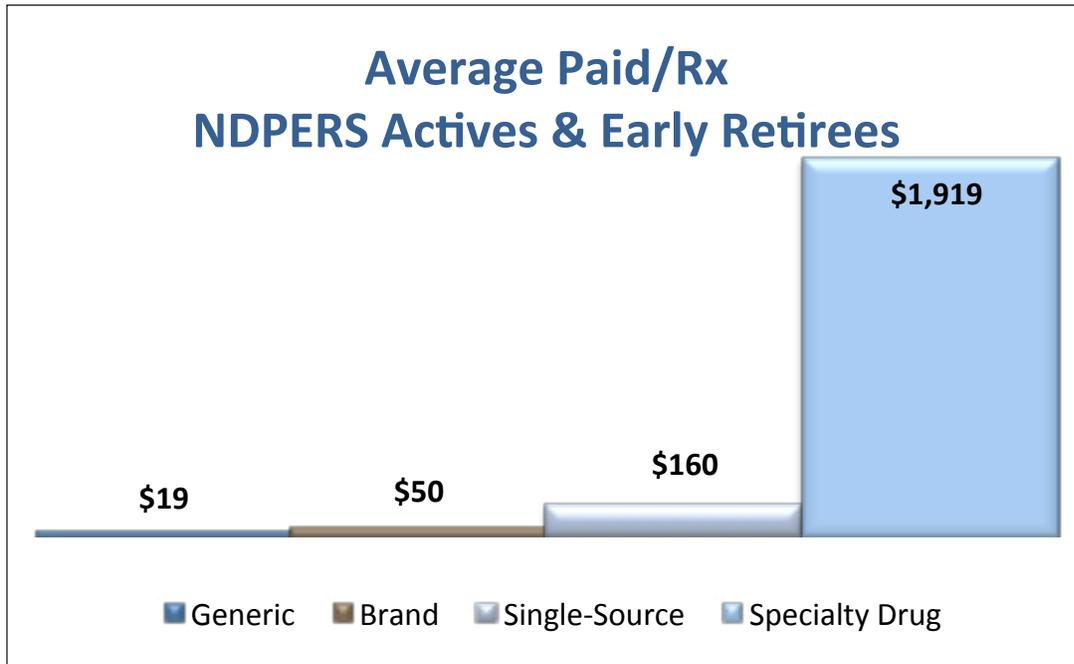
■ Non High \$ Pay ■ High Dollar Pay



Avg. Paid/Case	\$288,975
% of Total Payments	36.6%

GENERIC UTILIZATION

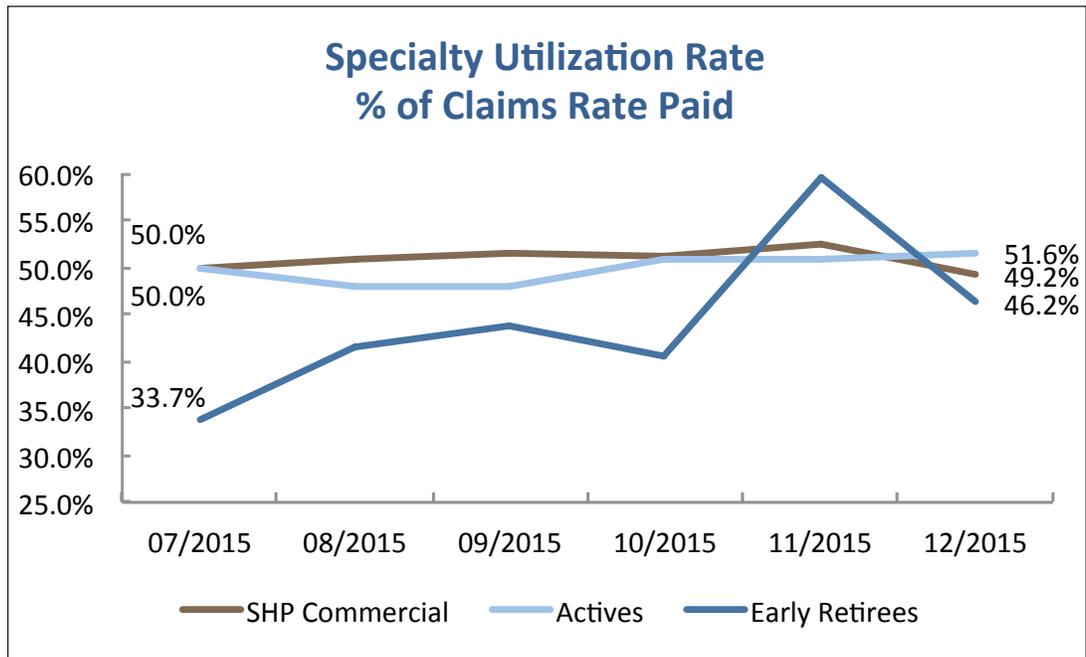
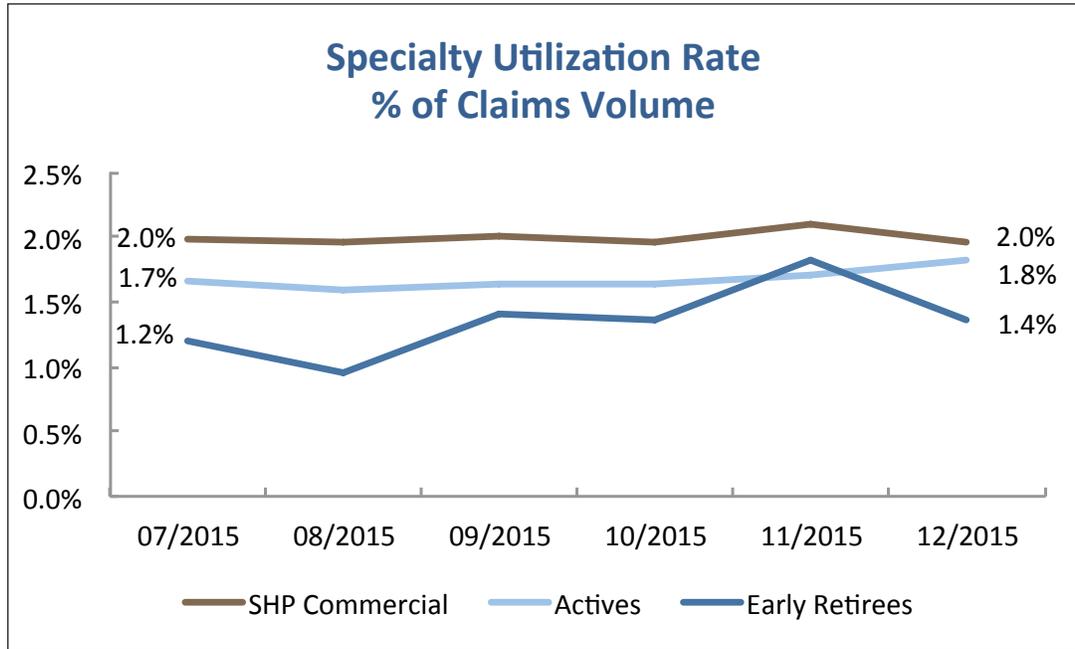
Prescription
Drugs



*Incurred between July 1, 2015 and Dec. 31, 2015 and paid through Feb. 29, 2016.

Prescription
Drugs

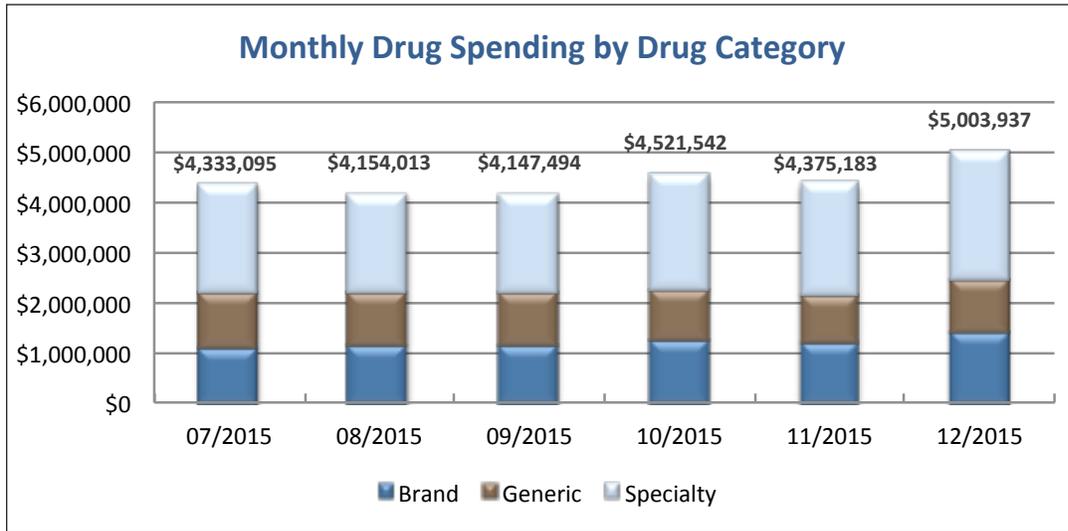
SPECIALTY PHARMACY



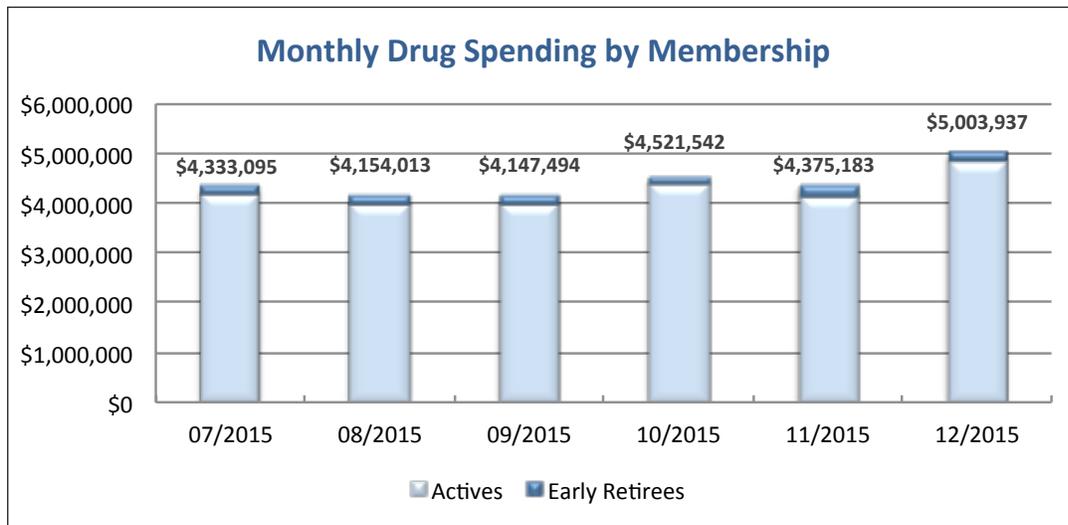
*Incurred between July 1, 2015 and Dec. 31, 2015 and paid through Feb. 29, 2016.

PHARMACY

Prescription
Drugs



*Incurred between July 1, 2015 and Dec. 31, 2015 and paid through Feb. 29, 2015.



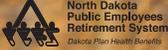
*Incurred between July 1, 2015 and Dec. 31, 2015 and paid through Feb. 29, 2016.

Dakota Wellness Program

MONTHLY WELLNESS THEMES

Monthly themes keep the wellness program fresh throughout the year and keeps members engaged in their individual wellness pursuit. Newsletters, e-blasts and worksite posters are used to introduce themes.

Dakota Wellness Program




ENGAGING IN YOUR HEALTH

My health tools

- Establish a relationship with a primary care physician
- Ask questions during health care visits and procedures – view questions to consider discussing at your appointments at ahrq.gov/questions
- Find medication, health and disease information in the bWell Health Management Tool including: the Medicine Cabinet, Medical Library and Symptom Checker

My health access

- Use primary or acute care first
- Search for providers in your geographical area in the Provider Directories located at sanfordhealthplan.com/ndpers
- Learn your health insurance benefits, including coverage, deductibles and co-pays

The value of health is not often realized until it is lost.

Take an active approach and put your health on the top of your to do list. Call Sanford Health Plan at (701) 751-4125 or (800) 499-3416 for information about your health insurance benefits, preventive screenings and finding a doctor.

My health facts

- Complete annual exams and preventive screenings
- Complete the bWell Health Assessment
- Learn your family health history

Dakota Wellness Program




BUILD YOUR GRATITUDE MUSCLE

People who regularly practice grateful thinking are found to feel happier, have more energy, sleep better and have stronger immune systems.

Practice grateful living every day

- Just before bed think, write or record one thing you were grateful for today.
- Reprogram your mind by identifying one positive aspect of a bad situation.
- Send a handwritten thank you note to a co-worker that has helped you out in the last month.

Wellness Activities

Monthly Book Club: *Thanks!: How Practicing Gratitude Can Make You Happier* by Robert Emmons

November Activity: Holiday Spending Worksheet and Record Acts of Gratitude

Webinar: Financial Fitness



Dakota Wellness Program




Evidence-based techniques for brain training include meditation, coloring, laughing or humor, brain games and challenges.

Retrain your brain

Have you ever wanted to hit a re-start button when you are sick, tired, or stressed? Discoveries in neuroscience and psychology show that brain games, positive thinking, and relaxation techniques can help train your brain to stress less and feel better.

Brain game

- Stand up or sit up straight in a chair.
- Move your right hand towards left knee and lift left knee to tap. Switch sides and tap your right knee with your left hand. Get comfortable with the motion.
- Then, while one hand touches the opposite knee, say "A." Switch sides and start by counting "1." Switch sides again and say "B" and switch sides again to say "2."
- Proceed through the alphabet while touching opposite hand to knee and switching. (ex: Count- "A, 1, B, 2, C, 3...")

Wellness Activities

Monthly Book Club: *Thrive: The Third Metric to Redefining Success and Creating a Life of Well-Being, Wisdom, and Wonder* by Arianna Huffington

December Activity: Sources of stress worksheet

Webinar: Vinyasa Yoga for Flexibility, Strength and Relaxation

Web Tool: App—Calm or calm.com

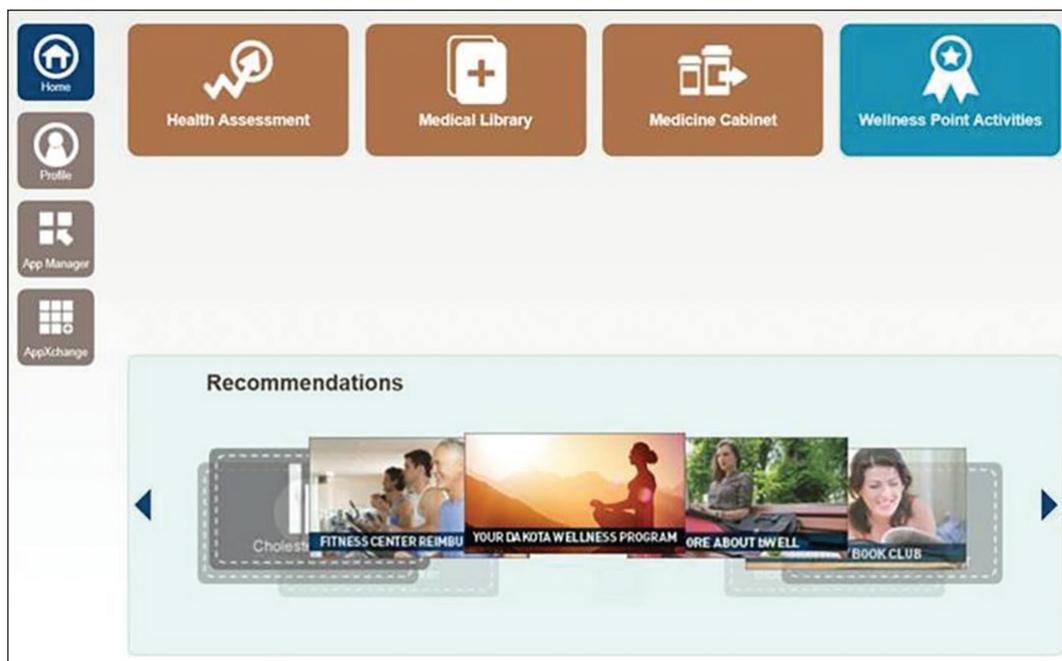


ONLINE PLATFORM

The bWell platform showcases the monthly themes along with featured monthly activities. Members can earn their wellness benefit through one or more the following three options:

1. **At work:** Participating in worksite activities and programs.
2. **Online:** Through the bWell portal.
3. **At the gym:** Using the Fitness Center Reimbursement Program.

Dakota
Wellness
Program



Dakota
Wellness
Program

TOP 10 WELLNESS ACTIVITIES

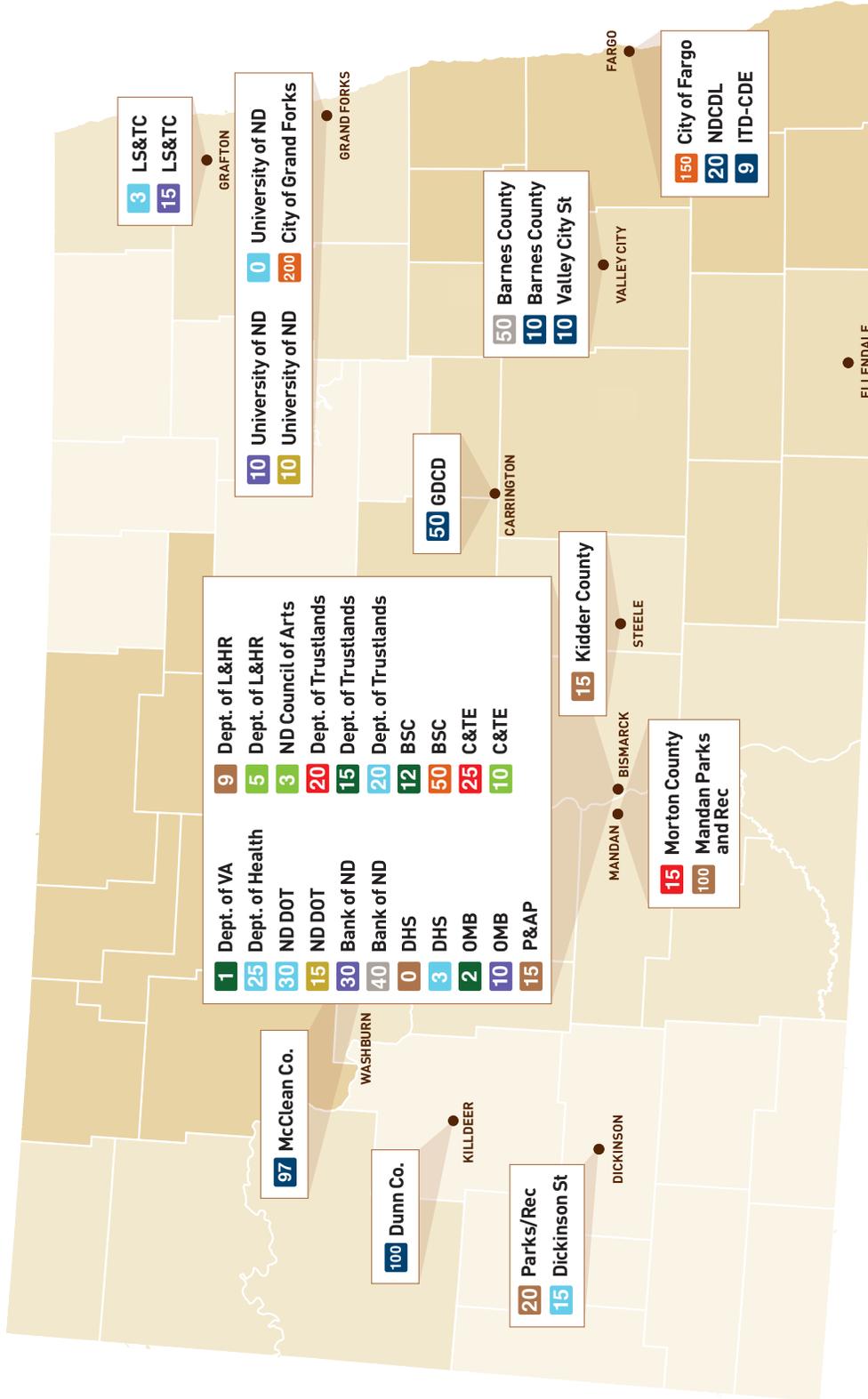
These are the top 10 online bWell activities that were selected and completed by NDPERS members.



EVENT ATTENDANCE BY AGENCY

The Sanford Health Plan NDPERS wellness team engages members both offline and online. Wellness educators travel across the state to support agency wellness coordinators and provide worksite education and activities. This map shows where they've been over the last quarter.

Dakota Wellness Program



Attended

Mindful Eating

Health Fair / COSE Health Fair

No Gym No Problem

bWell Overview

Maintain Don't Gain Challenge

Stress Management

MISC

Preventative Health

Gratitude

Sitting Disease

Tobacco Cessation Program

DECEMBER MEMBER MAILING

QUIT
TOBACCO TODAY.
YOUR SUPPORT IS HERE.

CALL IT QUILTS... WITH OUR HELP.
It's time to break your tobacco habit for good. And your membership in NDPERS means you don't have to do it alone.

The Tobacco Cessation Program includes financial assistance toward office visits and medication to help you quit – all without the worries of out-of-pocket costs*. Just use your Benny card to pay for visits and medications at the time of service.

Call (877) 737-7730 and take the first step to tobacco freedom.

Visit sanfordhealthplan.com/NDPERS for program details

*Every six months, the program pays up to \$700 in office visit and medication related expenses.




The North Dakota Public Employees Retirement System received a grant to help all covered employees, and their covered dependents who are 18 and older, quit smoking or chewing tobacco. Eligible employees include current employees of the state of North Dakota, the North Dakota University system, district health units and Garrison Diversion Conservation Districts. The grant pays for up to \$700 every six months for approved tobacco cessation counseling, medications, health care provider visits and supplies. This program is administered by Sanford Health Plan.

QUIT
TOBACCO TODAY.
YOUR SUPPORT IS HERE.

CALL IT QUILTS... WITH OUR HELP.
It's time to break your tobacco habit for good. And your membership in NDPERS means you don't have to do it alone.

The Tobacco Cessation Program includes financial assistance toward office visits and medication to help you quit – all without the worries of out-of-pocket costs*. Just use your Benny card to pay for visits and medications at the time of service.

Call (877) 737-7730 and take the first step to tobacco freedom.

Visit sanfordhealthplan.com/NDPERS for program details

*Every six months, the program pays up to \$700 in office visit and medication related expenses.




The North Dakota Public Employees Retirement System received a grant to help all covered employees, and their covered dependents who are 18 and older, quit smoking or chewing tobacco. Eligible employees include current employees of the state of North Dakota, the North Dakota University system, district health units and Garrison Diversion Conservation Districts. The grant pays for up to \$700 every six months for approved tobacco cessation counseling, medications, health care provider visits and supplies. This program is administered by Sanford Health Plan.

QUIT
TOBACCO TODAY.
YOUR SUPPORT IS HERE.

CALL IT QUILTS... WITH OUR HELP.
It's time to break your tobacco habit for good. And your membership in NDPERS means you don't have to do it alone.

The Tobacco Cessation Program includes financial assistance toward office visits and medication to help you quit – all without the worries of out-of-pocket costs*. Just use your Benny card to pay for visits and medications at the time of service.

Call (877) 737-7730 and take the first step to tobacco freedom.

Visit sanfordhealthplan.com/NDPERS for program details

*Every six months, the program pays up to \$700 in office visit and medication related expenses.



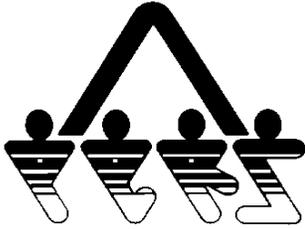

The North Dakota Public Employees Retirement System received a grant to help all covered employees, and their covered dependents who are 18 and older, quit smoking or chewing tobacco. Eligible employees include current employees of the state of North Dakota, the North Dakota University system, district health units and Garrison Diversion Conservation Districts. The grant pays for up to \$700 every six months for approved tobacco cessation counseling, medications, health care provider visits and supplies. This program is administered by Sanford Health Plan.

MEASURE	GOAL	OUTCOME REPORTING DATES	OUTCOME
COST MANAGEMENT:			
Health Risk Assessment	10%	Dec. 31, 2015	17.9%
HEALTH OUTCOMES:			
Medical Home Enrollment	30%	July 1, 2016	-
Breast Cancer Screening Rates	80%	June 30, 2017	-
Cervical Cancer Screening Rates	85%	June 30, 2017	-
Colorectal Cancer Screening Rates	60%	June 30, 2017	-
PROVIDER NETWORK/CONTRACTING:			
NDPERS PPO network - in-state hospitals, MDs and DOs that participate in the Company's Par Network.	Hospital = 85% MDs & DOs = 85%	Dec. 31, 2015	Hospital = 94% MDs & DOs = 87%
Minimum provider discount from in-network providers	30% for Non-Medicare contracts	June 30, 2017	-
Claims Financial Accuracy	99%	June 30, 2017	-
Claims Payment Incidence Accuracy	97%	June 30, 2017	-
Claim Timeliness	99%	June 30, 2017	-
Average Speed of Answer	45 seconds	June 30, 2017	-
Call Abandoned Rate	7% or less	June 30, 2017	-
ANCILLARY ITEMS:			
The interest rate utilized currently is based on the US Treasury Notes quoted by the Wall Street Journal	verification	June 30, 2017	-
Rx rebates passed-through to NDPERS	100%	June 30, 2017	-
HRA WELLNESS SCORE:			
HRA Wellness Score	5% point increase	Dec. 31, 2016	-
bWell Participation	10%	Dec. 31, 2015	10.8%
Health Club Credit	Goal = 1,950	July 1, 2016	-



North Dakota
Public Employees
Retirement System
Dakota Plan Health Benefits

SANFORD[®]
HEALTH PLAN



**North Dakota
Public Employees Retirement System**
400 East Broadway, Suite 505 • Box 1657
Bismarck, North Dakota 58502-1657

Sparb Collins
Executive Director
(701) 328-3900
1-800-803-7377

FAX: (701) 328-3920 • EMAIL: NDPERS-info@nd.gov • www.nd.gov/ndpers

Memorandum

TO: PERS Board
FROM: Bryan & Sparb
DATE: April 21, 2016
SUBJECT: OPEB Valuation RFP

The Request for Proposal to conduct the actuarial valuation of the NDPERS other post employment benefits (OPEB) was issued on February 17. This effort is to satisfy the requirement for the Governmental Accounting Standards Board statement 45 for fiscal years ending June 30, 2016 and June 30, 2017. The following is a timeline of activities for this RFP:

February 17, 2016	RFP for consultant services issued
February 29, 2016	Questions to RFP due 5:00 p.m.
March 4, 2016	Responses to questions posted to NDPERS web site
March 11, 2016	Consultant proposals due at NDPERS office no later than 5:00 p.m. Central Standard Time.
March 17, 2016	NDPERS Board Meeting
April 21, 2016	NDPERS Board selects consultant no later than this date

The due dates for deliverables on this project are:

May 31, 2016	Draft of OPEB valuation report to NDPERS
June 16, 2016	Present draft OPEB valuation report to NDPERS Board
July 1, 2016	Final OPEB valuation report due

The RFP is attached. We received two responses to the RFP and they can be viewed on the website. Instructions with a password will be sent to Board members under separate cover.

The proposals are from:

- Nyhart Actuary & Employee Benefits
- Cavanaugh Macdonald Consulting, LLC

The PERS staff reviewed the proposals. As in past reviews the cost proposal is separated from the technical proposal. Staff independently reviewed and rated the cost proposals (Sparb, Bryan, Sharon and Kathy). The ratings were then combined and the cost proposal points were assigned. The following is the ratings:

OPEB 2016 Proposals	Points	Total	
		Nyhart	Cavanaugh
General			
Required Format	5	4.50	5.00
Technical			
Understanding of Work Effort	10	8.00	8.75
Timelines	10	8.75	8.25
Copy of Similar Report	10	9.00	9.00
Qualifications & Staffing			
Firm Information	1	1.00	1.00
Approach & Timeline	5	4.75	4.50
Firm Description	1	0.90	1.00
Staffing	3	2.88	2.88
Equipment	1	0.75	1.00
Staff Location	1	0.88	1.00
Unique Qualifications	1	1.00	1.00
Service Office	1	1.00	1.00
Copy of Experience	2	2.00	2.00
Public Sector Experience	3	2.00	2.50
State Clients	3	1.63	3.00
Actuary Resumes	1	1.00	1.00
Professional Resumes	1	1.00	1.00
Subcontractors	1	1.00	1.00
Price	40	40.00	33.21
		\$ 9,000	\$ 10,840
Hours		55	34
Total	100	92.03	88.09
Total w/o price		52.03	54.88



You will note the scoring for the two proposals is very close. Cavanaugh has had more public sector and State client experience. Nyhart did the most recent study for NDPERS and had the lower fixed cost. They also had more work effort with an estimated 55 hours versus 34 for Cavanaugh.

Board Action

Select a firm for the NDPERS other post employment benefits (OPEB) analysis.

REQUEST FOR PROPOSAL

**Retiree Health Plan Valuation
(Other Post Employment Benefits)**

Prepared by:

**North Dakota Public Employees Retirement System
P.O. Box 1657
Bismarck, ND 58502-1657**

**Request for Proposals
Table of Contents**

Section I – Introduction 3

Section II – Retiree Health Plan Valuation..... 4

Section III – Information Requests..... 5

Section IV – Fees/Hours..... 7

Section V – Submission of Proposal..... 9

Section VIII – Review Procedures 10

Section I. Introduction

Request:

This Request for Proposal is soliciting offers to do the actuarial valuation of the North Dakota Public Employees Retirement System (NDPERS) other post employment benefit plan (OPEB) to satisfy the requirement for the Governmental Accounting Standards Board statement 45 for fiscal years ending June 30, 2016 and June 30, 2017.

The following is a sequence of activities for this RFP:

February 17, 2016	RFP for consultant services issued
February 29, 2016	Questions to RFP due 5:00 p.m.
March 4, 2016	Responses to questions posted
March 11, 2016	Consultant proposals due at NDPERS office no later than 5:00 p.m. Central Standard Time.
March 17, 2016	NDPERS Board Meeting
April 21, 2016	NDPERS Board selects consultant no later than this date

The due dates for deliverables on this project are:

May 31, 2016	Draft of OPEB valuation report to NDPERS
June 16, 2016	Present draft OPEB valuation report to NDPERS Board
July 1, 2016	Final OPEB valuation report due

NDPERS:

NDPERS is a separate agency created under North Dakota state statute and, while subject to state budgetary controls and procedures as are all state agencies, is not a state agency subject to direct executive control.

NDPERS is managed by a Board comprised of seven members:

- (1) Chairman - appointed by the Governor
- (1) Member - appointed by the Attorney General
- (1) Member - elected by retirees
- (3) Members - elected by active employees
- (1) State Health Officer or designee
- (2) Members - appointed by Legislative Management

SECTION II. Retiree Health Plan Valuation

The North Dakota Public Employees System administers the group insurance program for the State of North Dakota. Retirees from state retirement systems may elect to continue their participation in the group insurance. For PreMedicare retirees their rate is set by state statute at NDCC 54-52.1-02 which states:

- The PreMedicare single rate shall be 150% of the active member single rate
- The PreMedicare family rate is 2 times the PreMedicare single rate
- The PreMedicare family rate for 3 or more is 2.5 times the PreMedicare single rate

The above rates do not meet the actuarially required rates for this group thereby creating an implicit subsidy by the group.

NDPERS needs to have an actuarial valuation completed that will fulfill the requirements for the Governmental Accounting Standards Board (GASB Statement No. 45).

In addition to the above, NDPERS administers an actuarially funded retiree health insurance credit plan which provides a monthly retiree health credit equal to \$5 times the years of service they have in the retirement plan which is applied towards eligible insurance premiums. The liability for this retiree health insurance credit program is actuarially determined each year along with the retirement plan valuations done by the Segal Company and is not part of the scope of this RFP

The valuation for the retiree health plan implicit subsidy is to be completed by May 31, 2016 and presented to the NDPERS Board on June 16, 2016.

Prior to beginning work on the valuations, the successful contractor must execute an Agreement for Services and a Business Associate Agreement with NDPERS (attached).

A copy of our last valuation can be viewed on our website under "Request for Proposals" at <http://www.nd.gov/ndpers/providers-consultants/consultants/rfp-index.html>

SECTION III – Information Requests

The proposal shall use the following format and contain your organization's response to the following requested information. Respond by restating the request with the response following. This format shall be used in the proposal (if the proposer elects to use an alternative format to respond points will be deducted in the evaluation).

A. Technical Understanding, Timelines and Report.

- a. Provide your understanding of the required work effort
- b. Discuss your understanding of the project timelines
- c. Provide a copy of similar report your firm has recently completed

B. Firm, Qualifications and Staffing:

- a. The firm's name, home office address, address of the office providing the services under the contract and telephone number.
- b. Detail your organization's approach to conducting retiree health plan valuation. Also provide a timeline for the work efforts in Section II.
- c. General description of the firm, including the size, number of employees, primary business (consulting, pension planning, insurance, etc.), other business or services, type of organization (franchise, corporation, partnership, etc.) and other descriptive material.
- d. Provide summary information regarding the professional and experience qualifications of actuaries and other consultants who shall perform work under the contract. Also for each staff member assigned to the project indicate who they have done project work for and a reference.
- e. Description of the computer equipment and a statement as to the ownership and location of this equipment to be utilized in the performance of the contract.
- f. Statement of the availability and location of staff (including actuaries) and other required resources for performing all services and providing deliverables within indicated time frames. Statement as to whether or not the services outlined in these specifications can be performed using only your present staff.
- g. Identify the specific and unique qualifications of your firm with regard to providing the requested work.
- h. Identify the offices from which services to the Fund will be provided.
- i. Include a copy of a previous experience doing a retiree health plan valuation

- j. Discuss your work experience with public sector retirement boards.
- k. Provide a listing of state public sector clients of similar nature and size for whom your organization provides similar services. References should identify the appropriate contact person(s), addresses and telephone numbers.
- l. Identify and provide a resume for each actuary that will be assigned to the project and the estimated number of hours they will work on the project.
- m. Provide a resume for each non-actuary professional assigned to this work effort and the number of hours they are assigned.
- n. Identify any subcontractors to be used.

C. Other Information:

In this section you may supply any other information about your firm, approach to the work effort, staff, etc., that you feel appropriate.

SECTION IV – Fees/Hours

We are requesting that you price this project on a fixed fee not to exceed price. All efforts will be billed by hours expended but cannot exceed the total fixed fee. Please note that for pricing proposed in the valuation, the not to exceed price will be used.

THE COST PROPOSAL SHALL BE UNDER SEPARATE COVER AND NOT PART OF THE RESPONSES TO THE OTHER INFORMATION REQUESTS.

We are also requesting the projected number of professional hours (actuarial or consultant) your firm estimates will be required to complete the identified work efforts.

Concerning expenses for travel, lodging, meals and other travel related out-of-pocket expenses, they will be reimbursed on an incurred basis if the Executive Director of NDPERS has given prior approval for NDPERS related efforts.

COST PROPOSAL

	Estimated Total Hours	Total Fixed Fee
Retiree Health Plan Implicit Subsidy Valuation (OPEB) Fixed Fee		\$
TOTAL FIXED FEE		\$

DETAILS FOR SERVICE:

Please list the type of consultants that would be used on the fee for service work, rate per hour and estimated hours on the project:

Retiree Health Valuation

Type of Consultant	Rate	# of Hours
---------------------------	-------------	-------------------

(Name and a resume needs to be provided for this individual in that section)

SECTION V - Submission and Acceptance of Proposals

- A. Proposals should be prepared in a straightforward manner to satisfy the requirements of this RFP. Emphasis should be on completeness and clarity of content. Costs for developing proposals are entirely the responsibility of the proposer and shall not be chargeable to NDPERS.
- B. Offer, must be signed by a partner or principal of the firm and included with your proposal.
- C. Address or deliver the proposal to: Mr. Bryan Reinhardt
North Dakota Public Employees Retirement System
400 E. Broadway, Suite 505
Bismarck, ND 58501
(701) 328-3900
- D. Ten (10) written copies and one (1) electronic copy of the technical and price proposals must be received at the above listed location by **5:00 p.m. Central Standard Time on March 11, 2016**. The package the proposal is delivered in must be plainly marked "**PROPOSAL TO PROVIDE RETIREE HEALTH VALUATION SERVICES**". A proposal shall be considered late and will be rejected if received at any time after the exact time specified for return of proposals.
- E. The policy of the NDPERS Board is to solicit proposals with a bona fide intention to award a contract. This policy will not affect the right of the NDPERS Board to reject any, or all, proposals.
- F. The NDPERS Board may request representatives of your organization to appear for interviewing purposes. Travel expenses and costs related to the interview will be the responsibility of the bidder.
- G. The NDPERS Board will award the contract for services no later than April 21, 2016 and no earlier than March 17, 2016.
- H. In evaluating the proposals, price will not be the sole factor. The Board may consider any factors it deems necessary and proper, including but not limited to, price; quality of service; response to this request; experience; staffing; and general reputation.
- I. The failure to meet all procurement policy requirements shall not automatically invalidate a proposal or procurement. The final decision rests with the Board.
- J. Questions concerning the RFP shall be directed by e-mail to both Mr. Reinhardt at breinhar@nd.gov and Ms. Stockert at cstocker@nd.gov by February 29, 2016. Responses will be posted on the NDPERS website no later than 5:00 p.m. Central Standard Time on March 4, 2016 under "Request for Proposals" at <http://www.nd.gov/ndpers/providers-consultants/consultants/rfp-index.html> If you would like a copy e-mailed to you, please notify Cheryl Stockert at cstocker@nd.gov

SECTION VIII - Review Procedures

Proposals will be evaluated in a three step approach. The first step will be done by a review team composed of NDPERS staff and will be an initial screening of each proposal to determine if it is sufficiently responsive to the RFP to permit a valid comparison and meets the minimum qualifications of having completed past projects similar to the efforts requested herein. The qualifying factor will be on a Yes/No basis. The proposal will be dropped from consideration if a majority of viewers respond "No".

The second step will be a review and rating of each proposal's technical, product delivery, qualifications and staffing by NDPERS staff. The purpose of this review is to assess the consultant's understanding of the work requirements, capabilities and resources. It is important that your proposal relates your understanding in order to be fully rated. Statements that you will comply with the RFP are not sufficient, nor is repeating the RFP requirements.

Each individual will review the proposal for all areas but price. Every proposal will be awarded points for specified areas by the reviewers. Points for price are awarded automatically. Following is the weighting factor for each area:

GENERAL	Points
Did Consultant follow required format?	5 Points

RETIREE HEALTH PLAN VALUATION	
Technical Understanding, Timelines and Report	30 Points
Firm, Qualifications and Staffing	25 Points
Price	40 Points

This third step of the review will be allocation of points for price. The findings will be reported to the NDPERS Board.

The Board retains the option to make the final selection based upon the totality of the information with staff's review being only one consideration.



**North Dakota
Public Employees Retirement System**
400 East Broadway, Suite 505 • Box 1657
Bismarck, North Dakota 58502-1657

Sparb Collins
Executive Director
(701) 328-3900
1-800-803-7377

FAX: (701) 328-3920 • EMAIL: NDPERS-info@nd.gov • www.nd.gov/ndpers

Memorandum

TO: PERS Board
FROM: Sparb
DATE: April 11, 2016
SUBJECT: Deloitte Contract

Attached is the contract with Deloitte. Jan will be at the meeting to review the contract with the Board.

AGREEMENT FOR SERVICES BETWEEN DELOITTE CONSULTING LLP AND NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

Deloitte Consulting LLP (hereinafter CONTRACTOR) has offered to provide services to the State of North Dakota acting through its Public Employees Retirement System (hereinafter NDPERS). The terms of this Contract shall constitute the consulting services agreement ("Agreement").

CONTRACTOR and NDPERS agree to the following:

- 1) **SCOPE OF SERVICES:** CONTRACTOR agrees to provide the service(s) as specified in the 2015 RFP and proposal (attached hereto and incorporated by reference as Exhibit A). It is understood and agreed that CONTRACTOR's services (the "Services") may include advice and recommendations, but all decisions in connection with the implementation of such advice and recommendations shall be the responsibility of, and made by, NDPERS.
- 2) **TERM:** The term of this contract shall commence January 1, 2016, and end June 30, 2018.
- 3) **FEES:** NDPERS shall only pay pursuant to the terms in Exhibit A.
- 4) **BILLINGS:** The CONTRACTOR shall receive payment from NDPERS upon the completion of the services identified in the respective invoice. The CONTRACTOR shall bill NDPERS monthly in arrears for Services rendered and expenses incurred in accordance with the terms hereof.
- 5) **TERMINATION:** Either party may terminate this agreement with respect to tasks yet to be performed with thirty (30) days written notice mailed to the other party, or as mutually agreed to by the parties. Upon any termination the CONTRACTOR shall be compensated as described in Exhibit A for services performed up to the date of termination.

In addition, PERS by written notice to CONTRACTOR, may terminate the whole or any part of this Agreement under any of the following conditions:

- 1) If funding from federal, state, or other sources is not obtained and continued at levels sufficient to allow for purchase of the services or supplies in the indicated quantities or term.
- 2) If federal or state laws or rules are modified or interpreted in a way that the services are no longer allowable or appropriate for purchase under this Agreement or are no longer eligible for the funding proposed for payments authorized by this Agreement.

- 3) If any license, permit, or certificate required by law or rule, or by the terms of this Agreement, is for any reason denied, revoked, suspended, or not renewed.

Termination of this Agreement under this subsection is without prejudice to any obligations or liabilities of either party already accrued prior to termination.

- 6) **EMPLOYMENT STATUS:** The CONTRACTOR acknowledges that any services performed in connection with the CONTRACTOR's duties and obligations, as created and provided for in this agreement, are performed in the capacity of an independent contractor. At no time during the performing of services as required by this contract will the CONTRACTOR be considered an employee of the State of North Dakota.
- 7) **ASSIGNMENT AND SUBCONTRACTS:** CONTRACTOR may not assign or otherwise transfer or delegate any right or duty without STATE'S express written consent. However, the State expressly consents to CONTRACTOR entering into (i) subcontracts with its affiliates located in the United States, and (ii) third-party subcontracts provided that any such third-party subcontract acknowledges the binding nature of this contract and incorporates this contract, including any attachments. CONTRACTOR is solely responsible for the performance of any subcontractor to the same extent as if such performance were done by CONTRACTOR. CONTRACTOR does not have authority to contract for or incur obligations on behalf of NDPERS.
- 8) **ACCESS TO RECORDS AND CONFIDENTIALITY:** NDPERS agrees that all participation by its members and their dependents in programs hereunder is confidential. The CONTRACTOR shall not disclose any individual employee or dependent information to the covered agency or its representatives without the prior written consent of the employee or family member. The CONTRACTOR will have exclusive control over the direction and guidance of the persons rendering services under this agreement. To the extent that, in connection with this engagement, either party (each, the "receiving party") comes into possession of any trade secrets or other proprietary or confidential information of the other (the "disclosing party"), it will not disclose such information to any third party without the disclosing party's consent. The disclosing party hereby consents to the receiving party disclosing such information (i) to subcontractors, whether located within or outside of the United States, that are providing services in connection with this engagement and that have agreed to be bound by confidentiality obligations similar to those in this Section 8, (ii) as may be required by law or regulation, or to respond to governmental inquiries, or in accordance with applicable professional standards or rules, or in connection with litigation pertaining to this Contract, provided that to the extent permitted by applicable law or regulation, receiving party provides the disclosing party with reasonable advance notice of such disclosure so that the disclosing party may seek a protection order issued by a court of competent jurisdiction, or (iii) to the extent

such information (A) shall have otherwise become publicly available (including, without limitation, any information filed with any governmental agency and available to the public) other than as the result of a disclosure in breach hereof, (B) becomes available to the receiving party on a nonconfidential basis from a source other than the disclosing party which the receiving party believes is not prohibited from disclosing such information by obligation to the disclosing party, (C) is known by the receiving party prior to its receipt from the disclosing party without any obligation of confidentiality with respect thereto, or (D) is developed by the receiving party independently of any disclosures made by the disclosing party to the receiving party of such information. In satisfying its obligations under this Section 8, each party shall maintain the other's trade secrets and proprietary or confidential information in confidence using at least the same degree of care as it employs in maintaining in confidence its own trade secrets and proprietary or confidential information, but in no event less than a reasonable degree of care. Nothing in this Section 8 shall alter NDPERS's obligations under Section 18. Notwithstanding anything to the contrary herein, NDPERS acknowledges that the CONTRACTOR, in connection with performing the Services, may develop or acquire experience, skills, knowledge and ideas that are retained in the unaided memory of its personnel. NDPERS acknowledges and agrees that the CONTRACTOR may use and disclose such experience, skills, knowledge and ideas, provided that this shall not be construed to permit the CONTRACTOR to otherwise violate any term hereof. The duty of NDPERS and CONTRACTOR to maintain confidentiality of information under this section continues beyond the term of this contract.

Upon termination of this Agreement, for any reason, CONTRACTOR shall return or destroy all confidential information received from NDPERS, or created or received by CONTRACTOR on behalf of NDPERS. This provision shall apply to confidential information that may be in the possession of subcontractors or agents of CONTRACTOR. CONTRACTOR shall retain no copies of the confidential information. In the event that the CONTRACTOR asserts that returning or destroying the confidential information is not feasible, CONTRACTOR shall provide to NDPERS notification of the conditions that make return or destruction infeasible. Upon explicit written agreement of NDPERS that return or destruction of confidential information is not feasible, CONTRACTOR shall extend the protections of this Agreement to that confidential information and limit further uses and disclosures of any such confidential information to those purposes that make the return or destruction infeasible, for so long as CONTRACTOR maintains the confidential information.

CONTRACTOR understands that, except for disclosures prohibited in this contract, NDPERS must disclose to the public upon request any records it receives from CONTRACTOR. CONTRACTOR further understands that any records that are obtained or generated by CONTRACTOR under this contract, except for records that are confidential under this contract, may, under certain circumstances, be open to the public upon request under the North Dakota open

records law. NDPERS retains ownership of all work product, equipment or materials created or purchased under this contract. CONTRACTOR agrees to contact NDPERS immediately upon receiving a request for information under the open records law and to comply with NDPERS's instructions on how to respond to the request.

- 9) **OWNERSHIP OF WORK PRODUCT:** For purposes of these terms (i) "Technology" means works of authorship, materials, information and other intellectual property; (ii) "CONTRACTOR Technology" means all technology created prior to or independently of the performance of the Services, or created by the CONTRACTOR or its subcontractors as a tool for their use in performing the Services, plus any modifications or enhancements thereto and derivative works based thereon. Upon full and final payment to the CONTRACTOR hereunder, and subject to all other terms and conditions herein: (i) all work products of the CONTRACTOR, including but not limited to, data, documents, drawings, estimates and actuarial calculations, which are specified as "Deliverables" in the proposal ("Deliverables") are the exclusive property of NDPERS, except to the extent they include any CONTRACTOR Technology; and (ii) the CONTRACTOR grants to NDPERS the right to use, for NDPERS's internal business purposes, any CONTRACTOR Technology included in the Deliverables in connection with its use of the Deliverables. Except for the foregoing license grant, the CONTRACTOR or its licensors retain all rights in and to all CONTRACTOR Technology.
- 10) **APPLICABLE LAW AND VENUE:** This agreement shall be governed by and construed in accordance with the laws of the State of North Dakota. Any action to enforce this contract must be adjudicated exclusively in the State District Court of Burleigh County, North Dakota.
- 11) **MERGER AND MODIFICATION:** This Agreement shall constitute the entire agreement between the parties. In the event of any inconsistency or conflict among the documents making up this agreement, the documents must control in this order of precedence: First – the terms of this Agreement, as may be amended and Second - the state's Request for Proposal (attached in Exhibit A) and Third – CONTRACTOR's Proposal (attached in Exhibit A). No waiver, consent, modification or change of terms of this Agreement shall bind either party unless in writing and signed by both parties. Such waiver, consent, modification or change, if made, shall be effective only in the specific instances and for the specific purpose given. There are no understandings, agreements, or representations, oral or written, not specified herein regarding this agreement.
- 12) **INDEMNITY:** CONTRACTOR agrees to defend, indemnify, and hold harmless the state of North Dakota, its agencies, officers and employees (State), from and against claims, liabilities, or expenses relating to this Agreement or the Services ("Claims") attributable to claims of third parties solely for bodily injury, death or damage to real or tangible personal property, to the extent directly

and proximately caused by the negligence or intentional misconduct of the CONTRACTOR while engaged in the performance of the Services, but not against claims based on the State's contributory negligence, comparative and/or contributory negligence or fault, sole negligence, or intentional misconduct. This obligation to defend, indemnify, and hold harmless does not extend to professional liability claims arising from professional errors and omissions. CONTRACTOR also agrees to reimburse the State for all reasonable costs, expenses and attorneys' fees actually incurred by the State in connection with the State prevailing in an action against CONTRACTOR in establishing and litigating the indemnification coverage provided herein. This obligation shall continue after the termination of this agreement.

13) **INSURANCE**

CONTRACTOR shall secure and keep in force during the term of this agreement, from insurance companies, government self-insurance pools or government self-retention funds, authorized to do business in North Dakota, the following insurance coverages:

- 1) Commercial general liability, including premises or operations, contractual, and products or completed operations coverages (if applicable), with minimum liability limits of \$250,000 per person and \$1,000,000 per occurrence.
- 2) Professional errors and omissions with minimum liability limits of \$1,000,000 per claim and in the aggregate. CONTRACTOR shall continuously maintain such coverage during the contract period and, subject to the availability of commercially reasonable terms and conditions, for three years thereafter. In the event of a change or cancellation of coverage, CONTRACTOR shall purchase an extended reporting period to meet the time periods required in this section, subject to the availability of commercially reasonable terms and conditions. Notwithstanding the foregoing, in the event that CONTRACTOR determines that commercially reasonable terms and conditions are unavailable for the coverage required in this section, CONTRACTOR shall so notify NDPERS of a lapse in coverage pursuant to subsection 4 of the additional requirements of this section and NDPERS may immediately terminate this agreement pursuant to subsection 6 of the additional requirements of this section.
- 3) Automobile liability, including Owned (if any), Hired, and Non-Owned automobiles, with minimum liability limits of \$250,000 per person and \$1,000,000 per occurrence.
- 4) Workers compensation coverage meeting all statutory requirements.

The insurance coverages listed above must meet the following additional requirements:

- 1) Any deductible or self-insured retention amount or other similar obligation under the policies shall be the sole responsibility of the CONTRACTOR.
- 2) This insurance may be in policy or policies of insurance, primary and excess, including the so-called umbrella or catastrophe form and must be placed with

- insurers rated "A-" or better by A.M. Best Company, Inc., provided any excess policy follows form for coverage. Less than an "A-" rating must be approved by the State.
- 3) The state of North Dakota and its agencies, officers, and employees (State) shall be included on the commercial general liability policy, including any excess policies (to the extent applicable), as additional insured.
 - 4) CONTRACTOR shall provide at least 30 days notice of any cancellation or material adverse change to the policies or endorsements.
 - 5) Upon NDPERS's written request, the CONTRACTOR shall furnish a certificate of insurance to the undersigned State representative prior to commencement of this agreement.
 - 6) Failure to provide insurance as required in this agreement is a material breach of contract entitling State to terminate this agreement immediately.
- 14) **LIMITATION OF DAMAGES:** Except for (i) CONTRACTOR's indemnity obligations contained in Section 12, and (ii) claims for bodily injury and damage to real or tangible personal property, NDPERS agrees that the CONTRACTOR, its affiliates, subcontractors, and their respective personnel shall not be liable to NDPERS for any Claims for an aggregate amount in excess of two (2) times the fees paid by NDPERS to the CONTRACTOR pursuant to this engagement, except to the extent finally judicially determined to have resulted primarily from the recklessness, bad faith or intentional misconduct of the CONTRACTOR or its subcontractors. In no event shall the CONTRACTOR, its affiliates, subcontractors, or their respective personnel be liable for any loss of use, data, goodwill, revenues or profits (all of which are expressly agreed and understood to be indirect Claims), or any loss, damage, or expense that is consequential, special, indirect, incidental, punitive or exemplary in nature, relating to this engagement. The parties expressly acknowledge and agree that the exception contained in N.D.C.C. § 32-12.2-15 permitting a limitation on CONTRACTOR's liability hereunder does apply to CONTRACTOR, this Agreement and the Services under this Agreement. In circumstances where all or any portion of the provisions of this section 14 are finally judicially determined to be unavailable, the aggregate liability of the CONTRACTOR, its affiliates, subcontractors, and their respective personnel for any Claim shall not exceed an amount which is proportional to the relative fault that their conduct bears to the relative fault that their conduct bears to all other conduct giving rise to such Claim. NDPERS hereby represents that it has taken all steps necessary (including those required by N.D.C.C. 32-12.2-15) to render this Section 14 fully and completely enforceable and that such steps are based upon CONTRACTOR's representations regarding its business practices and procedures.
- 15) **SEVERABILITY:** If any term in this contract is declared by a court having jurisdiction to be illegal or unenforceable, the validity of the remaining terms must not be affected, and, if possible, the rights and obligations of the parties are to be construed and enforced as if the contract did not contain that term.

- 16) **INTERNAL USE; LIMITATION OF WARRANTIES:** NDPERS agrees that all Services and Deliverables shall be solely for NDPERS' purposes and internal use, and are not intended to be, and may not be relied upon by any person or entity other than NDPERS, or the State of North Dakota in connection with the Services. Deloitte Consulting may include language on or in a Deliverable similar to the first sentence of this Section 16, and NDPERS shall not remove or alter such language contained in such Deliverable.

THIS IS A SERVICES ENGAGEMENT. THE CONTRACTOR WARRANTS THAT IT SHALL PERFORM THE SERVICES IN GOOD FAITH AND IN A PROFESSIONAL MANNER. THE CONTRACTOR DISCLAIMS ALL OTHER WARRANTIES, EITHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. NDPERS'S EXCLUSIVE REMEDY FOR ANY BREACH OF THIS WARRANTY SHALL BE FOR THE CONTRACTOR, UPON RECEIPT OF WRITTEN NOTICE, TO USE DILIGENT EFFORTS TO CURE SUCH BREACH, OR, FAILING ANY SUCH CURE IN A REASONABLE PERIOD OF TIME, THE RETURN OF PROFESSIONAL FEES PAID TO THE CONTRACTOR HEREUNDER WITH RESPECT TO THE SERVICES GIVING RISE TO SUCH BREACH.

- 17) **INDEPENDENT ENTITY:** CONTRACTOR is an independent entity under this contract and is not a State employee for any purpose, including the application of the Social Security Act, the Fair Labor Standards Act, the Federal Insurance Contribution Act, the North Dakota Unemployment Compensation Law and the North Dakota Workforce Safety and Insurance Act. CONTRACTOR retains sole and absolute discretion in the manner and means of carrying out CONTRACTOR'S activities and responsibilities under this contract, except to the extent specified in this contract.
- 18) **NDPERS RESPONSIBILITIES:** NDPERS shall cooperate with the CONTRACTOR hereunder, including, without limitation, providing the CONTRACTOR with reasonable facilities and timely access to data, information and personnel of NDPERS. NDPERS shall be responsible for the performance of its personnel and agents and for the accuracy and completeness of data and information provided to the CONTRACTOR for purposes of the performance of the Services. NDPERS acknowledges and agrees that the CONTRACTOR's performance is dependent upon the timely and effective satisfaction of NDPERS's responsibilities hereunder and timely decisions and approvals of NDPERS in connection with the Services. The CONTRACTOR shall be entitled to rely on all decisions and approvals of NDPERS. NDPERS shall be solely responsible for, among other things: (i) making all management decisions and performing all management functions; (ii) designating a competent management member to oversee the Services; (iii) evaluating the adequacy and results of the Services; and (iv) establishing and maintaining internal controls, including, without limitation, monitoring ongoing activities.

- 19) **FORCE MAJEURE:** Neither party shall be liable for any delays or non-performance directly or indirectly resulting from circumstances or causes beyond its reasonable control, including, without limitation, acts or omissions or the failure to cooperate by the other party (including, without limitation, entities or individuals under the other party's control, or any of their respective officers, directors, employees, other personnel and agents), acts or omissions or the failure to cooperate by any third party, fire, epidemic or other casualty, act of God, strike or labor dispute, war or other violence, or any law, order or requirement of any governmental agency or authority.
- 20) **ALTERNATIVE DISPUTE RESOLUTION – JURY TRIAL:** NDPERS does not agree to any form of binding arbitration, mediation, or other forms of mandatory alternative dispute resolution. The parties have the right to enforce their rights and remedies in judicial proceedings. NDPERS does not waive any right to a jury trial.
- 21) **APPROVAL OF DELIVERABLES:** Deliverables shall be deemed accepted by NDPERS if not rejected, in writing, within ninety (90) days of delivery.
- 22) **NOTICE:** All notices or other communications required under this contract must be given by registered or certified mail and are complete on the date mailed when addressed to the parties at the following addresses:

Sparb Collins, Executive Director	Patrick L. Pechacek, Director
ND Public Employees Retirement System	Deloitte Consulting LLP
400 East Broadway, Suite 505	50 South Sixth Street
PO Box 1657	Suite 2800
Bismarck, ND 58502-1657	Minneapolis, MN 55402

Notice provided under this provision does not meet the notice requirements for monetary claims against the State found at N.D.C.C. § 32-12.2-04.

- 23) **SPOILIATION – NOTICE OF POTENTIAL CLAIMS:** CONTRACTOR shall promptly notify NDPERS of all potential claims that arise or result from this contract. CONTRACTOR shall also take all reasonable steps to preserve all physical evidence and information that may be relevant to the circumstances surrounding a potential claim, while maintaining public safety.
- 24) **NONDISCRIMINATION AND COMPLIANCE WITH LAWS:** CONTRACTOR agrees to comply with all laws, rules, and policies, including those relating to nondiscrimination, accessibility and civil rights, as are applicable to CONTRACTOR in its performance of the Services. CONTRACTOR agrees to timely file all legally required reports, make required payroll deductions, and timely pay all taxes and premiums owed, including unemployment compensation and workers' compensation premiums, as are applicable to the personnel performing the Services. CONTRACTOR shall have and keep current at all times

during the term of this contract all licenses and permits required by law for the performance of the Services.

- 25) **STATE AUDIT:** All billing and payment records, regardless of physical form, for the fees and expenses incurred in performing the Services hereunder are, at the State's sole expense, subject to examination by the North Dakota State Auditor or the Auditor's designee, upon reasonable advance written notice, during normal business hours, solely to the extent reasonably necessary to substantiate payment made hereunder. Unless additional audits are requested by the North Dakota State Auditor, NDPERS may exercise such right no more than once per calendar year during the period within which CONTRACTOR is obligated to maintain such records hereunder. CONTRACTOR shall maintain all such records for at least three years following completion of this Agreement. Any records available to NDPERS under this Section 25 may be redacted by CONTRACTOR to the extent necessary to protect its proprietary and confidential information and to avoid any invasion of personal privacy.

IN WITNESS WHEREOF, CONTRACTOR and NDPERS have executed this Agreement as of the date first written above.

**NORTH DAKOTA PUBLIC
EMPLOYEES RETIREMENT SYSTEM**

DELOITTE CONSULTING LLP

Sparb Collins, Executive Director
ND Public Employees Retirement System

Signature

Printed Name

Title

Date

Date

SECTION 5 – COST PROPOSAL (FEES/HOURS)

We are requesting that you price this project on a fixed fee basis for certain efforts and on a fee for service basis for other efforts as identified below. Expenses for travel, lodging, meals and other out-of-pocket expenses will be paid on an incurred basis if the Executive Director of PERS has given prior approval for each individual to incur such expenses. PERS is under no obligation to reimburse the consultant if no approval was given.

THE COST PROPOSAL SHALL BE UNDER SEPARATE COVER AND NOT PART OF THE RESPONSES TO THE OTHER INFORMATION REQUESTS. PLEASE PROVIDE AN ELECTRONIC COPY OF THE COST PROPOSAL.

FIXED FEE #1: **\$ 5,000** _____
Health Bid development
Preparation of the Bid

FIXED FEE #2: **\$ 5,000** _____
Medicare Part D
Preparation of the Bid

FIXED FEE #3: **\$ 15,000** _____
Health Premium Estimate

All other work will be on a fixed fee
hourly rate - that is a single hourly rate

FIXED FEE HOURLY RATE: **\$ 306** _____



**North Dakota
Public Employees Retirement System**
400 East Broadway, Suite 505 • Box 1657
Bismarck, North Dakota 58502-1657

Sparb Collins
Executive Director
(701) 328-3900
1-800-803-7377

FAX: (701) 328-3920 • EMAIL: NDPERS-info@nd.gov • www.nd.gov/ndpers

Memorandum

TO: PERS Board
FROM: Sparb
DATE: April 14, 2016
SUBJECT: Health Insurance Renewal - General

Pursuant to NDCC 54-52.1-05 (2) we can renew with Sanford Health Plan for the 2017-19 biennium if:

- a. *The board may renew a contract subject to this subsection without soliciting a bid under section 54-52.1-04 if the board determines the carrier's performance under the existing contract meets the board's expectations and the proposed premium renewal amount does not exceed the board's expectations.*
- b. *In making a determination under this subsection, the board shall:*
 - (1) *Use the services of a consultant to concurrently and independently prepare a renewal estimate the board shall consider in determining the reasonableness of the proposed premium renewal amount.*
 - (2) *Review the carrier's performance measures, including payment accuracy, claim processing time, member service center metrics, wellness or other special program participation levels, and any other measures the board determines relevant to making the determination and shall consider these measures in determining the board's satisfaction with the carrier's performance.*
 - (3) *Consider any additional information the board determines relevant to making the determination.*
- c. *If the board determines the carrier's performance under the existing contract does not meet the board's expectations or the proposed premium renewal amount exceeds the board's expectations and the board determines to solicit a bid under section 54-52.1-04, the board shall specify its reasons for the determination to solicit a bid.*

To accomplish the above we need to:

- I. Have our consultant do a renewal estimate (b.1 above).
- II. Review the carrier's performance measures, payment accuracy, etc. (b.2 above)
- III. Identify and consider other information relevant to making a determination (b.3 above)

- IV. If the renewal is not acceptable we need to be ready to go to bid in September (c above).

The timeline for the above considerations is very compressed and is as follows:

- July/August - Do the renewal estimate
- August/September – Receive and consider the proposed renewal and other information required in NDCC 54-52.1-05. We need to make a decision by the middle of September
- September – If the renewal is not approved we need to go to bid immediately with the following timeline
 - Sept – issue RFP
 - Nov – receive RFP's
 - Dec/Jan/Feb – review RFP's
 - Feb – award the plan for the 2017-19 biennium

In order to meet the above timeline, staff and Deloitte will need May – July to prepare RFP's. As you may recall, this work effort was anticipated in the consultant RFP that was recently approved by the board. Unlike last time, we would need to issue a separate one for the Part D work.

To prepare to meet the above deadlines at this point we need to review each of the major work efforts required in the next several months.

I. Do the Renewal Estimate (b.1 above)

Staff and Deloitte have had an initial meeting on this effort. Deloitte is developing the methodology for this effort and we will be reviewing it with you at the May meeting.

II. Review the Carrier's Performance (b.2 above)

We have looked at this effort in two ways. First, is to get the members' perceptions on Sanford Health Plan's performance. Staff and Sanford Health Plan have been meeting on this for the last several weeks. A proposed methodology has been developed with a survey instrument. Sanford Health Plan will be covering this on Agenda item IV.D.2. The second aspect is to determine how Sanford Health Plan is doing from an operational perspective (including payment accuracy, claim processing time, etc.). Staff has met with Deloitte and asked them to outline what an operational review would involve. We will be covering this on Agenda item IV.D.3.

III. Identify and consider other information relevant to making a determination (b.3 above)

Considering what other information we should review during the renewal, it is instructive to look at the information required in the NDCC in making a bid award. The statute states the board shall give adequate consideration to the following factors:

1. The economy to be affected.
2. The ease of administration.
3. The adequacy of the coverages.
4. The financial position of the carrier, with special emphasis as to its solvency.
5. The reputation of the carrier and any other information that is available tending to show past experience with the carrier in matters of claim settlement, underwriting, and services.

As we look at the above we note that 1 & 2 are really considered in items I & II above.

Concerning #3 (adequacy of coverage), we note that there is no change in the scope of benefits or out of pocket provisions so no assessment is needed relating to that item. The second aspect of this is the provider network. **Staff and Sanford Health Plan will develop a methodology to review the effect of the change on adequacy of coverages and bring that to the May/June board meeting for your consideration.**

Concerning #4 above, and given the losses identified by Sanford Health Plan, it may be prudent for the board to give this item full consideration during the renewal. To accomplish this in a timely manner and to have all the information for the board's consideration in August/Sept, **staff will identify some concepts for reviewing this item and bring it to the May or June board meeting for your consideration.**

Concerning #5, it seems that much of the information necessary for this will be developed as part of the other work items.

In addition to the above other information staff would recommend the following additional items for consideration during the renewal:

- **Work with Sanford Health Plan/ESI to review and develop options in the Rx area for consideration by the Board. The first step in this will be the meeting with ESI at the May Board meeting.**
- **We continue to hear about Rx reimbursements. We may want to get information on this during the renewal, including options.**
- **That staff work with Sanford Health Plan to prepare information on the ESI reimbursement model and alternatives (traditional vs pass through)**
- **We should ask for information on the effect on the rates of losing our Grandfathered status (we did this with BCBS during renewals).**
- **As we did with BCBS in the past, we should get a schedule from Sanford Health Plan of the effect of plan design changes .**

We will also add other items that the board feels should be included.

IV. If no renewal, go to bid in September (b.5 above).

To address this requirement, we will need to document our decision on why we did not do the renewal. Secondly we will need to start the bid process pursuant to 54-52.1-04. Attachment #1 is memo from Jan outlining the required process from 2014.

In developing our recent bid for the health consultant and to be prepared for the contingency that we may need to go to bid, we discussed and put into the RFP the requirement that the consultant will develop an RFP by July/August so that if we need to go to bid it will be ready by September 1. The RFP process we included in the Health Consultant's scope of work was similar to the process we used in 2014-15. That process included:

1. Health RFP on a fully insured basis/self-insured and bundled/unbundled arrangement as described in the following table (see attachment #2 from Jan reviewing the process from 2014).

Fully Insured	Self Insured
1. Fully Insured – Bundled all services	1. Self insured – Bundled all services
2. Fully Insured – all services except Rx & HDHP/HSA	2. Self insured – Bundled except for Rx and HDHP/HSA
3. Fully Insured – all services except Rx (active/retiree)	3. HDHP/HSA
4. Fully Insured – all services except HDHP/HSA	4. Rx (active/retiree)

2. Part D RFP

This time we included a separate bid for the Medicare Part D product.

3. Other issues

Concerning the unbundling of the Medical and Rx, last time we decided to add to the team Linda Cahn with the firm Pharmacy Benefits Consultants (PBC) to help us with the evaluation of the RFP and to help develop a PBM contract. At that time, it had been observed that it would have been more efficient if we had added her services during the RFP development stage instead of the analysis phase. Since we are in the process of developing a new RFP, it raises the question on whether or not we would like to add her services at this time. **Staff would recommend adding her at this time based upon the lesson learned from our last experience.**

Board Action Requested.

1. Approve or disapprove the above methodology for the renewal.
2. Approve or disapprove the staff recommendations on additional information to be considered in the renewal
 - a. Work with Sanford Health Plan/ESI to review and develop options in the Rx area for consideration by the Board. The first step in this will be the meeting with ESI at the May Board meeting.
 - b. That staff work with Sanford Health Plan to prepare information on the ESI reimbursement model and alternatives (Traditional vs pass through)
 - c. We should ask for information on the effect on the rates of losing our Grandfathered status.
 - d. As we did with BCBS in the past, we should work with Sanford Health Plan to get a schedule of the effect of plan design changes .
3. Approve or disapprove approaching Linda Cahn about participating in the development of the RFP.



Wayne Stenehjem
ATTORNEY GENERAL

STATE OF NORTH DAKOTA
OFFICE OF ATTORNEY GENERAL

STATE CAPITOL
600 E BOULEVARD AVE DEPT 125
BISMARCK, ND 58505-0040
(701) 328-2210 FAX (701) 328-2226
www.ag.nd.gov

April 22, 2014

Mr. Sparb Collins
North Dakota Public Employees Retirement System
PO Box 1657
Bismarck, ND 58502-1657

Dear Mr. Collins:

You asked me to review and outline what the fully insured and self-insured bid process requirements were under N.D.C.C. ch. 54-52.1 for the medical and hospital benefits and prescription drug coverage groups for both active and retired employees. Please except this letter in response to your request.

N.D.C.C. § 54-52.1-04 sets forth the initial steps the Board must take in this process and provides that the Board shall solicit bids for hospital benefits coverage, medical benefits coverage and prescription drug coverage and shall accept one or more bids of and contract with the carriers that in the judgment of the Board best serves the interests of the state and its eligible employees. As we have previously discussed, changes to the statutory requirements for the bid process requirements related to these categories were made during the 2011 legislative session in S.B. 2110. Specifically S.B. 2110 amended section 54-52.1-04 to clarify that the Board could accept bids from and contract with multiple carriers for these categories. As indicated in N.D.C.C. § 54-52.1-04.2 the Board may not establish a self-insured plan for the aforementioned categories unless the Board determines that such a plan is less costly than the lowest bid submitted by a carrier offering a fully insured option, with equivalent contract benefits, for these categories.

S.B. 2110 also amended section 54-52.1-04.2 by specifically unbundling bidding for prescription drug coverage from medical and hospital benefits coverage by setting out three categories of coverage for which a self-insured plan may be established. These categories are health insurance benefits coverage, health insurance benefits coverage excluding all or part of prescription drug coverage, or all or part of prescription drug coverage. In addition, N.D.A.C. § 71-03-01-02 states that bid solicitations may be for hospital and medical benefits coverage for active or retired members or both under a fully insured contract, self-insured coverage for active or retired members or both, and prescription drug coverage for active or retired members or both.

Mr. Sparb Collins
April 22, 2014
Page 2

While not specifically referenced in N.D.C.C. §§ 54-52.1-04, 54-52.1-04.2 or N.D.A.C. § 71-03-01-02, the High-deductible Health Plan alternative established under N.D.C.C. § 54-52.1-18 may also be bid separately and established as either a self or fully insured plan as it is specifically offered as an alternative to the hospital and medical benefits coverage provided under N.D.C.C. § 54-52.1-06.

While these provisions do provide the Board flexibility in crafting and evaluating bids for services under the aforementioned categories, as previously noted the Board is restricted from establishing a self-insured plan for any of these categories unless the Board determines that such a plan is less costly than the lowest bid submitted by a carrier offering a fully insured option with equivalent contract benefits.

Please let me know if I may be of further assistance in this matter.

Sincerely,



Janilyn K. Murtha
Assistant Attorney General

vkk



**North Dakota
Public Employees Retirement System**
400 East Broadway, Suite 505 • Box 1657
Bismarck, North Dakota 58502-1657

Sparb Collins
Executive Director
(701) 328-3900
1-800-803-7377

FAX: (701) 328-3920 • EMAIL: NDPERS-info@nd.gov • www.nd.gov/ndpers

Memorandum

TO: PERS Board
FROM: Sparb
DATE: April 21, 2016
SUBJECT: Health Insurance Renewal - Survey

In the renewal memo – general we discussed the need to evaluate the carrier's performance pursuant to the NDCC. Specifically mentioned is subsection (2) of NDCC 54-52.1-05:

(2) Review the carrier's performance measures, including payment accuracy, claim processing time, member service center metrics, wellness or other special program participation levels, and any other measures the board determines relevant to making the determination and shall consider these measures in determining the board's satisfaction with the carrier's performance.

As noted in that memo the first part was an evaluation to get a member perspective on how the plan was responding to their needs. To accomplish this, we are proposing that Sanford Health Plan do a survey of our members. This is similar to the approach we used with BCBS. Attached please find the proposed survey instrument.

The survey instrument has general questions on claims processing, plan satisfaction and client services satisfaction. A major focus of the survey is on the Sanford Health Plan member services call center. Some of the questions are similar to the ones in prior surveys done by BCBS. Sanford Health Plan will be at the next meeting to discuss the survey in more detail and to answer any questions you may have.

If you have any questions, comments, or suggestions, we will be available at the Board meeting.

Board Action Requested

Approve this methodology and survey instrument as part of the plan for responding to the NDCC renewal requirements.

NDPERS SURVEY PLAN

April 2016

SANFORD[®]
HEALTH PLAN

EXECUTIVE SUMMARY: NDPERS MEMBER SURVEY PLAN

The North Dakota Public Employees Retirement System (NDPERS) and Sanford Health Plan will work collaboratively to survey the NDPERS membership. The following sections outline key survey details, and survey questions are presented in the following sections.

SURVEY GOALS

- *Are NDPERS members satisfied with the service provided by the Sanford Health Plan call center?*
Assess satisfaction with the Sanford Health Plan member services call center, producing metrics aligned to both industry best practices (NCQA) and historic call center surveys.
- *Which NDPERS members are most likely to call the Sanford Health Plan call center?*
Gather basic information about the type of NDPERS members who call the call center, including satisfaction and utilization of health plan benefits, employment status, plan selection and basic demographic information.

SURVEY TARGETS AND SAMPLING

- *Survey Population:* Adults (18+) who called Sanford Health Plan member services within the past 6 months.
- *Completion Target:* Gather 380-600 completed surveys, achieving a margin of error of (+/-) 4%-5%.
- *Survey Lists:* Sanford Health Plan and NDPERS will collaborate to assemble a list of members, which will include last name, first name, complete mailing address, and the individual's status as a policy holder.
- *Random Sample:* A simple random sample will identify 4,500 members who will be invited to complete the survey.
- *Estimated Response Rate:* Response rates are conservatively estimated at 15%. The estimate considers two factors; historically high NDPERS survey response rates and the trend of declining NDPERS survey response rates from 44% to 28% between 2003 and 2012.

SURVEY DISTRIBUTION AND RESPONSE COLLECTION

- *Mail Distribution:* All members will receive paper surveys with pre-paid return envelopes.
- *Digital Option:* Members will be given an option to complete the survey online instead of returning the paper survey.
- *Collaborative Effort:* A cover letter explaining the survey will be included in the mailing. The letter will be co-branded and co-signed by NDPERS and Sanford Health Plan.
- *Unique Survey ID:* To track responses, variable data printing will be used to assign each survey a unique ID number.
- *Confidentiality:* Four confidentiality protections will be communicated to NDPERS members, including: 1) Survey results will be combined for reporting purposes; 2) No personally identifiable information will be reported; 3) Completing the survey is optional and will not affect benefits; and 4) The survey ID number is used only to track survey completion and avoid follow-up reminders.
- *Mailing Envelopes:* Outgoing mail envelopes will be NDPERS-branded; reply envelopes will direct responses to Sanford Health Plan.
- *Survey Reminder:* A reminder postcard will be developed and deployed if needed.

SURVEY QUESTIONS

- *Core Questions:* Questions 1-9 are considered core NDPERS member survey questions, gathering information about benefit utilization and satisfaction, along with high level member experience metrics.
- *Demographic Questions:* Questions 10-13 are basic demographic questions, allowing Sanford Health Plan to better identify the mix of NDPERS members who engage the member services center.
- *Call Center Questions:* Questions 14-22 provide feedback on the Sanford Health Plan member services call center.
- *Survey Length:* The survey instrument is estimated to take 5-7 minutes to complete all questions.

PROPOSED TIMELINES

- *April 13:* Survey plan executive summary and questions provided to NDPERS leadership.
- *May 16:* Surveys distributed via postal mail, response collection begins.
- *June 6:* If needed, a survey reminder will be distributed to NDPERS members.
- *June 27:* Survey collection closes (may occur sooner if upper-end target of 600 completed surveys is reached).
- *July 8:* Latest date by which a topline report is provided to NDPERS and Sanford Health Plan.
- *August 1:* Final report delivered.

NDPERS SURVEY QUESTIONS

1. When was the last time you received health services that led to a health insurance claim?

Consider any service that impacts your individual or family deductible or coinsurance. Examples include services provided by physicians, hospitals, laboratories or pharmacies. Place a (✓) next to one of the options below.

- Within the last 30 days
- 1 to 2 months ago
- 3 to 4 months ago
- 5 to 6 months ago
- More than 6 months ago
- N/A - Neither I nor my family have used any services that led to a health insurance claim

2. Which health prevention or health screening services do you use?

Place a (✓) next to every prevention or screening service you or any member of your family have used since July 1, 2015.

- Annual physical examination
- Immunizations, such as flu shots
- Well Child Care services
- Cancer screening services, such as breast cancer or colon cancer screenings.
- Other (please specify) _____
- N/A - Neither I nor my family use prevention or screening services

3. Which Dakota Wellness Program benefits do you use?

Place a (✓) next to every Dakota Wellness Program benefit you or any member of your family have used since July 1, 2015.

- Worksite education or wellness activities (newsletters, book clubs, wellness challenges)
- Fitness Center Reimbursement Program
- Tobacco Cessation, Diabetes Management or Healthy Pregnancy programs
- The Novu online wellness portal, which launched on April 1, 2016
- Other (please specify) _____
- N/A - Neither I nor my family use Dakota Wellness Program benefits

4. How satisfied are you with your Dakota Plan Health Benefits?

Use the 10-point scale below to tell us your opinion; 1 is "Not At All Satisfied" and 10 is "Extremely Satisfied."

Place a (✓) beneath one number.

Not at All Satisfied										Extremely Satisfied
1	2	3	4	5	6	7	8	9	10	
<input type="checkbox"/>										

5. Why did you give your Dakota Plan Health Benefits that rating?

In the previous question, you rated your satisfaction with Dakota Plan Health Benefits. Use the space below to briefly explain your satisfaction with your Dakota Health Plan benefits.

Please tell us more about your experience as a plan member.

For the next 4 questions, read each statement and rate your experience. Use the 4-point scale to tell us your opinion; 1 is "Strongly Disagree" and 4 is "Strongly Agree." If the statement doesn't apply to you, choose the N/A option.

6. **Printed materials or internet resources help you understand how your health plan works.**

Consider any information about your benefits provided by [Sanford Health Plan](#), which may include written materials or information available on Sanford Health Plan's web site. Place a (✓) below one of the options below.

Strongly Disagree			Strongly Agree	N/A
1	2	3	4	
<input type="checkbox"/>				

7. **Explanation of Benefits (EOB) documents are easy to understand.**

Place a (✓) below one of the options below.

Strongly Disagree			Strongly Agree	N/A
1	2	3	4	
<input type="checkbox"/>				

8. **Health insurance claims are processed in a timely manner.**

Place a (✓) below one of the options below. If you have not received any services that generated a health insurance claim, please choose the "N/A" option.

Strongly Disagree			Strongly Agree	N/A
1	2	3	4	
<input type="checkbox"/>				

9. **Health insurance claims are processed accurately.**

Place a (✓) below one of the options below. If you have not received any services that generated a health insurance claim, please choose the "N/A" option.

Strongly Disagree			Strongly Agree	N/A
1	2	3	4	
<input type="checkbox"/>				

Please tell us more about yourself.

The next 4 questions ask for basic information about you and the coverage you receive. Answering these questions helps us better serve our members.

10. **How do you qualify for Dakota Plan Health Benefits?**

Place a (✓) next to one of the options below.

- As an active employee of the State of North Dakota.
- As an active employee of a political subdivision (city, county, school, etc.)
- As a retiree
- As a COBRA participant
- As a spouse or dependent of an NDPERS policy holder.

11. Which health insurance plan do you have?

Place a (✓) next to one of the options below.

- NDPERS PPO/Basic Plan
- NDPERS High Deductible Health Plan (HDHP)
- NDPERS Dakota Retiree Plan (Medicare)
- Don't Know / Unsure

12. How many people in your household are covered by your Dakota Plan Health Benefits?

Place a (✓) next to one of the options below.

- 1
- 2
- 3
- 4 or more

13. How old are you?

Place a (✓) next to one of the options below.

- Under 25 years old
- 25 to 34 years old
- 35 to 44 years old
- 45 to 54 years old
- 55 to 64 years old
- 65 years or older

Please provide your feedback on the member services call center.

The remaining questions relate to your experience with the Sanford Health Plan member services call center. If you have called the member services center more than once within the last 6 months, please answer the questions based upon the most recent time you called the member services department.

14. Have you called the Sanford Health Plan member services center in the past 6 months?

Place a (✓) next to one of answers below.

- No → *You are finished with the survey. Please do not answer the remaining questions.*
- Yes → *Please continue to Question 15.*

15. How satisfied were you with the service you received when you called member services?

Use the 10-point scale below to tell us your opinion; 1 is "Not At All Satisfied" and 10 is "Extremely Satisfied."

Place a (✓) beneath one number.

Not at All Satisfied										Extremely Satisfied
1	2	3	4	5	6	7	8	9	10	
<input type="checkbox"/>										

16. Why did you call the member services call center?

Place a (✓) next to one of the options below.

- To get information about coverage or benefits
- To ask a question about a health insurance claim or explanation of benefits (EOB)
- To discuss or obtain prior authorization
- To check provider participation status
- To initiate an appeal
- Other - Please specify _____

17. How long did it take the representative to provide the information or help you needed?

Place a (✓) next to one of the options below.

- The issue was addressed during the initial call
- Less than 24 hours
- Less than 1 week
- 1 to 2 weeks
- 3 or more weeks
- The issue was not resolved

18. How long did you have to wait before you were able to talk to customer service representative?

Place a (✓) next to one of the options below.

- The call was answered immediately by a representative
- Less than 1 minute
- 1 to 2 minutes
- Longer than 2 minutes
- I hung up before talking to a customer service representative.
- Don't Know / Don't Remember

Please share your feedback about the representative you talked with.

For the next 4 questions, read each statement and rate the service representative. Use the 4-point scale to tell us your opinion; 1 is "Strongly Disagree" and 4 is "Strongly Agree." If the statement doesn't apply to you, choose the N/A option.

19. The customer service representative treated you with courtesy and respect.

Place a (✓) below one of the options below.

Strongly Disagree			Strongly Agree
1	2	3	4
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

20. The customer service representative was knowledgeable.

Place a (✓) below one of the options below.

Strongly Disagree			Strongly Agree
1	2	3	4
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

21. The customer service representative answered my questions clearly and completely.

Place a (✓) below one of the options below.

Strongly Disagree			Strongly Agree
1	2	3	4
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

22. The customer service representative completed any follow-up that was promised.

Place a (✓) below one of the options below. If your call did not require follow-up, choose the N/A option.

Strongly Disagree			Strongly Agree	N/A
1	2	3	4	
<input type="checkbox"/>				



**North Dakota
Public Employees Retirement System**
400 East Broadway, Suite 505 • Box 1657
Bismarck, North Dakota 58502-1657

Sparb Collins
Executive Director
(701) 328-3900
1-800-803-7377

FAX: (701) 328-3920 • EMAIL: NDPERS-info@nd.gov • www.nd.gov/ndpers

Memorandum

TO: PERS Board
FROM: Sparb
DATE: April 14, 2016
SUBJECT: Health Insurance Renewal – Operational Review

In the renewal memo – general we discussed the need to evaluate the carrier's performance pursuant to the NDCC. Specifically mentioned is subsection (2) of NDCC 54-52.1-05:

(2) Review the carrier's performance measures, including payment accuracy, claim processing time, member service center metrics, wellness or other special program participation levels, and any other measures the board determines relevant to making the determination and shall consider these measures in determining the board's satisfaction with the carrier's performance.

In the previous memo we discussed getting the members' perspective on the above. In this memo we will discuss getting a more quantitative evaluation to respond to the above. I discussed this with Deloitte and asked them if they undertake evaluations to accomplish the task identified in NDCC. They indicated they do such studies and they can range from \$75,000 to \$125,000. The following is a discussion from Deloitte and staff on such evaluations and what they involve.

Operational Review

Activities and Deliverables

Our claims administration review includes four phases:

- Phase 1: Pre-project preparation
- Phase 2: On-site reviews at Vendor, including:
 - An operational review, and
 - A claims transactions review
- Phase 3: Report development and presentation

- Phase 4: Documentation of Vendor corrective action plan

Phase 1: Pre-Project Preparation

Our first step will be to meet with appropriate Client management representatives to discuss and confirm the scope, objectives, and timing for the review. Based upon our experiences conducting claim reviews, we suggest the review be designed to meet the following objectives:

- Discuss general operational review items
 - Call center
 - Performance Standards
- Discuss claims review
 - Confirm that benefit plan provisions are interpreted correctly and that payments are made only for eligible claimants.
 - Review claims administration practices and procedures and determine the extent to which they are followed during claims processing, based on the review of the samples selected.
 - Review the administrator's internal quality assurance and self-audit procedures.
 - Determine the financial, payment, and processing accuracy, and timeliness of claim payments, based on a review of the samples selected.
 - Benchmark results to common industry practices and performance levels.
 - Recommend specific steps to improve claims administration performance.

In addition to the work steps just described, the following should be done :

- Review Client's benefit plan documents.
- Customize our standardized claim operation review questionnaire to focus on Client's plan design and claims transaction objectives.
- Select a sample of claims from the electronic data set provided. We will forward the sample in advance of the on-site visit so that supporting documentation for each of the claims selected for review can be collected.
- Prepare claim review checklists, including customizing checklists to reflect the provisions of Client's plans. We also will pre-print relevant information for sampled claims on our claim review checklists.

Phase 2: On-site Review

While on-site, conduct a high level operational review and a statistical claim transactions review, as follows.

High Level Operational Review

An operational review consists of claim operation inspections and interviews with selected claim operation personnel. It allows us to compare a claim administrator's claims practices and procedures to those of other claims payers. We also gain information about the claim operation which is tested during our claims transaction review. We plan to gather selected information prior to the on-site review using a written questionnaire.

During the operational review, we will evaluate the methodology for achieving the contract performance measures, the member service operation and the claims operation from a functional and organizational perspective. The following areas would be reviewed:

- Review of the carriers success in responding to contract performance measures
 - Plan for achieving performance measures
 - Progress thus far in contract
 - Observations of the carrier to meet the standards

- Review of member service operation
 - Review of the organizational structure
 - Review of operational metrics
 - Training program
 - Observations on the carriers operation

- Organizational structure of the claim operation
 - Responsibilities of functional areas within the claim operation
 - Specific responsibilities of claim examiners
 - Payment authority levels granted to claim operation personnel
 - Claims quality control and review procedures
 - Claims payment controls
 - Initial and ongoing staff training
 - Claims system capabilities
 -

After review of the claim operations from an organizational and functional perspective, a review of claim adjudication steps, including the claims system and the processing guidelines and policies used with the system will be conducted. The focus of this review will be on the following areas:

- Receipt of claims, archiving of submissions, and distribution of claims to the processing areas.
- Claimant eligibility verification.
- Provider of service verification.
- Interpretation of plan provisions.
- Claim input and coding, including:
 - What data is required for each claim
 - What coding systems are used
- Application of reasonable and customary guidelines and other negotiated fees.
- Detection of duplicate claims.
- Fraud detection and investigation.

- Administration of third-party liability claims (e.g. motor vehicle accident), including:
 - How potential third-party liability claims are identified
 - How such claims are investigated and administered
- Administration of utilization management provisions, as appropriate

Statistical Claim Transactions Review

In this project step, the review will focus on a stratified random sample of claims paid. The claim review will include claims paid during the time period, July 1, 2015 to XXXX.

Sampling

The statistical reliability of our results will be impacted by the size of the sample that is tested. We will select a claim sample based on an assumed confidence level of 95% and precision of +/-3%, assuming no more than a 5% error rate in the population. Based upon these parameters, we anticipate reviewing a sample size of approximately 200 claims.

A stratified sampling technique for the claim review will be used. Using this technique:

- Claims with the greatest paid amounts will be isolated and included in the sample for review.
- Remaining claims in the population will be arrayed by amount paid and divided into five or six sub-populations (strata).
- A random sample of claims will be selected from each stratum.

Claim review samples will be selected from an electronic claim extract file provided. The samples will be selected in advance to provide adequate time for gathering the claim batches and supporting documentation for our on-site review.

Review Technique

Each sampled claim will be reviewed to determine if it was processed according to the claims administration guidelines and the provisions of plans.

To be deemed correct, each claim must meet the minimum requirements included on the Deloitte Consulting Claim Review Checklist.

Each claim in the sample will be tested to verify that it is accurate and appropriate in each of the following areas:

- Timeliness of processing
- Eligibility
- Interpretation of charges
- Data entry of diagnostic and medical coding
- Claim examiner handling of claim documentation, including interaction with other functional areas within the claim operation

- Interpretation of plan provisions, including eligibility, deductible amounts, coinsurance amounts, reasonable and customary fees, provider discounts, covered medical expenses, medical management provisions, fee unbundling and up-coding, and plan limitations
- Duplicate payments
- Assignment of benefits and payment to the correct party
- Third-party liability administration: integration with motor vehicle insurance and subrogation/right of reimbursement provisions

Phase 3: Report Development and Presentation

After completing the review described in Phase 2, a written management report will be prepared that summarizes the findings. The report will provide a high level overview of our review methodology and will outline any specific problems identified during the review.

The report will include the following:

- General information
- Scope and objectives of the review
- Overview of findings
- Summary of findings from the operational review
- Specific statistical claims transaction review results, including:
 - Total number of claims examined
 - Total dollar amount represented in the claims reviewed
 - Financial, payment and processing accuracy
 - Claim turn-around-time
 - Total number and dollar amount of errors detected in the sample
 - Total overpayments and underpayments
- Detailed descriptions of the types, magnitude, and frequency of various errors
 - Comparisons to generally accepted industry performance goals, where appropriate
 - Comments, recommendations, and suggested action plans for any issues identified during the review

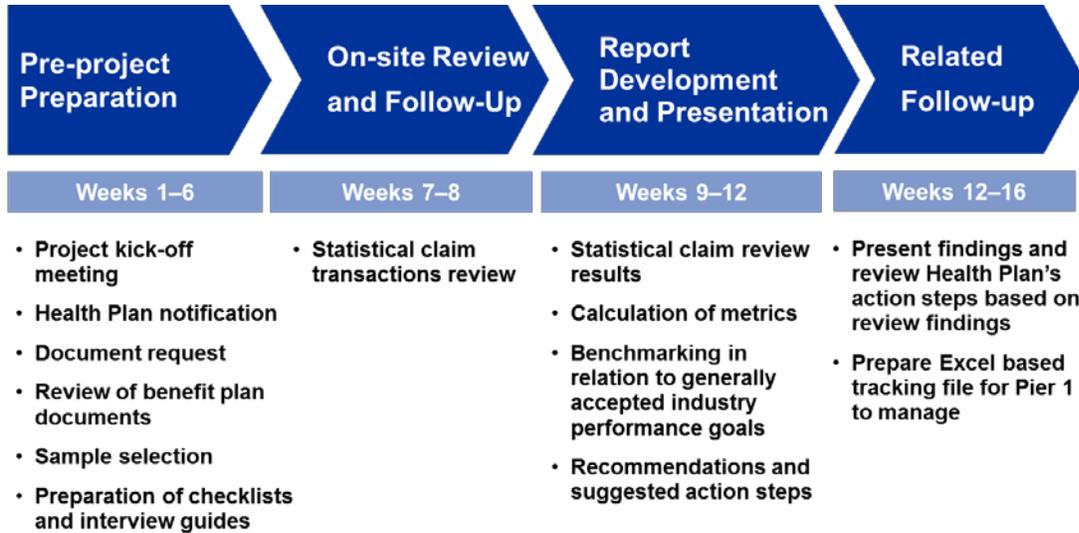
We will work with the plan to identify reasons for the observed errors, to develop remedial action plans and to review any “impact reports” (that identify the number of affected claims and their value).

Phase 4: Documentation of Corrective Action Plans

During the close-out meeting, a list of corrective measures will be identified and action steps that should be undertaken. These will include correction of discrete errors, changes to plan design or interpretation, systemic corrections, claim processor re-training and impact reports.

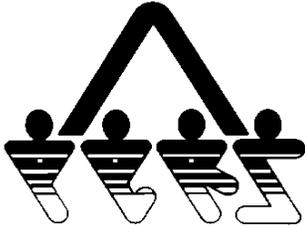
Timing:

The timeline below is for a rather typical claims and operational review. The timeline can be shortened somewhat, depending upon everything being provided on an aggressive schedule.



Board Action Requested:

1. Determine if the above operational review should be conducted
2. If so:
 - a. Should we get a proposal from Deloitte by the May meeting and if acceptable have them do the work
 - b. Should we issue an RFP
 - i. A general RFP to all vendors
 - ii. Just to those who have done work for us in this area (Segal, Deloitte and GBS)
3. If not:
 - a. What other quantitative information could the board review in the renewal
 - i. The quarterly reports submitted by Sanford Health Plan
 - ii. Have Staff and Deloitte review and report to the board on the
 1. Readiness SOC 1 Audit
 2. NCQA Survey Results
 - iii. Ask Sanford Health Plan for a tentative draft annual report by August with a final report thereafter
 - iv. If areas are identified from the above review for more detailed work efforts, then focused efforts could be considered.
 - b. Other efforts.
 - i. Staff, Deloitte and/or board could do a site visit
 - ii. Discussion can be done with other oversight agencies such as the ND & SD Insurance Dept.



**North Dakota
Public Employees Retirement System**
400 East Broadway, Suite 505 • Box 1657
Bismarck, North Dakota 58502-1657

Sparb Collins
Executive Director
(701) 328-3900
1-800-803-7377

FAX: (701) 328-3920 • EMAIL: NDPERS-info@nd.gov • www.nd.gov/ndpers

Memorandum

TO: PERS Board
FROM: Rebecca
DATE: April 13, 2016
SUBJECT: Health Plan Update

Given many of the items NDPERS and SHP staff have been working on since implementation have moved into ongoing operations, this memo will provide updates on specific areas that the teams continue to work on.

- a. **Wellness** - The new online wellness portal, Novu, launched on April 1. Members were notified of the launch through a mailing sent by SHP to their home address. In addition, the NDPERS and SHP websites was updated to provide information on the launch and how to access the new portal. Email blasts were sent to the coordinators to forward to their employees. The latest edition of the PERSpectives (both active & retiree) included an article on the new portal. Posters are being sent to the wellness coordinators to display at their worksites. The wellness educators from SHP have approximately 80 worksite wellness presentations scheduled to provide demos of the new portal to attendees.

As of April 11, Sanford reported there are 3,701 active users on the Novu portal, with 3,122 having completed the HRA. Staff from Sanford will be in attendance to provide the board with a brief update and demo of the new site.

- b. **Medicare Part D** -
 - i. At the March meeting, the board asked for information regarding the proximity to a 90 day network pharmacy from those pharmacies that had opted not to sign the 90 day network contract with ESI. Attachment 1 provides this information.
 - ii. We have been notified that a lawsuit has been brought against ESI by Anthem. Attachment 2 provides an article that appeared in Modern Healthcare regarding the lawsuit. Also attachment 3 is another article

from an investment magazine discussing ESI, Anthem and the PBM marketplace.

We have asked ESI for additional information to share with you regarding the lawsuit. The following has been provided:

- *Express Scripts values its relationship with Anthem and will continue to honor its commitments under the contract, as we would do with any client. Express Scripts has consistently acted in good faith and in accordance with the terms of its agreement with Anthem. We believe that Anthem's lawsuit is without merit.*
- *Anthem is an anomaly. We have a team of people dedicated to serving Anthem and its members, and this lawsuit does not have any impact on any work we're doing with other clients, nor is it indicative of any other client experience.*

- c. **SHP Staff Update** – SHP has notified NDPERS that Dr. Crandell, Chief Medical Officer, has retired.
- d. **PPO Update** – At the March board meeting, the board asked for information related to the providers who have not contracted with Sanford, specifically the number of members impacted. Sanford has provided Attachment 4 for your review and will be available at the Board meeting to discuss further.

Staff will be at the Board meeting if you have any further questions.

Attachment 1
Proximity to 90 Day Network Pharmacy

PHARMACY	CITY	ZIP	DISTANC E1	PHARMACY1	CITY1	ZIP1	DISTANC E2	PHARMACY2	CITY2	ZIP2	DISTANC E3	PHARMACY3	CITY3	ZIP3
THE BOWMAN DRUG COMPANY	BOWMAN	58623	43.1	NEW ENGLAND DRUG	NEW ENGLAND	58647	43.8	WHITE DRUG	HETTINGER	58639	49.3	BAKER REXALL DRUG	BAKER	59313
KENMARE DRUG	KENMARE	58746	30.2	WHITE DRUG	MOHALL	58761	34.2	DAKOTA DRUG	STANLEY	58784	50.5	TIOGA DRUG	TIOGA	58852
LAKOTA DRUG AND GIFT	LAKOTA	58344	26.9	CLINIC PHARMACY	DEVILS LAKE	58301	27.1	WHITE DRUG	DEVILS LAKE	58301	27.1	RAMSEY DRUG	DEVILS LAKE	58301
LARIMORE DRUG AND GIFT	LARIMORE	58251	13.9	PAUL BILDEN PHARMACY	NORTHWOOD	58267	26	ALTRU CLINIC PHARMACY FMC	GRAND FORKS	58201	26	THRIFTY WHITE PHARMACY	GRAND FORKS	58201
CENTRAL PHARMACY	CARRINGTON	58421	33.3	NILLES DRUG	FESSENDEN	58438	47.1	ALMKLOVS PHARMACY	COOPERSTOWN	58425	47.3	WHITE DRUG	MADDOCK	58348
ELLEDALE PHARMACY	ELLEDALE	58436	27.6	OAKES DRUG	OAKES	58474	27.8	TARA'S THRIFTY WHITE PHARMACY	OAKES	58474	32.2	LA MOURE DRUG STORE	LAMOURE	58458
HILLSBORO DRUG	HILLSBORO	58045	30.3	THRIFTY WHITE DRUG	ADA	56510	33.2	WALLS HEALTH MART PHARMACY	GRAND FORKS	58201	33.6	WHITE DRUG	GRAND FORKS	58201
NAPOLEON DRUG	NAPOLEON	58561	24.6	WISHEK DRUG	WISHEK	58495	29.1	STEELE DRUG	STEELE	58482	33.8	WHITE DRUG	LINTON	58552
TURTLE LAKE REXALL DRUG	TURTLE LAKE	58575	38	VELVA DRUG COMPANY	VELVA	58790	42.5	HORIZON PHARMACY	BISMARCK	58503	44	HAZEN DRUG	HAZEN	58545
CHASE DRUG	WASHBURN	58577	28.2	HAZEN DRUG	HAZEN	58545	31.3	HORIZON PHARMACY	BISMARCK	58503	33.8	THRIFTY WHITE PHARMACY	MANDAN	58554
IRSFIELD PHARMACY	DICKINSON	58601	0.2	ST JOSEPHS HOSP AND HLTH CNTR	DICKINSON	58601	0.7	GREENE DRUG	DICKINSON	58601	0.8	THRIFTY WHITE PHARMACY	DICKINSON	58601
INHEALTH SPECIALTY PHARMACY	FARGO	58103	0.7	LINSON PHARMACY	FARGO	58103	0.8	SOUTHPOINTE PHARMACY	FARGO	58103	1.2	INNOVIS HEALTH	FARGO	58104
ROCKVIEW PHARMACY	PARSHALL	58770	17.6	LARSEN SERVICE DRUG	NEW TOWN	58763	33.1	DAKOTA DRUG	STANLEY	58784	48.3	CVS	MINOT	58701
EDGELEY PHARMACY	EDGELEY	58433	20	LA MOURE DRUG STORE	LAMOURE	58458	37.4	WHITE DRUG	JAMESTOWN	58401	37.5	MEDICINE SHOPPE PHARMACY	JAMESTOWN	58401
CENTRAL PHARMACY	NEW ROCKFORD	58356	24.4	NILLES DRUG	FESSENDEN	58438	33.3	WHITE DRUG	MADDOCK	58348	37.5	WHITE DRUG	DEVILS LAKE	58301
LANGDON COMMUNITY DRUG	LANGDON	58249	28.9	WALHALLA PRESCRIPTION SHOP	WALHALLA	58282	35.3	THRIFTY WHITE PHARMACY	CAVALIER	58220	45.6	YE OLDE MEDICINE CENTER	PARK RIVER	58270
ARTHUR DRUG	ARTHUR	58006	14.2	CASSELTON HEALTH MART DRUG	CASSELTON	58012	28.1	THE PRESCRIPTION SHOP	WEST FARGO	58078	29.1	THRIFY WHITE PHARMACY	WEST FARGO	58078
BOTTINEAU CLINIC PHARMACY	BOTTINEAU	58318	0.3	THOMPSON DRUG	BOTTINEAU	58318	30.9	BELCOURT DRUG	BELCOURT	58316	35.2	WHITE DRUG	ROLETTE	58366
CARRINGTON DRUG	CARRINGTON	58421	33.6	NILLES DRUG	FESSENDEN	58438	46.7	ALMKLOVS PHARMACY	COOPERSTOWN	58425	47.5	WHITE DRUG	MADDOCK	58348
AASEN DRUG	MAYVILLE	58257	24.9	PAUL BILDEN PHARMACY	NORTHWOOD	58267	35	WALLS HEALTH MART PHARMACY	GRAND FORKS	58201	35.1	WHITE DRUG	GRAND FORKS	58201

Example: The Bowman Drug Company has a 30 day network contract. The closest pharmacy with a 90 day network is New England Drug, which is 43.1 miles away. The 2nd closest pharmacy with a 90 day network is White Drug in Hettinger at 43.8 miles and the 3rd closest is Baker Rexall Drug in Baker, which is 49.3 miles from The Bowman Drug Company.

Article from Modern Healthcare

Anthem sues Express Scripts for \$15 billion over drug pricing

By [Bob Herman](#) | March 21, 2016

Health insurer Anthem [has sued](#) Express Scripts Holding Co., alleging the pharmacy benefits manager is not passing along billions of dollars in savings from negotiated drug prices.

Anthem is seeking [\\$15 billion in damages](#) and the ability to end its contract with Express Scripts. An Anthem spokeswoman said the damages reflect drug price overpayments Anthem allegedly has made. It also factors in the remainder of Anthem's 10-year contract with Express Scripts, which runs through 2019. The amount also covers an unspecified transition period.

[Anthem](#) is also seeking \$150 million for "compensation related to operational breaches," the spokeswoman said. Anthem has not yet decided whether it will immediately end its contract with [Express Scripts](#), but the company has been contemplating a major change for the past several months.

Anthem CEO Joseph Swedish [told investors](#) at this year's recent J.P. Morgan Healthcare conference that Anthem was overpaying for prescription drugs for its members by \$3 billion annually through its Express Scripts contract and was "contractually entitled" to those savings.

Insurers and self-insured employers hire PBMs like Express Scripts to work with drug companies to bring down the price of medications, which account for about 10% of the U.S. healthcare economy. PBMs get price discounts in part by guaranteeing access to their drug formularies, although the process lacks transparency, and many of those savings are supposed to be passed along to insurers, employers and consumers.

Anthem alleges that Express Scripts is skimming a lot of the savings and is not offering wiggle room under Anthem's repricing provision. That provision went into effect this year, and [Swedish previously expected](#) Anthem would save between \$500 million and \$700 million with new terms.

"Anthem has worked hard for more than a year to try to get Express Scripts to engage in such good faith negotiations, but Express Scripts has refused to do so," [an Anthem news release reads](#).

An Express Scripts spokesman released a statement that said, "Express Scripts values its relationship with Anthem and will continue to honor its commitments under the contract, as we would do with any client. Express Scripts has consistently acted in good faith and in accordance with the terms of its agreement with Anthem. We believe that Anthem's lawsuit is without merit."

Anthem has some leverage in the case. The Indianapolis-based insurer is buying Cigna Corp. in a deal valued at [more than \\$54 billion](#), including debt. If that deal closes, Anthem could shift its drug functions to Cigna's PBM, OptumRx. Cigna had used Catamaran Corp., but OptumRx, a subsidiary of health insurance giant UnitedHealth Group, bought out Catamaran last year in a [\\$12.8 billion deal](#). Anthem also has toyed with the idea of bringing its pharmacy management in-house.

"All options are open," Swedish said at a Morgan Stanley healthcare conference this past September.

Law firm White & Case is representing Anthem.

By mid-day trading, Anthem's lawsuit was hurting its own stock more. Anthem's stock was down 2.4%, while Express Scripts' stock price basically was unchanged.

Express Scripts: Tensions Escalate

Feb. 19, 2016 9:58 AM ET18 comments

by: Nicholas Mushaike

Summary

- Implications of the 3% claim decline due to the Coventry & the Catamaran rollofs.
- The rapid health insurance consolidating market and the in-house pharmacy care services.
- The escalating tensions between its \$14 billion client and the potential \$5 billion missed opportunity.

Thesis Introduction

We believe that the losses of Coventry and Catamaran decrease the chances of Express Scripts finding another \$14 billion client should it lose Anthem. Based on the earnings call, Express Scripts is leaning towards a number. That number is definitely not \$3 billion, but because of Express Scripts' high cost structure, any drastic impact on its bottom line would cripple inorganic growth, valuations, and FCF.

The Coventry & Catamaran Losses

Express Scripts' (NASDAQ:ESRX) faced a decline in volume due to the impact of the rolloff from Coventry and Catamaran businesses. According to Eric R. Slusser, CFO & Executive Vice President of Express Scripts, the Coventry and the Catamaran businesses represented approximately 3% of claims.

This loss did not seem to affect Express Scripts as the company expects adjusted EBITDA for 2016 to be in the range of \$7.2 billion to \$7.4 billion, or an increase of 3% to 5%.

However, even though the 3% loss did not seem to have any material impact on EBIDTA or Express Scripts' 2016 guidance, it is the seemingly broken relationship between Express Scripts and the parent companies of both Coventry and Catamaran that puts a shadow on Express Scripts dominance moving forward.

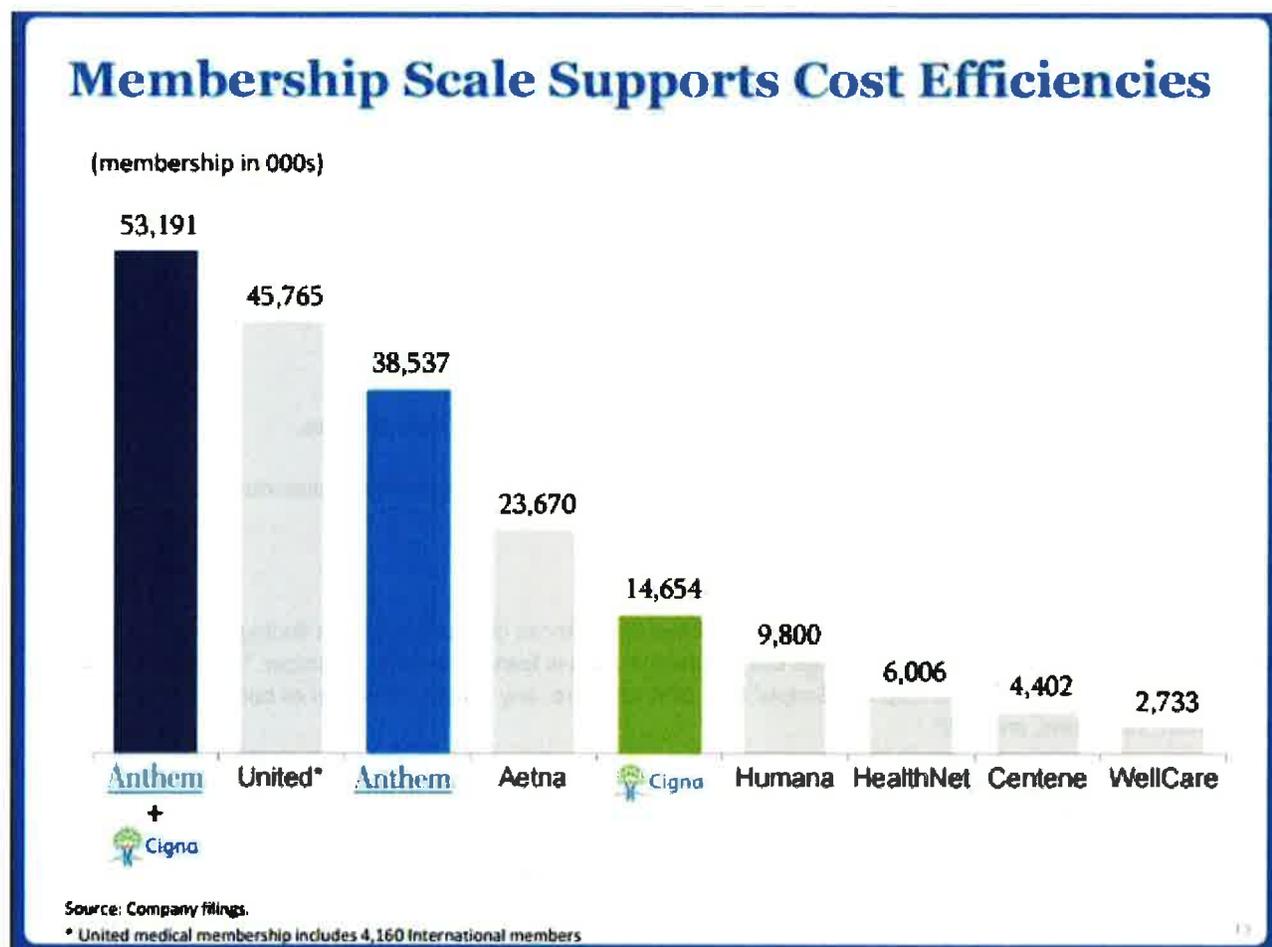
Tensions with a Consolidating Clientele Base

The loss of Coventry: In 2012, Aetna Inc. (NYSE:AET) acquired Coventry Health Care Inc. for \$5.6 billion in the insurers first step in consolidating its government business - Medicare, Medicaid and Tricare. But it is the \$37 billion proposed merger of Aetna and Humana Inc. (NYSE:HUM) that could be ground breaking. The transaction is projected to realize \$1.25 billion in annual synergies in 2018 and it will add over 14 million total members, including 3.2 million Medicare Advantage members.

The loss of Catamaran: On the same note, on July 23rd, 2015, UnitedHealth Group Inc.'s (NYSE:UNH) OptumRx closed its \$12.8 billion acquisition of pharmacy-benefit manager Catamaran Corporation. The Catamaran and Optum's pharmacy care services business are expected to serve the needs of more than 65 million and fulfill more than one billion prescriptions as of year end 2015.

These losses are critical because if the biggest health insurance companies decide to handle all their pharmacy care services in-house, it negatively affects the portfolio of clients and the number of patients that PBM's like Express Scripts can access. Express Scripts does not seem to have good relationships with the biggest and dominant health insurance companies in the United States.

(Source: Anthem-Cigna - A Compelling Combination)



Anthem inc. (NYSE:ANTM) and Cigna Corporation (NYSE:CI), and Aetna-Humana mergers are on-going. If successful, three companies will completely dominate the health insurance market. Suddenly, the top five publicly traded health insurers would dwindle to three. Hence the reason why these deals have raised a lot of antitrust resistance.

Aetna and Express Scripts have had their fair share of problems. Back in 2008, Aetna sued Express Scripts because:

"Express Scripts intended to wrongfully convert and retain Aetna Health's \$75 million payment to complete the purchase option, and to deprive ASP of the full and fair value of its acquisition," Aetna said.

The recent termination of Aetna's subsidiary Coventry relationship with Express Scripts is not a sign of an improved relationship. Making the chances of the two going into business again less likely,

UnitedHealth Corporation cannot be a potential client for Express Scripts. The purchase of Catamaran and cutting ties with Express Scripts is a small part of their history. UnitedHealth was the biggest client for Medco Health Solutions until it was acquired by Express Scripts for \$29.1 billion. UnitedHealth left Express Scripts reducing the number of prescriptions by ~12% and decreasing revenues by ~5%. Because UnitedHealth is very committed to doing everything in-house- acquisition of Catamaran is an example of that- a potential pairing with Express Scripts is less likely.

Now we hope you understand our worries. There are potentially going to be three major players in the health insurance space. Express Scripts' track record with the other two players has not been good and they have decided to handle most of the pharmacy business in-house. And now, Express Scripts tensions with the remaining big three client are escalating.

The Anthem Ordeal Revisited

This is why people are worried. We expressed these worries in detail in our recent article, "The Clause That Could Twist Express Scripts' Fate." You can refer to it to understand the implications and the damage from losing Anthem as a client.

During its Fourth Quarter 2015 Earnings Conference Call, Express Scripts' tried to run away from the only question that seemed to be on the mind of every analyst on the conference call- Anthem.

Needless to say, the remarks referencing its contentious price negotiations offered a glimpse into what we would expect to be the outcome of the negotiations.

"As I've said on numerous occasions, I really just do not want to get into the detail here. I understand as a shareholder there is a thirst for knowledge, but also, as a business leader, we have to safeguard our relationships and whatever we say here is clearly going to, it can come back and, it just doesn't do us any good to get into any kind of detail with this. And I know that's not very satisfying, but it really is the right thing to do. **I couldn't imagine if I was having a challenge with one of my vendors that they would appreciate it if I was trying to air all their dirty laundry out and try to force a negotiation through a conference call with shareholders. That just doesn't seem appropriate to me.** So that's just not the way we're going to do it. So again, I'm sorry about being vague, but I really do believe it's the right answer." - George Paz - Chairman & Chief Executive Officer of Express Scripts during the company's Q4 2015 Earnings Call.

This statement was in direct reference to Anthem's CEO Joseph Swedish who brought the dispute between the two to light when he stated that "We are entitled to improved pharmaceutical pricing that equates to an annual value capture of more than \$3.0 billion," during a J.P. Morgan Healthcare Conference.

George Paz went on to state that, "I have no clue where the \$3.0 billion came from. I have no concept; the number doesn't make any sense to me."

We understand the rationale between such tensions but these tensions are less likely to result in any outcome in which Express Scripts emerges unscathed.

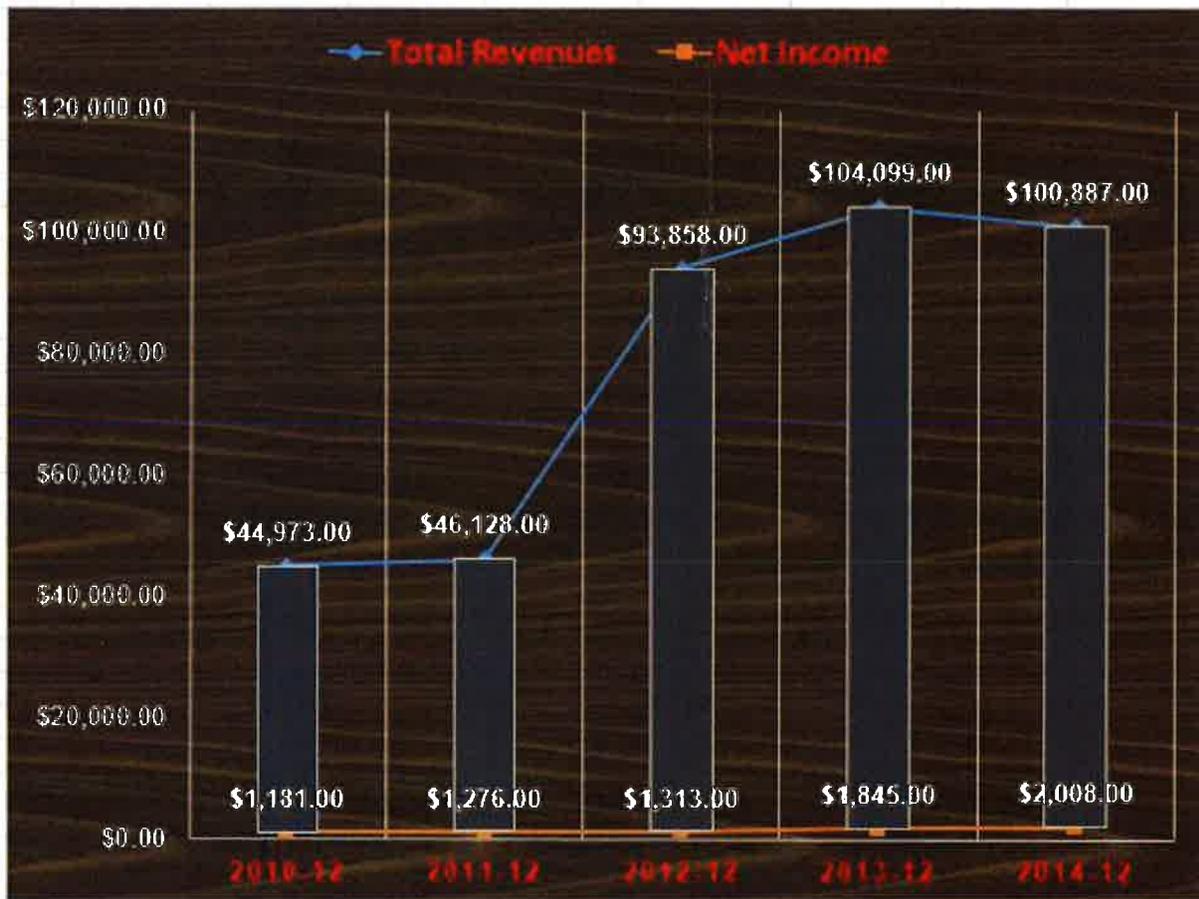
In addition, there is the rising threat of a higher cost structure for Express Scripts. Express Scripts' CEO said that "Anthem is certainly not entitled to \$3 billion..." but he did not say that *Anthem is not entitled to any money.*

This is why we believe that there is a mutually agreed upon value. A value that means an increased cost structure to Express Scripts.

"As we said on our 2016 Guidance Call in December, we remain fully committed to good faith negotiations in hopes of reaching a mutually beneficial agreement within the framework of our 2009 contract. That has not changed. **That said, although I will not speak to specifics, Anthem is certainly not entitled to \$3 billion and that has not changed.**" - George Paz - Chairman & Chief Executive Officer of Express Scripts during the company's Q4 2015 Earnings Call.

This is detrimental because Express Scripts has a high cost structure.

(Source: Authors analysis with data taken from Morningstar)



Express Scripts has \$100 billion in revenues but with only \$2 billion in net income. Making any impact to its bottom line an important and a sensitive matter. But Anthem only makes up ~14% of Express Scripts revenues. Implying that it makes-up approximately \$280 million of net income, ceteris paribus. That is no where near the \$3 billion Anthem stated.

However, that is based on the numbers in front of us. What we should also put into considering is the fact that since Anthem is entitled to periodic reviews of how much Express Scripts pays for drugs, Anthem might have more data to support their claims then we can deduce from public data.

Looking at it another way, Express Scripts makes ~\$14 billion in revenues from Anthem. Anthem currently has 38.5 million members. Meaning that each member contributes ~\$364 to Express Scripts revenues. Anthem is nearing a merger with Cigna that will increase its number of members from 38.5 million to 53.2 million. That is an increase of 14.7 million members. Put another way, that is approximately \$5.4 billion Express Scripts can make of Anthem's new members should it keep Anthem as a client.

The takeaway here is that Anthem is too big a client to let go. Also, the health insurance industry is rapidly consolidating and Anthem is Express Scripts' best chance of reaching a larger clientele base. Also, history and the Coventry-Catamaran rollofs coupled with an increased need to do pharmacy care in-house limits Express Scripts' ability to replace Anthem or to acquire a ground-breaking client. We like Express Scripts and after the 20% monthly stock price decline and the fact that analysts are still estimating that the company will rise, we would have thought their is an imminent bull ran coming. But unless the company takes a move that could put these questions to rest, we are afraid that, currently, all roads lead to potential margin compressions in the coming quarters.

Disclosure: I/we have no positions in any stocks mentioned, and no plans to initiate any positions within the next 72 hours.

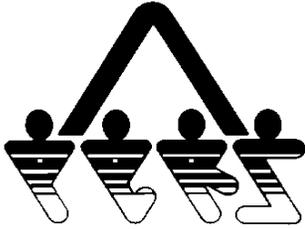
I wrote this article myself, and it expresses my own opinions. I am not receiving compensation for it (other than from Seeking Alpha). I have no business relationship with any company whose stock is mentioned in this article.

ATTACHMENT 4

Description	Institutional	Professional
Total in network providers	297	5935
Non-contracted providers (with submitted claims)	4	57

Top Institutional provider types of claims received but non-contracted	Count	Total Claim Count	Unique Member Count
Dialysis	1	384	3
Skilled Nursing/Home Health	1	21	1
I H S/Military	2	83	6
Total	4	488	10

Top Professional provider types of claims received but non-contracted	Provider Count	Total Claim Count	Unique Member Count
Chiropractors	33	4110	945
Behavioral Health	6	86	23
Vision	8	100	97
MD/DO/NP/PA	3	289	29
Other	7	65	57
Total	57	4650	1151



**North Dakota
Public Employees Retirement System**
400 East Broadway, Suite 505 • Box 1657
Bismarck, North Dakota 58502-1657

Sparb Collins
Executive Director
(701) 328-3900
1-800-803-7377

FAX: (701) 328-3920 • EMAIL: NDPERS-info@nd.gov • www.nd.gov/ndpers

Memorandum

TO: NDPRS Board

FROM: Kathy

DATE: April 12, 2016

SUBJECT: Tobacco Cessation Grant Program Renewal

At the July 2015 meeting, the Board was informed that the Department of Health approved the Tobacco Cessation Grant Program for State of North Dakota employees for one year from July 1, 2015 through June 30, 2016 in the amount of \$35,000. Traditionally, this program has been for both years of the biennium. The reasons for the change were as follows:

- Change in vendor from BCBS to Sanford Health Plan.
- Program changes to include:
 - Implementing a debit card for eligible expenses.
 - Sanford Health Plan assuming, from the Department of Health, the responsibility for promotion and marketing of the program.

Department of Health representatives felt that they would like the opportunity to assess the effect of the above changes after one-year rather than lock in for a 2-year period for \$70,000.

The Department of Health has notified us that the contract will be renewed for July 1, 2016 through June 30, 2017. They will be providing us with another contract which will be available for the May Board meeting.



**North Dakota
Public Employees Retirement System**
400 East Broadway, Suite 505 • Box 1657
Bismarck, North Dakota 58502-1657

Sparb Collins
Executive Director
(701) 328-3900
1-800-803-7377

FAX: (701) 328-3920 • EMAIL: NDPERS-info@nd.gov • www.nd.gov/ndpers

Memorandum

TO: PERS Board
FROM: Sparb
DATE: April 14, 2016
SUBJECT: Board Planning Items

Attached please find the list of the items that came out of the Board Planning meeting and a chronology for addressing them over the next 18 months. At the last meeting we reviewed the items and at this meeting we will review the timeline. If this meets your needs, we will proceed along this timeline.

One item I would like to note is the following:

	April	May	June	July	August	Sept	Oct	Nov	Dec	Jan	Feb	March
Have the dental, vision, life, EAP, flex, ASI and DC vendors provide annual updates to the Board.	DC					Flex, life, dental, vision, ASI						

Pursuant to this action item, we are having vendors provide their annual update to the Board. In this case it is proposed for September for the Flex, Life, Dental, Vision and Retiree Health vendors. What is being suggested is that we have a special meeting at the same time as the benefits fair that is a part of State Employee Recognition Week. All of our vendors will be here at that time and we could coordinate a Board meeting at that time for the annual updates and avoid special travel.

Board Action Requested:

Approve or disapprove a special September meeting to have annual reviews with the PERS vendors.



**North Dakota
Public Employees Retirement System**
400 East Broadway, Suite 505 • Box 1657
Bismarck, North Dakota 58502-1657

Sparb Collins
Executive Director
(701) 328-3900
1-800-803-7377

FAX: (701) 328-3920 • EMAIL: NDPERS-info@nd.gov • www.nd.gov/ndpers

Memorandum

TO: PERS Board
FROM: Sparb
DATE: April 14, 2016
SUBJECT: Website Enhancements and Centralized Enrollments

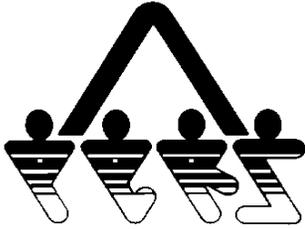
Last year several staff had a presentation from a firm that offers enhanced website functionality to help members understand their benefits and also a centralized enrollment methodology. We had a follow-up presentation on this with additional staff within the last six months. During our planning meeting we also briefly discussed this and it appears on our Board Planning Timeline:

	2016									
	April	May	June	July	August	Sept	Oct	Nov	Dec	
PERS Administration										
Explore additional features for benefit enrollment/annual enrollment, such as videos, avatars, expanded call center.										

If you are interested in considering any enhancements such as these in the 2017-19 biennium we will need to put that into our proposed budget to OMB this summer. Consequently, we should arrange for you to view a brief presentation on this technology at the May or June meeting if you like, so decision can be made on this for our budget.

Board Action Requested:

Determine if arrangements should be made for a presentation on the above functionality.



**North Dakota
Public Employees Retirement System**
400 East Broadway, Suite 505 • Box 1657
Bismarck, North Dakota 58502-1657

Sparb Collins
Executive Director
(701) 328-3900
1-800-803-7377

FAX: (701) 328-3920 • EMAIL: NDPERS-info@nd.gov • www.nd.gov/ndpers

Memorandum

TO: NDPERS Board
FROM: Sharon Schiermeister
DATE: April 12, 2016
SUBJECT: PERSLink Mobile App Update

At the December meeting, the Board approved moving forward with a mobile app that ties in with PERSLink Member Self Service. Work on this project began in January and is nearing completion.

The app will be able to be accessed using an Apple, Android or Windows device and will be available through the Apple Store, Google Play or Windows Store. The following features will be available through the mobile app.

Feature	Active Members	Retired Members
View and edit profile information	X	X
View and edit spouse/contact information	X	X
Receive messages from PERS	X	X
Contact PERS	X	X
View designated beneficiaries and covered dependents	X	X
View benefit plan enrollments and levels of coverage	X	X
View retirement account balance	X	
Perform benefit estimates and service purchase calculations	X	
Update benefit elections during Annual Enrollment	X	
View retirement payments		X
Update Federal and ND income tax withholding		X

At this time, the project team is completing the final round of testing. The next step will be to move the app into production and deploy to a pilot group of active and retired members. Once it has been determined that the app is stable and working as intended, it will be available to all members. We anticipate the project will be completed by June.



**North Dakota
Public Employees Retirement System**
400 East Broadway, Suite 505 • Box 1657
Bismarck, North Dakota 58502-1657

Sparb Collins
Executive Director
(701) 328-3900
1-800-803-7377

FAX: (701) 328-3920 • EMAIL: NDPERS-info@nd.gov • www.nd.gov/ndpers

Memorandum

TO: PERS Board
FROM: Bryan
DATE: April 21, 2016
SUBJECT: NDPERS Web Site Update

NDPERS staff and Agency MABU continue to work on the new NDPERS web site. MABU is working on the site development and programming. The NDPERS team has put together the content and web page layout for 120+ pages of information. It will still be a while before this web page content is actually functional. We have a target date of the end of June, when we can start to view and refine the web site pages. In the meantime, NDPERS is working on updating plan documents (forms, booklets, flyers, etc.).

If you have any questions, I will be available at the NDPERS Board meeting.

The screenshot displays the website's interface. At the top, there is a navigation bar with links for CONTACT, BOARD, INVESTMENTS, LINKS, and RESOURCES, along with a search field and text size options. Below this is a secondary navigation bar with tabs for ACTIVE MEMBERS, RETIRED MEMBERS, and EMPLOYERS, and a PERSLINK LOGIN button. The main content area features a large banner image of a couple driving in a car, overlaid with a 'RETIREMENT WEBINAR' announcement titled 'The Starting Line' and a 'Read More' button. Below the banner are three columns of service categories: 'I WANT TO...' (Attend Training @ Events, Change My Address, Update My Beneficiary, Estimate My Retirement Benefit, Purchase Service Credit), 'LIFE EVENTS' (Marriage or Divorce, Birth, Adoption or Legal Guardianship, Death or Terminal Illness, Disability, Leaving NDPERS Membership), and 'POPULAR FORMS' (Vestibulum Vitae | [pdf], Conditumetum ris ac Finibus | [docx], Aliquam mollis | [pdf], Gravida Congue | [pdf], Mauris a est quam | [pdf]).



**North Dakota
Public Employees Retirement System**
400 East Broadway, Suite 505 • Box 1657
Bismarck, North Dakota 58502-1657

Sparb Collins
Executive Director
(701) 328-3900
1-800-803-7377

FAX: (701) 328-3920 • EMAIL: NDPERS-info@nd.gov • www.nd.gov/ndpers

Memorandum

TO: PERS Board

FROM: Bryan

DATE: April 21, 2016

SUBJECT: Flexcomp and Deferred Compensation Companion Plan Surveys

After we changed our Flexcomp administration to ADP, we did a survey of our participants. We also surveyed our DC 401(a) and 457 Companion Plan participants after our transition to TIAA-CREF. It will soon be time to do a renewal for these plans. We are planning to do a similar survey to measure current plan satisfaction and any improvement over the prior survey. Many of the same questions will be on the new survey. Attached is a draft of the two survey instruments.

We'll plan on sending these out no later than the end of summer.

Let me know if you have any questions, comments, or suggestions.

NDPERS 2016 Flexcomp Plan Survey

1. Which Flexcomp program(s) do you participate in?	<input type="checkbox"/> Medical <input type="checkbox"/> Dependent <input type="checkbox"/> Pre-Tax
2. Are you satisfied with the NDPERS Flexcomp enrollment process?	<input type="checkbox"/> Yes <input type="checkbox"/> No
3. Are you satisfied with the availability of Flexcomp plan information?	<input type="checkbox"/> Yes <input type="checkbox"/> No
4. Have you contacted ADP customer service?	<input type="checkbox"/> Yes <input type="checkbox"/> No
5. Have you participated in the Flexcomp program before this year?	<input type="checkbox"/> Yes <input type="checkbox"/> No
6. Do you plan to participate in the Flexcomp plan next year?	<input type="checkbox"/> Yes <input type="checkbox"/> No

Please mark the box with how much you agree/disagree with the following statements. Use "N/A" if you have not used the service or don't know.		Strongly disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree	N/A
7. I understand the NDPERS Flexcomp program.	1	2	3	4	5	6	9	
8. I am satisfied with the claim submission options available from ADP.	1	2	3	4	5	6	9	
9. I am satisfied with the online Web Services available from ADP.	1	2	3	4	5	6	9	
10. I am satisfied with the Debit Card option available from ADP.	1	2	3	4	5	6	9	
11. I am satisfied with the online claims submission option available from ADP.	1	2	3	4	5	6	9	
12. I am satisfied with the Mobile App option available from ADP.	1	2	3	4	5	6	9	
13. I am satisfied with the Automatic Claim Reimbursement option available from ADP.	1	2	3	4	5	6	9	
14. I am satisfied with the customer service provided by ADP.	1	2	3	4	5	6	9	
15. I am satisfied with the Flexcomp service provided by the NDPERS office.	1	2	3	4	5	6	9	
16. I plan to enroll in the Flexcomp plan next year.	1	2	3	4	5	6	9	
17. I would recommend the NDPERS Flexcomp plan to other employees.	1	2	3	4	5	6	9	

18. Years of Service with the state	19. Age at last birthday	20. Marital Status
_____ Years	_____ Years	<input type="checkbox"/> Single <input type="checkbox"/> Married
21. Did you defer/contribute more than \$1,000 to your Flexcomp account? <input type="checkbox"/> Yes <input type="checkbox"/> No		

Additional Comments?

THANK YOU!
 Please return this survey in the postage-paid envelope by:
 June 15, 2016

NDPERS 457 Deferred Compensation Companion Plan Survey

1. Are you satisfied with the investment funds available?	<input type="checkbox"/> Yes <input type="checkbox"/> No
2. Are you satisfied with the availability of plan information?	<input type="checkbox"/> Yes <input type="checkbox"/> No
3. Are you confident that you are on the right track for retirement?	<input type="checkbox"/> Yes <input type="checkbox"/> No
4. Have you ever met with a TIAA investment advisor?	<input type="checkbox"/> Yes <input type="checkbox"/> No
5. Do you use an investment advisor or financial planner (other than TIAA) to help you with your investment decisions?	<input type="checkbox"/> Yes <input type="checkbox"/> No

	Strongly disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree
6. I understand how PEP works with my contribution to increase my pension plan account balance.	1	2	3	4	5	6
7. I am satisfied with the investment education and advice given by TIAA.	1	2	3	4	5	6
8. I am satisfied with the web services and quarterly statements provided by TIAA.	1	2	3	4	5	6
9. I am satisfied with the availability of counselors and advisors from TIAA.	1	2	3	4	5	6
10. I am satisfied with the brokerage window for investing in other mutual funds & ETFs.	1	2	3	4	5	6
11. I would recommend TIAA to other employees.	1	2	3	4	5	6
12. I am satisfied with the service provided by the NDPERS office.	1	2	3	4	5	6
13. I find selecting my own investments and asset allocation confusing.	1	2	3	4	5	6
14. I am confident I will have enough money to retire.	1	2	3	4	5	6
15. I am confident my retirement savings will grow over time.	1	2	3	4	5	6
16. I am interested in having my contributions automatically increased each year.	1	2	3	4	5	6
17. I would be interested in contributing a percentage of my salary instead of a set dollar amount.	1	2	3	4	5	6

18. Years of Service with the state _____ Years	19. Age at last birthday _____ Years	20. Marital Status ____ Single ____ Married
21. Please circle your current monthly salary range? 1. <\$2,000 2. \$2,000-\$3,999 3. \$4,000-\$5,999 4. \$6,000+		
22. What is your monthly deferred compensation contribution? 1. \$25 2. \$26-\$100 3. \$101-\$500 4. \$501+		
Additional Comments?		

THANK YOU!

Please return this survey in the postage-paid envelope by: June 15, 2016



**North Dakota
Public Employees Retirement System**
400 East Broadway, Suite 505 • Box 1657
Bismarck, North Dakota 58502-1657

Sparb Collins
Executive Director
(701) 328-3900
1-800-803-7377

FAX: (701) 328-3920 • EMAIL: NDPERS-info@nd.gov • www.nd.gov/ndpers

Memorandum

TO: PERS Board

FROM: Sparb

DATE: April 8, 2016

SUBJECT: ANNUAL EXECUTIVE DIRECTOR EVALUATION

Attached is the form that is used by the Board to evaluate the Executive Director. We will email the Board members the evaluation form after today's meeting.

In the past the Board has appointed a committee of three to coordinate the annual evaluation of the Executive Director and make a salary recommendation at the June meeting. Last year Mr. Sandal, Ms. Arvy Smith and Chairman Strinden served on the committee.

Board Action Requested

To determine how to proceed with the evaluation process.

Critical Job Elements
 NDPERS Executive Director
 For the Year: 2015
 Completed in 2016

Board Member Completing Evaluation: _____

CJE – Critical Job Element	Expectation	Rating	Comments
Category 1 Board Meetings	1. Agenda items are prepared with supporting information. 2. Board materials are distributed at least 3 days before the meeting. 3. Appropriate information is provided to Board either orally/verbally to aid the Board in arriving at a decision. 4. Board material identifies items, which need “Board Action”, and makes a staff recommendation where appropriate. 5. Education is provided at Board meetings in order that Board may adequately perform their policy setting role.		
Category 2 Board Relations	1. The Director is responsive to Board requests. 2. The Director is adaptable to Board direction on PERS policy and able to work with the board as a team member. 3. The Director keeps Board members aware of current issues and when appropriate provides information to Board members between board meetings. 4. The Director provides timely and accurate problem identification to the Board as well as providing solutions and options for the Boards consideration.		
Category 3 Operations	1. Accurate Records 1.1 Maintain appropriate, accurate and accessible data for individual members and benefit recipients. 1.2 Accurate accounting records and a system of internal controls is maintained to result in an annual, unqualified opinion by the System’s auditor. 1.3 An application to GFOA for the Certificate of Achievement for Excellence in Financial Reporting is submitted annually. 1.4 The Public Pension Coordinating Council’s Award of Excellence is submitted biennially. 2. Biennial Budget 2.1 Biennial budget is prepared pursuant to OMB guidelines and submitted pursuant to guidelines established by the Governor. 2.2 Board is provided opportunity to review the budget before it is submitted. 2.3 Expenditures for budget items do not exceed appropriation without approval of the Board. 3. Timely and Understandable Service 3.1 Member inquiries are responded to in a timely manner. (Survey information shall be reported to the board relating to this from the “How are we doing” cards and the biennial survey).		

CJE – Critical Job Element	Expectation	Rating	Comments
	<p>3.2 Participating employers shall be provided the necessary support to administer the PERS programs in which they participate. (Biennial surveys shall be done relating To this and reported to the Board).</p> <p>4. Staffing</p> <p>4.1 All applicable personnel rules of the State of North Dakota shall be followed.</p> <p>4.2 Staff performance evaluations are completed at least annually.</p> <p>4.3 Employee’s receiver recognition, direction or discipline as appropriate.</p>		
Category 4 Investment Programs	<p>1. Maintain board approved Investment Objectives and Policies for:</p> <p>1.1 The defined benefit plan</p> <p>1.2 The defined contribution plan</p> <p>1.3 The deferred compensation plan</p> <p>2. Performance</p> <p>2.1 Produce and report investment return information for the defined contribution plan and the PERS Companion Plan.</p> <p>2.2 Accurate yearly reports are given to the Board concerning the defined benefit plan and its progress and compliance with the investment policies.</p> <p>2.3 Advice and recommendations are given to the board on investment matters to support Board decision making.</p> <p>2.4 Recommend corrective actions including termination of funds in the deferred comp plan and the defined contribution plan.</p> <p>3. Provider Monitoring</p> <p>3.1 Monitor the various providers in the defined contribution plan and deferred compensation to insure that all contract provisions are being followed.</p> <p>3.2 Identify and report to the board all infractions of the contract provisions.</p> <p>4. Fiduciary Standards</p> <p>Discharge investment duties solely in the interest of the members and benefit recipients With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.</p>		
Category 5 Benefit Program Operations	<p>1. Actuarial Management</p> <p>1.1 Provide accurate member, retiree and asset data necessary for the Actuary to perform the annual actuarial valuation for the four PERS defined benefit plans.</p>		

CJE – Critical Job Element	Expectation	Rating	Comments
	<ul style="list-style-type: none"> 1.2 Provide accurate member and retiree data for the actuary to perform biennial premiums estimates for the group insurance plans. 1.3 Maintain knowledge of actuarial methods, the current status of the actuarial makeup of the various retirement and group insurance plans and the impact of benefit enhancements to the contribution rates. 1.4 Provide actuarial information to the Board, Legislature, employers, members and retirees so they have sufficient background to make knowledgeable decisions. 2. Contract Management <ul style="list-style-type: none"> 2.1 Distribute and analyze bids for services for the various retirement, group insurance, EAP and Flex Programs to facilitate Board decision making. 2.2 Monitor contractor performance and advise the Board of any issues, including options for responding and recommended action plan. 2.3 Provide direction to all contractors to insure that board objectives are achieved. 2.4 Insure that all contractors comply with contract provisions, state law and administrative rules. 		
Category 6 Public Relations	<ul style="list-style-type: none"> 1. Publish a newsletter at least semiannually. 2. Provide informational programs to employers, members, retirees, and public groups. 3. Represent the System with appropriate affiliate organizations and functions. 4. Maintain availability to the news media. 		
Category 7 Legislative Relations	<ul style="list-style-type: none"> 1. Develop Legislative proposals in concert with the Board and its advisory committee. 2. Present requests for legislative changes to the Legislature. 3. Make the Boards position known to members, employers and the legislature. 4. Keep the Legislature, through the Interim Committee informed regarding the financial, legislative and administrative status of the system. 5. Develop adequate rapport with Legislators so that the legislative body as a whole has a sense of credibility with the positions taken by the Board on behalf of the System. 		

CJE – Critical Job Element	Expectation	Rating	Comments
Category 8 Professional and Personal Development	1. Maintain membership and involvement in professional organizations. 2. Maintain professional certifications. 3. Be dependable. 4. Exhibit stability/reaction to pressure. 5. Have strong leadership skills.		
Category 9 General	1. Follow safety procedures. 2. Adhere to all laws, rules, policies, procedures and professional ethics. 3. Work as part of a team. 4. Use courtesy and respect in all interactions. 5. Maintain a well-organized work area and a business like appearance. 6. Foster good working relations by being responsive to requests. 7. Maintain confidentiality policy.		

There are nine major evaluation categories. When evaluating, rate using the following categories (indicate a rating of 1, 2, or 3 in each evaluation category):

1. **DOES NOT MEET EXPECTATIONS:** Executive Director is not performing acceptably and expectations are not being met.. Goals for improvement must be set and performance review date established (3-6 months).
2. **MEETS EXPECTATIONS:** Executive Director is performing acceptably and is meeting all standards and expectations.
3. **EXCEEDS EXPECTATIONS:** Executive Director is performing beyond and exceeds the established standards and expectations.



North Dakota
Public Employees Retirement System
400 East Broadway, Suite 505 • Box 1657
Bismarck, North Dakota 58502-1657

Sparb Collins
Executive Director
(701) 328-3900
1-800-803-7377

FAX: (701) 328-3920 • EMAIL: NDPERS-info@nd.gov • www.nd.gov/ndpers

Memorandum

TO: PERS Board
FROM: Jamie
DATE: April 5, 2016
SUBJECT: Internal Audit Reports

Attached, for your information, are three reports relating to Internal Audit:

1. The approved minutes from the December 11, 2015 meeting. Those who attended the meeting are available to answer any questions you may have. The minutes may also be viewed on the NDPERS web site at www.nd.gov/ndpers. The next audit committee meeting is currently scheduled for May 18, 2016 at 10:00 a.m., in the NDPERS Conference Room.
2. The Audit Committee Charter states that it will “17. Confirm annually that all responsibilities outlined in this charter have been carried out. Report annually to the Board, members, retirees and beneficiaries, describing the committee’s composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.”

To meet this requirement a matrix was developed to review activities for calendar year 2015 to ensure that the audit committee has met its responsibilities. The attached copy of this matrix was provided to the audit committee at their February meeting for review. This is for your information.

3. Every February Internal Audit provides to the Audit Committee an annual report of the previous calendar year’s activities. The Audit Committee requested a copy of this report be provided to the Board. The attached copy of the annual report is for your information.

Those who attended the audit committee meetings are available to answer any questions you may have.



North Dakota
Public Employees Retirement System
400 East Broadway, Suite 505 • PO Box 1657
Bismarck, North Dakota 58502-1657

Sparb Collins
Executive Director
(701) 328-3900
1-800-803-7377

FAX: (701) 328-3920 • EMAIL: NDPERS-INFO@ND.GOV • www.nd.gov/ndpers

MEMORANDUM

TO: NDPERS Board

FROM: Jamie Kinsella

Jamie

DATE: March 10, 2016

SUBJECT: December 11, 2015 PERS Audit Committee Minutes

Attached are the approved minutes from the December 11, 2015 meeting. Those who attended the meeting are available to answer any questions you may have.

The minutes may also be viewed on the NDPERS web site at www.nd.gov/ndpers.

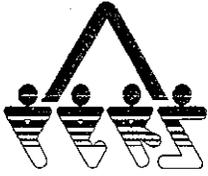
The next audit committee meeting is currently scheduled for May 18, 2016 at 10:00 a.m., in the NDPERS Conference Room.

Attachment

• FlexComp Program
• Employee Health & Life Insurance
• Dental
• Vision

• Retirement Programs
- Public Employees
- Highway Patrol
- National Guard/Law Enforcement
- Judges
- Prior Service
- Job Service

• Retiree Health Insurance Credit
• Deferred Compensation Program
• Long Term Care Program



North Dakota
Public Employees Retirement System
400 East Broadway, Suite 505 • PO Box 1657
Bismarck, North Dakota 58502-1657

Sparb Collins
Executive Director
(701) 328-3900
1-800-803-7377

FAX: (701) 328-3920 • EMAIL: NDPERS-INFO@ND.GOV • www.nd.gov/ndpers

MEMORANDUM

TO: Audit Committee
Jon Strinden
Arvy Smith
Rebecca Dorwart

FROM: Jamie Kinsella, Internal Auditor *Jamie*

DATE: December 29, 2015

SUBJECT: **December 11, 2015 Audit Committee Meeting**

In Attendance:
Jon Strinden
Arvy Smith
Rebecca Dorwart
Representative Pamela Anderson
Jamie Kinsella
Julie McCabe
Sparb Collins
Sharon Schiermeister
Jason Ostroski
Thomas Rey
Brian Kiernan

The meeting was called to order at 10:02 a.m.

I. August 19, 2015 Audit Committee Minutes

The audit committee minutes were examined and approved by the Audit Committee.

II. Internal Audit Reports

- A. Quarterly Audit Plan Status Report – A summary of the internal audit staff time spent for the past quarter was included with the audit committee materials. There was an unusual fluctuation in hours which included 34 additional training. Internal Audit is still working on the Retiree Health Insurance Credit Audit, and Ms. McCabe will start training on the BCBS 2011-2013 Interest Calculation Reconciliation. Discussion followed regarding Benefit Payment audits. Management will be meeting to review and will bring more information to the Audit Committee in May.

- B. Audit Recommendations Status Report – As stated in the Audit Policy #103, the Internal Audit Division is to report quarterly to management and the audit committee the status of the audit recommendations of the external auditors, as well as any found by the internal auditor. The report has been updated to reflect what has been accomplished during August 1, 2015 through October 31, 2015. Issues reported on the FYE 2015 audit reports for Benefits and Refunds will be on the next report.
- C. Benefit/Premium Adjustments Report – The quarterly benefit adjustment report was provided to the audit committee. The report is in two sections, Retirement and Insurance. This report has 8 retirement and 8 insurance adjustments. The adjustments resulted from a variety of reasons as shown on a report to the committee. It was noted that any benefit over or under payments found during the monthly benefit payment audit would be reflected in this report.
- D. FY 2015 Retirement Benefits and Refunds Executive Summary Reports - The Executive Summary Reports for the FY 2015 Retirement Benefits Audit and the FY 2015 Retirement Refunds Audit were provided to the committee for their information.
- E. 2015 Risk Assessment – The bi-annual risk assessment process was completed in October with the assistance of management. We reviewed each division or function and the primary business processes within each area, identifying risks, controls, and levels of risk for each process. This process assists Internal Audit in developing their 2016-2017 audit plan. The risk assessment document can also be used as a tool to assist management in their risk management activities.
- F. Internal Audit Plan 2016-2017 – A copy of the Internal Audit Plan for the 2016-2017 calendar was given to the audit committee for review. Suggestions for changes were made. A revised Audit Plan will be provided at the February meeting.

III. Administrative

- A. Audit Committee Meeting Date & Time – Ms. Kinsella provided a schedule of audit committee meetings for 2016. The next audit committee meeting is scheduled for February 25, 2016 at 10:00 a.m.
- B. Internship Update - The internship program was approved on November 3, 2015 by the Human Resource Management Services for 50% funding of the intern's hourly wage. The total funding will be for 720 hours at \$15 per hour for a total of \$5,400.

The posting closed December 4, 2015 and there are 5 applicants. We are in the process of preparing to interview all five.

IV. Miscellaneous

- A. CliftonLarsonAllen Audit Report Presentation – Thomas Rey and Jason Ostroski with Clifton Larson Allen presented their audit report via teleconference. The committee received a copy of the draft report in their board packets.
- CLA IT review and results were given to the audit committee for review.
- B. Travel Expenditures Update – There are no travel expenditures incurred by the Board and/or Executive Director for out-of-state travel for the period August 1, 2015 through October 31, 2015.
- C. Risk Management Report - The Loss Control Committee provides quarterly to the Audit Committee a copy of the Loss Control Committee's agenda from their last meeting as well as the approved minutes. Copies of the June 23, 2015 minutes and the agenda for the September 10, 2015 meeting were provided to the audit committee.
- D. Report on Consultant Fees - According to the Audit Committee Charter, the audit committee should "Periodically review a report of all costs of and payments to the external financial statement auditor. The listing should separately disclose the costs of the financial statement audit, other attest projects, agreed-upon-procedures and any non-audit services provided." A copy of the report showing the actuary/consulting audit, legal, investment and administrative fees paid during the quarter ended June 2015 was attached for the audit committee's information.
- E. Administrative Rules - The audit committee was given the proposed administrative rules that were developed by staff and approved by the board to present to the public for their comments. A hearing soliciting comments for the administrative rules proposed amendments, additions and deletions was held on November 10, 2015. The comment period was open through the close of business November 20th. Jan is working on the repeal of the RHIC rules and will be sending them to the Legislative Administrative Rules Committee which convenes on December 7, 2015.
- F. Publications – The September/October 2015 publications of the Tone at the Top were provided to the audit committee for their perusal.
- G. Webinars and CPE's – Ms. Kinsella and Ms. McCabe have been participating in free Webinars that the Institute of Internal Auditors provides for their members. Each 1 hour webinar provides 1 hour of continuing professional education credits. The internal auditors have attended four webinars from July 1, 2015 through November 30, 2015. These webinars are held during the lunch hour so the internal auditors remain available to staff during normal business hours.

Meeting adjourned at 11:35 a.m.



North Dakota
Public Employees Retirement System
400 East Broadway, Suite 505 • PO Box 1657
Bismarck, North Dakota 58502-1657

Sparb Collins
Executive Director
(701) 328-3900
1-800-803-7377

FAX: (701) 328-3920 • EMAIL: NDPERS-INFO@ND.GOV • www.nd.gov/ndpers

MEMORANDUM

TO: NDPERs Board

FROM: Jamie Kinsella

DATE: March 10, 2015

SUBJECT: Audit Committee Charter Activity Review

The Audit Committee Charter states that it will "17. Confirm annually that all responsibilities outlined in this charter have been carried out. Report annually to the Board, members, retirees and beneficiaries, describing the committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services."

To meet this requirement a matrix was developed to review activities for calendar year 2015 to ensure that the audit committee has met its responsibilities. The attached copy of this matrix was provided to the audit committee at their March meeting for review. This is for your information.

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

Audit Committee Charter Review Matrix

For Year Ending December 31, 2015

J. Kinsella

03/10/2016

Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Status
STRUCTURE				
1. The audit committee (AC) will consist of two to five members with the majority of the members selected from the Board of Directors, and one may be selected from outside the organization. The Board or its nominating committee will appoint committee members and the committee chair.	The Board of Directors determines who will serve on the AC when they are assigning committees.	Indicate in AC meeting minutes whenever a new member is appointed.	Whenever there is a change in AC members.	Representative Pam Anderson was added to the Audit Committee in December 2015.
2. The Board should attempt to appoint committee members who are knowledgeable and experienced in financial matters, including the review of financial statements.	Ascertain that at least one member of the AC is knowledgeable and experienced in financial matters, including the review of financial statements.	Indicate in AC meeting minutes which member of the AC is knowledgeable and experienced in financial matters, including the review of financial statements.	Whenever there is a change in board members.	Two legislators were added to the Board effective July 1, 2015. Representative Pam Anderson joined the Audit Committee in December 2015. She has over 30 years working in the financial resources industry and serves as the minority member of the PERS Board.
MEETINGS				
3. The AC will meet as often as it determines is appropriate, but not less frequently than quarterly. All committee members are expected to attend each meeting, in person or via tele- or video-conference, with a minimum of two required for a quorum.	Hold meetings at least once each quarter.	Prepare minutes that document decisions made and action steps following meetings and review for approval. Meeting minutes should be filed with the board of directors.	Quarterly, or more often if necessary, but no later than prior to the next meeting.	Meeting minutes for 2/25/15, 5/20/15, 8/19/15, and 12/11/2015 were prepared and presented for approval at the next quarterly meeting. These minutes are made available on the NDPERS web site after approval. The approved minutes are reported to the board at the next board meeting.
4. All committee members are expected to attend each meeting, in person or via tele- or video-conference.	Accommodations should be made available to committee members to encourage attendance.	Note in the AC meeting minutes the members who were in attendance at the meeting.	Quarterly, or more often if necessary, but no later than prior to the next meeting.	All AC members were in attendance at all meetings.
5. The committee periodically will hold individual meetings with management, the internal auditor and the external auditor.	Establish these sessions in conjunction with quarterly meetings or as necessary.	Contact appropriate people to arrange time for meetings.	Annually, or more often if necessary.	An individual meeting with the Internal Auditor was held 2/18/15. The AC met with the external auditors on 12/11/15 to review the audit report however a meeting was not set up to meet with the external auditors separately.

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
 Audit Committee Charter Review Matrix
 For Year Ending December 31, 2015

J. Kinsella
 03/10/2016

Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Status
6. The AC may invite any officer or employee of the agency, the external auditor, the agency's outside counsel, or others to attend meetings and provide pertinent information.	Establish these sessions in conjunction with quarterly meetings or as necessary	Contact appropriate people to arrange time for meetings.	Annually, or more often if necessary.	Bryan Reinhardt, Manager, Benefit Program Development and Research was invited and spoke at the August 2015 meeting, providing the committee an update on the Loss Control Committee activities.
7. Meeting agendas will be prepared by the Chief Audit Executive (CAE) and provided in advance to members, along with appropriate briefing materials.	The agendas for meetings should be prepared and provided to members in advance, along with appropriate briefing materials.	Prepare and provide meeting agenda, previous meeting minutes, and appropriate briefing materials to members in advance.	Quarterly, or more often if necessary	Meeting agendas were mailed to the AC on 2/18/15, 5/13/15, 8/12/15, and 12/4/2015.
8. Minutes will be kept by a member of the AC or a person designated by the AC.	Designate the appropriate person to keep the minutes of meetings.	Prepare minutes documenting decisions made and future action steps and review for approval at the next meeting.	Quarterly, or following each meeting.	The Internal Audit Manager provides meeting minutes to the administrative assistant to prepare for the next quarterly meeting. These minutes were provided to the AC at the next quarterly meeting for their approval. See #3.
9. Members of the audit committee will be compensated for attendance at committee meetings in accordance with NDPERS' policy for compensation in effect at the time for Board members. Audit Committee members who are not NDPERS board members will be compensated at the same rate.	A memo with the date and length of time of the AC meeting is provided to the NDPERS Payroll Administrator for payment.	Prepare memo with attendance information and length of meeting time following meeting and deliver to payroll administrator.	Quarterly following each AC meeting.	Memo was provided to Payroll Administrator following each meeting with required information.
AUTHORITY				
10. The AC has authority to conduct or authorize examinations into any matters within its scope of responsibility. It is empowered to: ➤ Seek any information it requires from NDPERS employees, external auditors, consultants, and external	Please see the responsibility section for more information.	Please see the responsibility section for more information.	Please see the responsibility section for more information.	Please see the responsibility section for more information.

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
 Audit Committee Charter Review Matrix
 For Year Ending December 31, 2015

J. Kinsella
 03/10/2016

Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Status
<p>parties. All parties are directed by the Board to cooperate with the Committee's requests.</p> <ul style="list-style-type: none"> ➤ Oversee the work of all external auditors employed by the organization. ➤ Assist in resolving any disagreements between management and the external auditors regarding financial reporting, if necessary. ➤ Oversee the retention of independent counsel, accountants or others to advise or assist the Committee in the performance of its responsibilities. ➤ Approve the consultants, or others retained by the organization to assist in the conduct of an audit, review, and/or a special investigation. ➤ Meet with management, external and internal auditors, or outside counsel as necessary. 				

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
 Audit Committee Charter Review Matrix
 For Year Ending December 31, 2015

J. Kinsella
 03/10/2016

Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Status
RESPONSIBILITIES				
11. The AC will carry out the following responsibilities:				
<p>1) Financial Reporting:</p> <p>a. Obtain information and/or training to enhance the committee members' expertise in financial reporting standards and processes so the committee may adequately oversee financial reporting.</p> <p>b. Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, recent professional and regulatory pronouncements, and understand their impact on the financial statements.</p> <p>c. Review with management, the external auditors, and the internal auditors the results of the external audit, significant adjustments or revisions to the financial statements, including attestation on the effectiveness of the internal control structure and procedures for financial reporting and any difficulties encountered.</p> <p>d. Inquire as to the external auditors' independent</p>	<p>Provide information related to financial reporting standards and processes to the AC.</p> <p>Bring external auditors in to explain new changes to accounting reporting and how they impact NDPERS.</p> <p>Review with management and AC any proposed significant adjustments.</p> <p>Review management letter with management and AC.</p> <p>Ensure the external auditors provided the statement of management responsibility and review with them.</p>	<p>Articles, publications, external auditors, speakers with information regarding changes to accounting rules.</p> <p>Submit annual audit reports and any audit findings and their status at the November AC meeting.</p>	<p>Quarterly, or as they become available.</p>	<p>Articles from the Institute of Internal Auditors are provided as they become available.</p> <p>External auditors provided the statement of management responsibility and reviewed with staff prior to commencement of audit.</p> <p>External auditors discussed with the staff/AC significant accounting and reporting issues as they develop.</p>

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
 Audit Committee Charter Review Matrix
 For Year Ending December 31, 2015

J. Kinsella
 03/10/2016

Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Status
<p>judgment about the appropriateness, not just the acceptability, of the accounting principles adopted by the organization and clarity of financial statements.</p> <p>e. Review the annual financial statements, consider whether they are complete, consistent with information known to the Committee, and reflect appropriate accounting principles.</p> <p>f. Review with management and the external auditors all matters required to be communicated to the Committee under generally accepted auditing standards.</p> <p>g. Review the responsiveness and timeliness of management's actions to address findings and recommendations resulting from the financial statement audit or internal audits.</p>	<p>Invite the external auditors to present the financial statements upon completion of their audit.</p> <p>Inquire of management and external auditors if there are any matters required to be communicated to the committee under GAAS.</p> <p>Provide a quarterly audit recommendation report to the AC.</p>	<p>Audited Financial Statements, including the Independent Auditor's Report, management Discussion and Analysis, financial Statements, Required Supplementary Information, Supplementary Information, Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards, and Special Comments Requested by the Legislative Audit and Fiscal Review Committee.</p> <p>Audit Recommendation Report</p>	<p>Annually</p> <p>Quarterly</p>	<p>Staff reviewed the annual financial statements for completeness, consistency of information and accounting principles.</p> <p>External audit firm presented the financial statements and associated reports to the AC at the December 2015 meeting.</p> <p>A report of all audit recommendations is provided to the AC quarterly, with a progress update for each audit issue.</p>

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
 Audit Committee Charter Review Matrix
 For Year Ending December 31, 2015

J. Kinsella
 03/10/2016

Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Status
h. Review with the General Counsel the status of legal matters that may have an effect on the financial statements, as deemed appropriate.	Bring to the General Counsel's attention any legal matters that may have an effect on the financial statements. AC should ask of management if the annual financial statements are complete.		As needed.	There were no legal matters relating to financial statements.
2) Risk Management a. Obtain information and/or training to enhance the Committee's understanding of organization and its related risk management processes. b. Review the adequacy of the organization's policy on risk management. c. Review the effectiveness of the organization's system for assessing, monitoring, and controlling significant risks or exposures. d. Review management's reports on risks and related risk mitigations.	Provide the AC members with information regarding risk management. Review risk management policy periodically. Create a portfolio that documents the material risks that the agency faces. Update as events occur. Review with management and the CAE periodically to make sure it is up-to-date. Provide AC a summary of results of self-assessment of risks, and how these risks are mitigated. Provide the AC information on how external and internal audit review risk management over financial reporting.	Articles, publications, etc. relating to risk management. Current risk management policy and most recent information relating to risk management. Submit a risk report including mitigation strategies and quantifiable risks and insurance to cover such risks, e.g., loss of business.	Quarterly. As needed	Articles, publications, etc. relating to risk management are provided as they become available. It is required by Risk Management of OMB to have a Loss Control Committee. The Chairperson presented an overview of the committee at the August 2015 meeting. In addition, quarterly agendas and minutes of the Loss Control Committee were provided to the Audit Committee at each meeting. A risk assessment was facilitated and completed with management in October. A copy of the report was provided to the AC at the 12/11/2015 meeting for their information.

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
 Audit Committee Charter Review Matrix
 For Year Ending December 31, 2015

J. Kinsella
 03/10/2016

Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Status
e. Hire outside experts and consultants in risk management, as necessary, subject to full board approval.	Develop a request for proposal if an outside expert is deemed necessary.			
3) Internal Control a. Obtain information and/or training to enhance the Committee's understanding of the organization's system of internal control. b. Consider the effectiveness of the organization's internal control system, including information technology security and control. c. Understand the scope of the external auditor's review of the organization's internal control over financial reporting. d. Review internal and external audit findings and recommendations, together with management's responses.	Provide the AC members with information regarding internal control process. Review periodically the policy on internal controls, ethics, code of conduct and fraud. Review the reports of the internal audit team for all audits completed since the prior AC meeting. Review key internal controls with the CAE, and understand how these controls will be tested during the year. Determine that all internal control weaknesses are quantified, reviewed, and addressed. Review these plans with the independent auditor to understand their scope with respect to key controls	Report to the board on issues relating to internal controls, with emphasis on management's ability to override and related monitoring and testing.	Quarterly for all activities as needed.	Information relating to internal control is provided as they become available. Internal periodic reviews on ethics, code of conduct and fraud have not been conducted consistently. These issues are addressed during the benefit programs, business processes, accounting functions and enterprise risk management assessments. Internal controls are reviewed as part of each audit project and/or special examinations. External auditors conduct a review of internal accounting controls annually. There have been no areas of concern as a result of these reviews. Internal audit includes a review of internal controls as part of each audit, consulting project, and/or special examinations.

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
 Audit Committee Charter Review Matrix
 For Year Ending December 31, 2015

J. Kinsella
 03/10/2016

Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Status
<p>4) Internal Audit</p> <p>a. Obtain information and/or training to enhance the Committee's understanding of the internal audit function.</p> <p>b. Periodically review and approve the Internal Audit Division Charter.</p> <p>c. Concur in the appointment, replacement, or dismissal of the CAE.</p> <p>d. Review the performance of the CAE and the internal audit function annually.</p> <p>e. Review and confirm, through organizational structure and/or by other means, the independence of the internal audit function annually.</p>	<p>Provide information and/or training.</p> <p>Review charter periodically. Assess the suitability of each point in the charter based on past experiences (since the last review). Evaluate completeness of the charter against best practices and legal or regulatory requirements. Revise charter as needed and obtain AC and Board approval for changes.</p> <p>Hold special meetings as necessary to address appointment, reassignment, or dismissal of CAE.</p> <p>Meet annually with other members of executive management and the external auditors to discuss the performance of CAE.</p> <p>Discuss job satisfaction and other employment issues with the CAE.</p>	<p>Revised Internal Audit Charter, as needed.</p> <p>Job performance review.</p> <p>Various documentation</p>	<p>As they become available.</p> <p>As needed.</p> <p>As needed.</p> <p>Annually</p> <p>Annually</p>	<p>Articles are provided to Audit Committee when available.</p> <p>A revised Internal Audit charter was approved by the board 9/18/2008. No changes were made since. IA charter was not reviewed during 2015 due to time constraints.</p> <p>A performance review was written by the Executive Director and approved by the AC in June 2015.</p> <p>No change in internal auditors this period. No change in reporting structure this period. Structure is in a accordance with best practices.</p>

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
 Audit Committee Charter Review Matrix
 For Year Ending December 31, 2015

J. Kinsella
 03/10/2016

Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Status
f. Review with management and the CAE the charter, objectives, plans, activities, and organizational structure of the internal audit function.			As needed.	
g. Review and approve the risk-based internal audit annual plan.	Review and approve Annual audit plan	Annual audit plan	Annually in the Fall	An Internal Audit annual plan was presented in December 2015.
h. Review internal audit reports provided to the audit committee.	Review all internal audit reports provided. Maintain workload project management worksheet, audit recommendation worksheets	Report on the status of all current internal audits and audits planned for the next quarter and/or year.	Quarterly	Reports were reviewed at each AC meeting.
i. Review the responsiveness and timeliness of management's follow-up activities pertaining to any reported findings and recommendations.	Provide a quarterly audit recommendation report to the AC.	Provide quarterly audit recommendation report	Quarterly	A report of all audit recommendations was provided to the AC quarterly, with a progress update for each audit issue.
j. Bring to the attention of the Board any internal audit issues the Committee determines significant and appropriate for consideration by the Board.	The AC chair should be available if any unforeseen issues arise between meetings relating to the CAE.		As needed.	AC Chair is available at all times if needed.
k. On a regular basis, meet separately with the CAE to discuss any matters the committee or internal audit believes should be discussed privately (subject to open meeting laws).				Private meeting with Internal Audit Manager was held February 2015.
l. Designate the CAE as the primary point of contact for				The Internal Audit Division is the

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
 Audit Committee Charter Review Matrix
 For Year Ending December 31, 2015

J. Kinsella
 03/10/2016

Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Status
handling all matters related to audits, examinations, investigations or inquiries of the state auditor and other state or federal agencies.				primary contact for the external auditors, and coordinated all matters to the 2015 financial audits.
5) Engagement of External Auditors a. Obtain the information and/or training to enhance the Committee's understanding of the organization's financial statements audit and the role of external auditors. b. Review the performance of the external financial statement audit firm, and review the State Auditor's recommendation for the final approval on the request for proposal for, and the appointment, retention or discharge of the audit firm. Obtain input from the CAE, management and other parties as appropriate. c. Review the external auditor's audit scope and approach, including coordination of efforts with internal audit. d. Review the independence of the external auditors by obtaining statements from	Provide the AC members with information regarding the selection of the external audit firm(s). Provide input on the external audit performance to the State Auditor's Office. Provide input to the State Auditors Office on the request for proposal for the appointment of the next audit firm. Meet with independent audit partner, the accounting manager and CAE to discuss scope of the previous year's audit, and lessons learned. Later, discuss planned scope for audit of current year. Obtain from external audit firm and/or management any documentation of any	Document the meeting in the AC meeting minutes.	Provide information and training as needed. Every three years Annually Annually	The contract is for the fiscal years ending June 2015 through June 2017; Input was provided in November 2014 to the State Auditor's Office on the RFP for the 2015-2017 contract period. CLA discussed their approach with the audit committee via teleconference at the May 2015 meeting because there was a change in the external audit firm.

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
 Audit Committee Charter Review Matrix
 For Year Ending December 31, 2015

J. Kinsella
 03/10/2016

Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Status
<p>the auditors on relationships between the auditors and the organization for all audit and non-audit services.</p> <p>e. On a regular basis, meet separately with the external financial statement audit firm to discuss any matters the committee or auditors believe should be discussed privately (subject to open meeting laws).</p>	<p>activity or issues between the audit firm and organization if information should be provided to the AC.</p> <p>Review at the exit conference with management, and again with the AC.</p> <p>Provide opportunity at the time external auditors are at meeting to present audit report.</p> <p>Provide a quarterly report to the board of all external audit costs.</p>	<p>Annual financial audit report presentation</p> <p>Consultant Fees report</p>	<p>Annually</p>	<p>The AC did not meet separately with the external auditors to discuss the FY 2015 audit report.</p> <p>Quarterly consultant reports are provided to the Audit Committee when they are available.</p>
<p>6) Compliance</p> <p>a. Review the effectiveness of the organization's system for monitoring compliance with laws and regulations, contracts, and policies and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.</p> <p>b. Review the findings of any examinations by regulatory agencies, any auditor observations related to compliance, and the responsiveness and timeliness of management's actions to address the</p>	<p>Review the reports of compliance with laws and regulations.</p> <p>Discuss compliance issues and resolutions.</p> <p>Report to AC as necessary.</p>	<p>Record discussion and any action steps in the AC meeting minutes.</p> <p>Report to AC at meeting, if matters arise.</p>	<p>Review as necessary.</p> <p>As they occur.</p>	<p>Compliance with laws and regulations are reviewed for each specific audit by both the external auditors and internal auditors. Any concerns will be brought before management, the AC and/or board as necessary.</p>

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
 Audit Committee Charter Review Matrix
 For Year Ending December 31, 2015

J. Kinsella
 03/10/2016

Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Status
findings/observations. c. Obtain updates from management and organization legal counsel regarding compliance matters, as needed.	Report to AC as needed.	Report to AC of changes in laws, regulations and rules.	As they occur.	During legislative years changes in laws, regulations and rules are monitored by management and reported to the board and to the Audit Committee. Changes occurred in 2015.
7) Special Investigations and Whistleblower Process a. Institute and oversee special investigations, as needed. b. Ensure the creation and maintenance of an appropriate whistleblower mechanism for reporting any fraud, noncompliance, and/or inappropriate activities. c. Retain independent counsel, accountants, or other specialist to advise the Committee or assist in the conduct of an investigation, subject to full board approval.	Review procedures with CAE and the general counsel. Review all complaints that have been received and the status of resolution. Ensure proper steps are taken to investigate and resolve complaints timely.	Review an original of each complaint received, no matter the media used to submit. Discuss the status or resolution of each complaint. Review a cumulative list of complaints submitted to date to review for patterns or other observations.	Review at each meeting.	There were none during 2015.
8) Other Responsibilities a. Report at least annually to the Board of Directors the Committee activities, audit issues, and related recommendations. b. Confirm annually all responsibilities outlined in	Submit AC meeting minutes to the board after AC approval. Utilize a matrix to determine if all	Submit AC meeting minutes after AC approval to the board for their next meeting. An AC Charter review matrix will be updated each year	Following each AC meeting provide the approved AC minutes to the Administrative Services Manager to include in the next board meeting materials. Annually.	Copies of the AC minutes are provided to the board after the AC's approval of the minutes.

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
 Audit Committee Charter Review Matrix
 For Year Ending December 31, 2015

J. Kinsella
 03/10/2016

Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Status
<p>this charter have been carried out. Review and assess periodically the adequacy of the Committee charter, request Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.</p> <p>c. Evaluate the Committee's performance and report the results of the evaluation to the Board annually.</p> <p>d. Provide an open avenue of communication between the internal auditors, external auditors, management and the Board.</p> <p>e. Avoid conflicts of interest, paying strict attention to board matters.</p> <p>f. Perform other activities related to this Charter as requested by the Board.</p>	<p>responsibilities outlined in the charter are carried out.</p> <p>Have at minimum annual meeting with internal auditor, external auditor, management, and Board of Directors to discuss issues.</p> <p>Require staff to sign off on ethics/code of conduct and fraud policy annually during their performance reviews.</p> <p>Review charter periodically. Assess the suitability of each point in the charter based on past experiences Evaluate completeness of the charter against best practices and legal or regulatory requirements. Revise charter as needed and obtain AC and Board approval for changes.</p>	<p>and presented to the AC to present a report to the Board for approval.</p> <p>Report to the board on the appropriateness of the AC charter and any revisions recommended.</p> <p>Review signed form stating the employee read the policies</p>	<p>Annually.</p> <p>As needed.</p>	<p>An updated AC review matrix was provided to the AC at the February 2015 meeting.</p> <p>NDPERS' policy is to have staff review and sign off annually on ethics/code of conduct during their annual performance evaluations</p> <p>AC Charter was reviewed, updated, and approved by the board December 2014.</p>



North Dakota
Public Employees Retirement System
400 East Broadway, Suite 505 • PO Box 1657
Bismarck, North Dakota 58502-1657

Sparb Collins
Executive Director
(701) 328-3900
1-800-803-7377

FAX: (701) 328-3920 • EMAIL: NDPERS-INFO@ND.GOV • www.nd.gov/ndpers

MEMORANDUM

TO: NDPERS Board

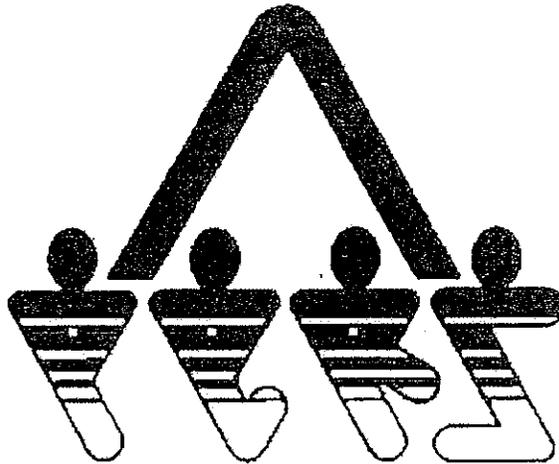
FROM: Jamie Kinsella

Jamie

DATE: March 10, 2015

SUBJECT: FY 2015 Internal Audit Report

During the March Audit Committee meeting the FY 2015 Internal Audit Report was presented to the Audit Committee. A copy is being provided to the board for your information.



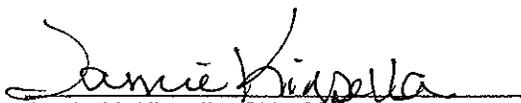
NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT

SYSTEM

INTERNAL AUDIT DIVISION

ANNUAL REPORT

FOR YEAR 2015



Jamie M. Kinsella, CIA, CPA
Internal Audit Manager



Jon Strinden
Chairman, Audit Committee
Board of Directors

TABLE OF CONTENTS

<i>INTRODUCTION</i>	1
<i>PURPOSE AND GOAL</i>	2
<i>AUDIT CHARTER, DEFINITION AND STANDARDS</i>	2
<i>INTERNAL AUDIT ORGANIZATION</i>	3
<i>RISK ASSESSMENT</i>	3
<i>RISK ASSESSMENT RESULTS</i>	3
<i>ACCEPTABLE LEVEL OF RISK</i>	3
<i>AUDIT ACTIVITY</i>	3
<i>AUDIT HOURS</i>	4
<i>CONSULTING SERVICES</i>	4
<i>FOLLOW-UP AND REPORTING</i>	5
<i>COORDINATION WITH EXTERNAL AUDITORS</i>	5
<i>MANAGEMENT CONTROLS</i>	5
<i>PLANNING AND ADMINISTRATIVE PROJECTS</i>	4
<i>AUDIT ORGANIZATION AND STAFFING</i>	7
<i>CONTINUING PROFESSIONAL EDUCATION (CPE)</i>	8
<i>PROFESSIONAL ORGANIZATIONS</i>	8
<i>QUALITY ASSURANCE</i>	8
<i>QUESTIONS</i>	8
<i>INTERNAL AUDIT DIVISION ORGANIZATIONAL CHART</i>	9



**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
INTERNAL AUDIT DIVISION
Annual Report for the Year 2015**

Introduction

The Annual Report communicates the internal audit activity for the year ending December 31, 2015. Our goal is to inform NDPERS management, Board Audit Committee members, and other interested parties of the activities taken place in the Internal Audit Division.

As of June 30, 2015, the market value of combined assets of PERS and HPRS were over \$2.4 billion, a 3.8% increase from 2014. Benefits, refunds and administrative expenses were over \$146.8 million, an increase of 12.5% from 2014. In addition to the various retirement programs, NDPERS administers the retiree health insurance fund, group health and life insurance, dental, vision and long-term-care insurance, deferred compensation, and flexible spending accounts, including the high deductible health plan. These areas are reviewed as well to ensure that systems continue to run effectively and efficiently, assets are safeguarded, and programs are operating in compliance with federal and state law. The table below provides statistics to show the growth we've had in these programs. The percentage of change reflects the change between the years 2015 and 2014, and 2015 and 2013. These statistics demonstrate the importance for Internal Audit to continue their independent appraisal function within the Board and promote accountability, integrity, efficiency and compliance in Board programs and activities.

	2015	2014	1 year % Change	2013	2 years % Change
PERS Contributing Members	22,845	22,262	2.62%	21,588	5.82%
PERS Retirees and Beneficiaries	10,063	9,362	7.49%	8,730	15.27%
HPRS Contributing Members	161	175	(8.00%)	164	(1.83%)
HPRS Retirees and Beneficiaries	128	117	9.40%	116	10.34%
JS Contributing Members	11	14	(21.43%)	18	(38.89%)
JS Retirees and Beneficiaries	206	213	(3.29%)	213	(3.29%)
DC Contributing Members	312	286	9.10%	274	(13.87%)
RHIC Contributing Members	23,237	22,642	2.63%	21,955	5.84%
RHIC Retirees and Beneficiaries	5,212	4,828	7.95%	4,635	12.45%
Retirement Participating Agencies					
State	96	96	0.00%	96	0.00%
Political Subdivisions	333	327	1.83%	322	3.42%
Group Health Active and Retired	29,082	28,362	2.54%	27,750	4.80%
Total Covered Lives	66,699	65,199	2.30%	63,661	4.77%
Total Premiums Paid*	\$282.5	\$271.7	3.97%	\$244.9	15.35%
Insurance Participating Agencies					
State	96	96	0.00%	96	0.00%
Political Subdivisions	177	193	(8.29%)	192	(7.81%)
Group Life Participants					
Actives	18,559	18,337	1.21%	18,176	2.11%
Retirees	3,135	3,081	1.75%	3,063	2.35%
Total Life Insurance in Force**	\$1.566	\$1.512	3.57%	\$1.424	9.97%
Total Premiums Paid*	\$3.1	\$3.0	3.33%	\$2.8	10.71%
Dental Participants	8,815	8,100	8.83%	7,368	19.64%
Vision Participants	9,811	9,010	8.89%	8,144	20.47%
Long Term Care Participants	126	118	6.78%	103	22.33%
Employee Assistance Program	15,710	15,600	0.71%	15,500	1.35%

INTERNAL AUDIT DIVISION - ANNUAL REPORT

Issued on 3/10/2016

3:55 PM

U:\Internal Audit\Administration\Audit Committee\Annual Audit Reports\2015 Revised Internal Audit Division Annual Report 20160222.docx



**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
INTERNAL AUDIT DIVISION
Annual Report for the Year 2015**

	2015	2014	% Change	2013	% Change
Deferred Comp Participants	11,500	10,500	9.52%	9,600	19.79%
NDPERS Trustee Assets*	\$73.0	\$64.6	13.00%	\$50.2	45.42%
Provider Company Assets*	\$142.7	\$142.2	0.35%	\$124.1	14.99%
Flex Comp Participants	3,000	3,077	(2.50%)	3,037	(1.22%)
Flex Comp Contributions* ⁽¹⁾	\$5.6	\$5.6	0.00%	\$5.9	(5.08%)

*In millions

**In billions

(1) Reduction in contributions is attributable to a federal law change limiting the medical spending to \$2,500 from \$6,000.

The funding status of the retirement system is as follows (the greater the percentage, the stronger the retirement plan):

Fund	Ratio of Assets to Actuarial Accrued Liability		
	2015	2014	2013
PERS	68.6%	64.5%	62.0%
Highway Patrol	73.5%	72.3%	68.2%
Job Service	124.5%	119.4%	114.9%
Retiree Health Insurance Credit	69.4%	66.8%	57.8%

Purpose and Goal

The Internal Audit division was approved during the 1991 legislative session, and established effective July 1, 1991. The internal audit position was filled May 1, 1992 as an independent appraisal function within the Board and is the central point to promote accountability, integrity, efficiency and compliance in Board programs and activities. Due to the growth in programs and membership administered by NDPERS, a second position was approved during the 2003 legislative session effective July 1, 2003, which was filled January 2004.

Our goal for NDPERS Internal Audit, which guides us in our daily work, is as follows:

The North Dakota Public Employees Retirement System Internal Audit Division is committed to providing our clients, which includes management, the Board of Directors, and our members, objective and reliable information useful in appraising performance, maintaining financial integrity, and measuring compliance with policies and procedures.

Audit Charter, Definition and Standards

The audit charter, which is approved by the Board and the Audit Committee, authorizes a full range of financial-related, compliance, and performance audits. The charter also defines reporting relationships, scope of audit work, and audit reporting and follow-up responsibilities.

The definition of internal auditing follows:

Internal auditing is an independent, objective, assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve effectiveness of risk management, control, and governance processes.

INTERNAL AUDIT DIVISION - ANNUAL REPORT

Issued on 3/10/2016

2

3:55 PM

U:\Internal Audit\Administration\Audit Committee\Annual Audit Reports\2015 Revised Internal Audit Division Annual Report 20160222.docx



Additionally, the definition incorporates references to professional standards:

Professionalism and a commitment to excellence are facilitated by operating within a framework of professional practice established by The Institute of Internal Auditors.

Internal Audit Organization

To ensure the independence of the internal auditors as set forth in *The Institute of Internal Auditors Standards for the Professional Practice of Internal Auditing*, the internal audit division reports functionally to the Board of Directors, and administratively to the Executive Director.

Risk Assessment

The Institute of Internal Auditors defines risk assessment as a "systematic process for assessing and integrating professional judgments about probable adverse conditions and/or events." The risk assessment is required by the *Standards for the Professional Practice of Internal Auditing*.

The Agency's Risk Assessment was updated to reflect changes to key functions or processes due to legislative changes as well as controls to mitigate potential and existing risks. Internal Audit met with the process owners of the Agency's services areas to review the updated Risk Assessment and to update the risk ratings.

Acceptable Level of Risk

The risk assessment identifies areas of relatively high concern. The Annual Report will discuss project efforts on these high-risk activities. It is important for the Board of Directors and executive management to understand the limitations of the audit coverage and the risks they assume in areas not audited.

Audit Activity

The Annual Report includes carryover projects from the prior year, follow-up audits, and new projects. Audit activity for the year 2015 included the following:

Audit Projects	
Area	Division
Retirement Benefit Payments	Benefits Administration
Retirement Refund Payments	Benefits Administration
Retiree Health Insurance Credit (Carryover from 2012 Plan)	Benefits Administration
Retiree Health Insurance Credit Portability	Benefits Administration
BCBS 2011-2013 Contract Period	Accounting
Financial Audit Research for CLA	Accounting
PIR Testing	Benefits Analyst/IT
Risk Assessment	All Divisions

Administrative/Other

- ✓ Annual Leave Available per year (Total 384 hours accrued annually)
- ✓ Audit/Board Related Activities
- ✓ Audit Plan Development
- ✓ Audit Report Development
- ✓ Consulting
- ✓ Liaison Activities with External Auditors, including Field Work

INTERNAL AUDIT DIVISION - ANNUAL REPORT



NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
INTERNAL AUDIT DIVISION
Annual Report for the Year 2015

- ✓ Record Retention Purge
- ✓ Review and Update Internal Audit and Audit Committee Charters
- ✓ Review and update Internal Audit Manual annually
- ✓ Training/Continuing Education (80 hours total required annually)

The Internal Peer Review in accordance with IIA Standards was not conducted due to time constraints.

Total Project Hours (2,088 * 2) 4,176

Audit Hours

Below is a summary of the hours spent working in each project area.

<u>Project Area</u>	<u>2015</u> <u>Project</u> <u>Hours</u>	<u>%</u>	<u>2014</u> <u>Project</u> <u>Hours</u>	<u>%</u>	<u>2013</u> <u>Project</u> <u>Hours</u>	<u>%</u>
Financial	275.0	6.5%	415.0	9.7%	388.0	9.1%
Programs	2558.0	60.2%	2367.5	55.2%	2,294.5	54.1%
Administrative	1419.0	33.3%	1507.0	35.1%	1,560.5	36.8%
Total	4252.0	100.0%	4289.5	100.0%	4,243.0	100.0%
Total Hours Available	4176.0	101.8%	4176.0	102.7%	4,176.0	101.6%

Financial hours decreased in 2015 as less time was needed to assist the external auditors conduct their work.

Planning and Administrative Projects

Internal Audit responsibilities include the completion of numerous administrative and planning projects including:

- ✓ Automated Workpaper Development
- ✓ Committee (non-voting) participation on a variety of management topics
- ✓ Consulting with management as needed
- ✓ Development of the Annual Audit Plan
- ✓ Development of the Annual Report
- ✓ Facilitation of the Risk Analysis Program
- ✓ Follow-up on external and internal audit recommendations
- ✓ Liaison with external audit groups
- ✓ Meetings
- ✓ Quarterly reporting to the Board Audit Committee
- ✓ Reviewing and reporting on meeting the Audit Committee Charter requirements
- ✓ Reviewing and reporting on meeting the Internal Audit Charter requirements
- ✓ Training and Education
- ✓ Updating the Internal Audit Manual
- ✓ Writing, update, and revisions to the Audit Policy Manual
- ✓ Writing, update, and revisions to the Audit Procedures Manual

INTERNAL AUDIT DIVISION - ANNUAL REPORT



Consulting Services

In addition to audit projects, an important role for Internal Audit is the area of management consulting. Internal Audit staff members regularly provide consulting to individual managers and staff. Internal Audit staff serves on NDPERS committees and work groups devoted to a variety of programmatic, administrative, and financial topics.

This area can be difficult to anticipate and report because it is performed on an "as needed" basis. Among the consulting or committee topics for this past year are: Retirement Final Average Salary, Qualified Domestic Relations Order, Minimum Guarantee, Return to Work, Statistical Analysis, BCBS Interest Calculation Reconciliation and Risk Assessment.

Follow-Up and Reporting

Follow-up of outstanding audit issues is an important part of our audit process and is required by professional standards. On a quarterly basis, we communicate the status of Management's action plans to resolve all formal internal and external audit issues and recommendations to the Audit Committee and NDPERS executive management effective 2001. Reporting continues until the outstanding audit issue and/or audit recommendation has been fully resolved.

During February 2015, a total of 19 (11 external & 8 internal) outstanding audit issues existed. As of December 2015, 16 (9 external & 7 internal) prior year(s) audit issues remained outstanding, and with 4 (1 external & 3 internal) new audit issues added, there are 20 items that remain outstanding as of the end of the calendar year.

Coordination with External Auditors

During this past year Internal Audit worked with CliftonLarsonAllen (CLA) in the completion of fiscal year end June 2015 financial audits to facilitate assembling the comprehensive annual financial report (CAFR). The contract for auditing PERS financial statements was awarded to CLA for fiscal years ending 2015 through 2017.

Internal Audit serves as the liaison with the North Dakota State Auditor's Office (SAO) and other external audit groups working at NDPERS. The SAO submitted a request for proposal for services for three years after the completion of the final fiscal year's audit, which ended June 30, 2014. A Request for Proposal (RFP) was issued in November 2014 for the fiscal years 2015-2017 audit periods, with the selection made in January 2015 for CLA as the final candidate.

Management Controls

Internal control is defined by the COSO (Committee of Sponsoring Organizations of the Treadway Commission) as follows:

Internal control is a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance.

Internal control is geared toward the achievement of the organization's objectives for operations, reporting and compliance, consists of ongoing tasks and activities, is effected by people at all levels of the organization (not only about policy and procedure manuals, systems and forms), provides reasonable (not absolute) assurance to the entity's management and board of directors, and is adaptable to the entity's structure (flexible).



NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
INTERNAL AUDIT DIVISION
Annual Report for the Year 2015

Management is responsible for implementing internal controls to ensure the agency's goals and objectives are achieved. Internal Audit Division's objective is to determine that adequate internal controls are in place and are effective. To accomplish this, we follow the COSO's *Internal Control-Integrated Framework (2013) [Framework] guidelines* when we build our audit programs. We look at the Framework which incorporates 3 main objectives that are common to most entities into the model:

Operations Objectives – pertains to the entity's operational financial performance goals and safeguarding assets against loss

Reporting Objectives – addresses Internal and External financial and non-financial reporting and

Compliance Objectives – adherence to laws and regulations to which the entity is subject.

Internal Audit strives to review all aspects of the area we are auditing to determine if they are meeting the above objectives. To achieve this, within these objectives, there are seventeen principles we will look for:

- ◀ Control Environment – The control environment is the set of standards, processes, and structures that provide the basis for carrying out internal control across the organization.
 1. The organization demonstrates a commitment to integrity and ethical values.
 2. The board demonstrates independence from management and exercises oversight for the development and performance of internal control.
 3. Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.
 4. The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with the objectives.
 5. The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives.

- ◀ Risk Assessment – This is the identification and analysis of relevant risks to the achievement of objectives and forms a basis for determining how the risks should be managed.
 6. The organization specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.
 7. The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed.
 8. The organization considers the potential for fraud in assessing risks to the achievement of objectives.
 9. The organization identifies and assesses changes that could significantly impact the system of internal control.

- ◀ Control Activities – Control activities are the actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out.
 10. The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

INTERNAL AUDIT DIVISION - ANNUAL REPORT



NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
INTERNAL AUDIT DIVISION
Annual Report for the Year 2015

11. The organization selects and develops general control activities over technology to support the achievement of objectives.
 12. The organization deploys control activities through policies that establish what is expected and in procedures that put policies into action.
- ⚡ Information and Communication – Information is necessary for the entity to carry out internal control responsibilities to support the achievement of its objectives. Management obtains or generates and uses relevant and quality information from both internal and external sources to support the functioning of internal control. Communication is the continual, iterative process of providing, sharing and obtaining necessary information. Internal communication is the means by which information is disseminated throughout the organization, flowing up, down, and across the entity. It enables personnel to receive a clear message from senior management that control responsibilities must be taken seriously. External communication is twofold: it enables inbound communication of relevant external information and provides information to external parties in response to requirements and expectations.
13. The organization obtains or generates and uses relevant, quality information to support the functioning of internal control.
 14. The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control.
 15. The organization communicates with external parties regarding matters affecting the functioning of internal control.
- ⚡ Monitoring Activities – Ongoing evaluations, separate evaluations, or some combination of the two are used to ascertain whether each of the five components of internal control, including controls to influence the principles within each component, is present and functioning.
16. The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning.
 17. The organization evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the board of directors, as appropriate.

Management controls are most effective when they are built into the organization's infrastructure and are a fundamental part of management's philosophy. "Built in" controls support quality and empowerment initiatives, avoid unnecessary costs, and enable quick response to changing conditions.

Internal Audit Division encouraged management to develop and improve internal controls within their operations.

Audit Organization and Staffing

A current organization chart for Internal Audit is attached to this report. The Division consists of two full-time equivalent (FTE) positions. During 2015 Internal Audit recommended to the Audit Committee an internship program be developed in 2016 to assist with the current workload.



Internal Audit staff has over 52 years of auditing experience, including over 49 years internal auditing experience, and 3 professional certifications including two Certified Internal Audit (CIA) certifications, and one Certified Public Accountant (CPA).

Continuing Professional Education (CPE)

As a requirement for maintaining the CIA and CPA, minimum hours must be met each year for CPEs. Each organization has different requirements. The American Institute of Certified Public Accountants (AICPA) requires 120 hours of CPE within 3 years with 20 hours minimum per year; the Institute of Internal Auditors (IIA) requires 40 hours of CPE each year; and the Government Accounting Office (GAO) requires 80 hours every 2 years with 20 hours per year minimum.

During 2015 staff earned a total of 97 hours attending conferences, seminars and webinars.

Professional Organizations

Internal Audit staff members are active participants in several professional auditing and accounting organizations. These groups are excellent sources for information on auditing, accounting, business management, and other professional issues and concerns. Staff members are currently active in the following professional organizations:

- Association of Public Pension Fund Auditors (APPFA)
- Institute of Internal Auditors (IIA)
- Local Chapter of the Institute of Internal Auditors (Central NoDak IIA)
- North Dakota Society of Certified Public Accountants (NDSCPA)

Quality Assurance

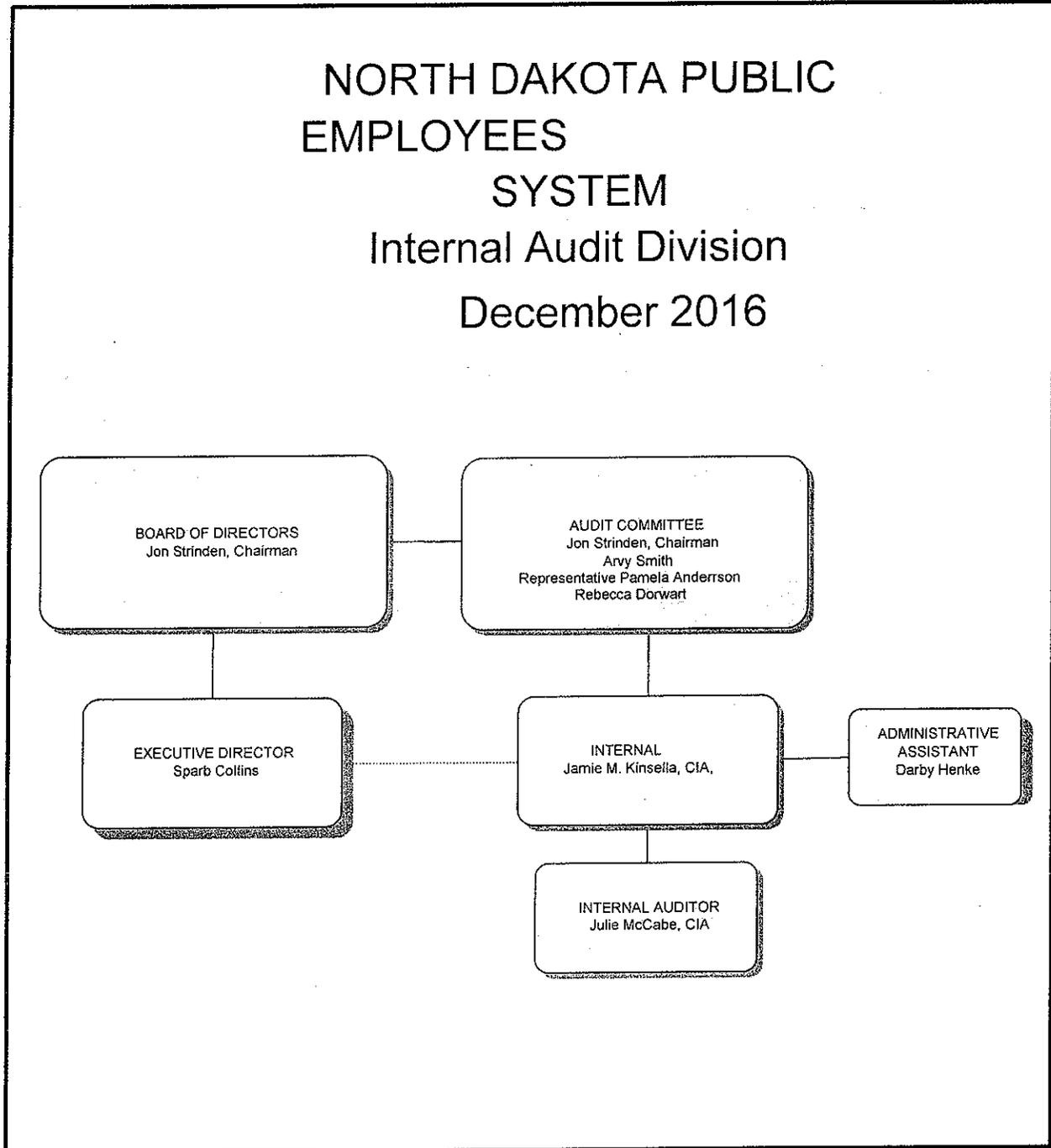
Quality assurance is an important component in assuring that we maintain high quality auditing services. Due to limited resources in the Internal Audit Division to complete this project, a Quality Assurance Review was not been completed in 2015.

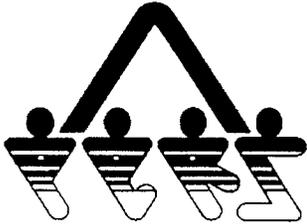
Questions

For further information on the Internal Audit Annual Report, please contact Jamie Kinsella at (701) 328-3905 or via e-mail at jkinsell@state.nd.us.



Internal Audit Division Organizational Chart





**North Dakota
Public Employees Retirement System**
400 East Broadway, Suite 505 • Box 1657
Bismarck, North Dakota 58502-1657

Sparb Collins
Executive Director
(701) 328-3900
1-800-803-7377

FAX: (701) 328-3920 • EMAIL: NDPERS-info@nd.gov • www.nd.gov/ndpers

Memorandum

TO: PERS Board

FROM: Derrick Hohbein, CPA

DATE: April 1, 2016

SUBJECT: Consultant Fees for the Quarter Ended March 2016

Attached is a quarterly report showing the consulting, investment, and administrative fees paid during the quarter ended March 2016.

Attachment

**North Dakota Public Employees Retirement System
Consulting/Investment/Administrative Fees
For the Quarter ended March 31, 2016**

Program/Project	Fee Type	Jan-16	Feb-16	Mar-16	Fees Paid During The Quarter	Fees Paid Fiscal Year-To-Date
Actuary/Consulting Fees:						
Deloitte Consulting	Fully insured RFP				-	0
Deloitte Consulting	Self Insured RFP				-	0
Deloitte Consulting	Hourly billings regular rates				-	0
Deloitte Consulting	Hourly billings Composite rates			14,527	14,527	14,527
Deloitte Consulting	General Consulting			10,429	10,429	21,930
Mid Dakota Clinic	Retirement Disability		1,350	1,450	2,800	6,050
Ice Miller	Legal fees ACA	4,550			4,550	5,158
Ice Miller	Legal fees Employee benefit matters	1,000			1,000	2,774
Callan & Associates	Assumption Analysis				-	0
The Segal Company	Retirement (DB)	23,419			23,419	42,044
The Segal Company	Retirement (DB)	11,874	54,501		66,375	66,375
The Segal Company	Ret Health Credit	3,425			3,425	6,850
The Segal Company	FlexComp	1,696			1,696	17,627
The Segal Company	Job Service	4,875			4,875	9,750
The Segal Company	QDRO/Compliance				-	7,218
The Segal Company	Legislation				-	0
The Segal Company	Retirement (DC)	1,623			1,623	1,623
The Segal Company	Def comp				-	5,870
The Segal Company	GSAB 67 disclosures				-	1,033
The Segal Company	Deferred Comp Plan Docs	664			664	2,834
The Segal Company	Health savings accounts				-	0
The Segal Company	115 TRUST				-	0
The Segal Company	Plan Transfers				-	4,056
The Segal Company	RHIC RFP				-	2,260
The Segal Company	Travel Expenses				-	0
					\$	135,382
						217,978
Audit Fees:						
Brady Martz	GASB 68 Review				-	38,613
Clifton Larson Allen	Annual Audit Fee		53,700		53,700	103,700
Website Redesign						
MABU	Website Redesign		4,607	5,808	10,415	10,415
Legal Fees:						
ND Attorney General	Administrative	\$ 24,364	\$ 10,821		35,185	35,185
Investment Fees:						
SIB - Investment Fees	Retirement (DB)	298,313	73,912	*	372,225	5,236,131
SIB - Investment Fees	Ret Health Credit	780	3,137	*	3,917	152,916
SIB - Investment Fees	Insurance	5,552	552	*	6,104	8,549
SIB - Administrative Fees	Retirement (DB)	21,098	27,395	*	48,493	226,489
					430,739	5,624,085
Administrative Fee:						
Sanford Health Plan	Health Plan	1,967,824	1,971,084	*	3,938,908	15,653,240