

NDPERS BOARD MEETING

Agenda

Bismarck Location:
ND Association of Counties
1661 Capitol Way
Fargo Location:
BCBS, 4510 13th Ave SW

March 22, 2012

Time: 8:30 AM

I. MINUTES

A. February 16, 2012

II. DEFERRED COMPENSATION and DEFINED CONTRIBUTION

A. TIAA-CREF – Sparb (Board Action)

III. RETIREMENT AND RETIREE HEALTH INSURANCE CREDIT

A. Retiree Health Legislation – Sparb (Board Action)

B. Legislation – Sparb (Board Action)

IV. GROUP INSURANCE

A. BCBS Annual Report – (Information)

B. Health Graphs – Bryan (Information)

C. Dental Plan Consulting Services Request for Proposal – Sparb and Kathy
(Board Action)

D. Legislation – Sparb (Board Action)

V. MISCELLANEOUS

A. PERSLink – Sharon (Board Action)

B. PERS Audit Committee Minutes – (Information)

C. SIB Agenda

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
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Memorandum

TO: PERS Board
FROM: Sparb
DATE: March 15, 2012
SUBJECT: TIAA-CREF

As you may recall TIAA-CREF offered us in their best and final offer a revenue sharing feature. Specifically they expect to get about 30 basis points (bp) for recordkeeping from the participating mutual funds. They need 24 bp for their expenses. The difference they will be returning to PERS. We have looked at what is our authority relating to adopting and expending those funds for the 457 and 401(a) plans.

457 Companion Plan (NDCC 54-52.2)

We have worked with Jan recently to explore if we have the authority to accept these funds and use them to help pay for our administrative costs. Based upon her review, we do not. Specifically, our statute is specific at 54-52-04 in identifying our source of program funding for administration in stating:

The board shall fund the administrative expenses of chapter 54-52.2 from funds collected under chapters 54-52, 54-52.1, and 54-52.3 and from fines collected from deferred compensation services providers, subject to appropriation by the legislative assembly.

Consequently, since we do not have the authority to accept and expend these funds, the only option at this time is to credit the money's back to the members account.

Looking forward we could seek a legislative change next session to the above statute to provide us with the authority to accept and expend these funds for administrative purposes (a draft of such a change is included in the PERS administrative bill draft legislation in III.B which is Attachment 1).

Board action requested:

1. To authorize crediting the member accounts with the funds from TIAA-CREF
2. To determine if we should propose a change in our statute to allow PERS to accept and expend these funds for administrative expenses

401(a) Defined Contribution Plan

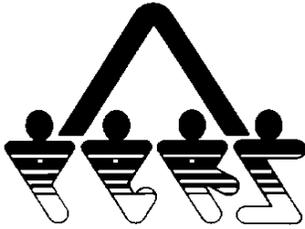
Concerning the defined contribution plan, we have historically charged this group 6 bp for PERS Administration. This has been taken out of their account quarterly by the record keeper. Our statute has authorized this in the following (underlined portion):

NDCC 54-52.6-06. Administrative expenses - Continuing appropriation.

The administrative expenses of the plan must be paid by the participating members in a manner determined by the board. The board or vendors contracted for by the board may charge reasonable administrative expenses and deduct those expenses from a participating member's account in the defined contribution retirement plan established under this chapter. The board shall place any money deducted in an administrative expenses account with the state treasurer. The board may also use funds from the payroll clearing account established pursuant to section 54-52.3-03 to pay for consulting expenses. All moneys in the payroll clearing account, not otherwise appropriated, or so much of the moneys as may be necessary, are appropriated to the board on a continuing basis for the purpose of retaining a consultant as required for the administration of this chapter.

We now have the revenue coming back from TIAA-CREF. As with the 457 plan one option is to put that into the member account and then continue to have the administration fees withdrawn. The other option would be to have the TIAA-CREF funds sent to PERS and not charge a fee to the members account. We originally felt this was the way to proceed. However, recently we have reviewed the above wording and asked Jan to review it as well to give us a legal opinion as to our authority. Specifically, the question she is reviewing is if the italicized portion of the above section of the Century Code provides the authority to the board to accept and expend the funds directly from TIAA-Cref. She will be at the board meeting to review her conclusion with her. If her opinion is:

- That we have the authority to accept the funds from TIAA/CREF, then staff would recommend not charging the member account an administration fee and using the funds from TIAA/CREF to pay administration expenses.
- If she determines that we do not have the authority, then staff would suggest depositing the TIAA-CREF funds in the member account and then prospectively charging the account the annual fees.



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: February 9, 2012
SUBJECT: Retiree Committee Recommendation

The PERS Retiree Committee met on February 24th. They reviewed information on the PERS Retirement, Health and Retiree health programs. The committee supported moving ahead with the recovery plan for the PERS retirement plans, that is submitting the last two years of increases (2014 & 2015 increases of 2% each year) for the recovery. Similar to the active committee the Retiree Committee did not suggest any other changes to the retirement plans but noted that it has been many years since the retirees have had an increase.

The committee also reviewed the Health and Retiree health programs and is proposing that the Board consider a change in those programs. Specifically, the retiree health credit is only available to retirees who take the PERS health insurance. Approximately 55% of the PERS retirees presently use the credit. **The committee is suggesting changing this provision to allow the credit to be used for any health insurance policy or for the PERS voluntary plans (dental, vision and LTC).** In discussing this with the Segal Company, they indicate that this would increase the utilization of the program and require an additional .18% contribution to support the additional usage. Segal provided the following evaluation:

If benefits under the RHICF were extended to participants of any health plan (not just the NDPERS Group Health Plan), it is expected that the vast majority of participants would elect to receive the benefit. If 100% of NDPERS retirement plan members elected to receive RHICF benefits, the increase in annual employer actuarial contribution (as a percent of covered payroll) to the RHICF is as follows.

RHICF Employer Contribution Rate	Current Plan and Assumptions	Any NDPERS Insurance plan (80%)	Any Insurance Plan (100%)
Normal Cost*	0.40%	0.43%	0.50%
19-Year UAL Payment	0.48%	0.49%	0.56%
Actuarial Recommended Contribution	0.88%	0.92%	1.06%
Increase in Contribution	n/a	0.04%	0.18%

As indicated above, the cost of the change is about .18%.

The last actuarial evaluation of this plan indicated:

	July 1, 2011		July 1, 2010	
Actuarial accrued liability	\$108,384,942		\$102,805,439	
Actuarial value of assets	\$53,730,426		\$48,723,475	
Unfunded actuarial accrued liability	\$54,654,516		\$54,081,964	
Recommended Contribution				
	2011 - 2012		2010 - 2011	
	Amount	% of Payroll	Amount	% of Payroll
Normal cost	\$3,210,049	0.39%	\$3,181,820	0.40%
Expenses	\$97,000	0.01%	\$97,000	0.01%
UAAL payment*	\$3,956,438	0.48%	\$3,774,395	0.48%
Actuarial recommended contribution	\$7,263,487	0.88%	\$7,053,215	0.89%
Projected payroll	\$828,978,328		\$793,633,973	
Statutory contribution rate		1.14%		1.14%
Contribution margin/(deficit)		0.26%		0.25%

*Closed amortization ending July 1, 2030

The highlighted area indicates the plan has a margin of .26% which is greater than the cost of the change at .18%, so the plan should be able to support the change without increasing contributions.

The committee also reviewed the health plan in considering this change, in particular the pre-Medicare program. The following was discussed:

- Main reason PERS offered this coverage historically is “guarantee issue” that is a PERS member was able to get health insurance at retirement without going through a waiting period or medical underwriting.
- When this program was created, the credit was tied to PERS health insurance to encourage a broader cross section of retirees to take the plan, thereby helping rates.
- The rate setting method in statute for this group presently results in an indirect subsidy for rates, (\$95 per month for a retiree plan assessed across the active plan at an average \$5 per month per contract).
- The implicit subsidy must be shown on the state financials and is about \$52 million and growing – not presently funded.

The committee also noted that:

- Effective January 1, 2014 underwriting/waiting period requirements are scheduled to be removed from Non-Grandfathered individual coverage as required under the federal Affordable Care Act.
- Health Care Exchanges are to be established for North Dakota.
- Subsidies (premium tax credit) may be available to these members under the exchange.
- This assumes the ACA would not be changed, invalidated, or repealed before it is fully implemented.

In recognition of the above, the committee felt that pre-Medicare retirees could go out to the exchange to get health care and PERS could stop providing coverage to this group. With the change proposed above and to make the health credit portable, this facilitates this change and the state would benefit in two ways:

- The OPEB liability would gradually be reduced from the state’s financial statement (presently \$52 million and we are now doing a new valuation which will increase this amount).
- The implicate liability would no longer be required in the rate setting method saving the active plan about \$6 per contract per month.

In recognition of the above and in summary, the Retiree Committee is suggesting the PERS Board submit legislation to:

- **Allow the Retiree Health Insurance Credit to be used for any of the PERS voluntary products or any health plan.**
- **Discontinue offering pre-Medicare health insurance to retirees when the health exchanges are established.**

Attached is a proposed bill to implement the above Retiree Committee recommendations. Please note the effective date of the bill is the implementation of the health care exchanges.

I also asked Segal if this could be done and if it would change the tax benefit of the credit, the following is their response:

Question 1: *Can RHIC dollars be used by retirees for health plan premiums other than the PERS pre-Medicare retiree health plan, including for the PERS dental, vision or for long-term care insurance plan, without jeopardizing the pre-tax status of contributions to the RHIC fund?*

Answer 1: *Yes, an employer's reimbursement of employees or former employees for accident or health insurance policies can qualify for the tax exclusion of "employer-provided" coverage under Internal Revenue Code section 106, even where the accident or health insurance policies are of the employee's own choosing. Thus, it is clear that the payments made from the RHIC for a retiree's health care insurance premiums are nontaxable under Code section 106. Both dental insurance and long-term care insurance qualify as accident or health insurance coverage.*

Since the potential change to the RHIC described above relates to whom and for what payments are made out of the RHIC fund, it does not have any impact on the taxable status of contributions into the fund. Whether or not contributions to the RHIC can be made on a pre-tax basis is determined solely by the type or source of contributions and the funding vehicle to which contributions are made. This potential change in payments from the RHIC would not affect either of these factors.

Question 2: *If PERS permits retirees to pay for health insurance premiums from their RHIC dollars, including for health plans not sponsored by PERS, what type of substantiation should PERS require from retirees for this purpose?*

Answer 2: *In accordance with guidance from the IRS (e.g., Rev. Rul. 61-146), PERS must either: (a) reimburse retirees for the insurance premiums already paid by the retiree based on written proof of prior payment of the premiums; or (b) pay the health insurance premiums directly to the insurer. In addition, the retiree or the insurer must provide sufficient information for PERS to determine that the coverage qualifies as accident or health insurance.*

Introduced by

1 A BILL for an Act to amend and reenact sections 54-52.1-02, 54-52.1-03.2, and
2 54-52.1-03.3 of the North Dakota Century Code, relating to benefit coverage for retired
3 employees not eligible for medicare, retiree health benefits credit, and to provide an
4 effective date.

5 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

6 **SECTION 1. AMENDMENT.** Section 54-52.1-02 of the North Dakota Century
7 Code is amended and reenacted as follows:

8 **54-52.1-02. Uniform group insurance program created - Formation into**
9 **subgroups.**

10 In order to promote the economy and efficiency of employment in the state's
11 service, reduce personnel turnover, and offer an incentive to high-grade individuals to
12 enter and remain in the service of state employment, there is created a uniform group
13 insurance program. The uniform group must be composed of eligible and retired
14 employees and be formed to provide hospital benefits coverage, medical benefits
15 coverage, and life insurance benefits coverage in the manner set forth in this chapter.
16 The uniform group may be divided into the following subgroups at the discretion of the
17 board:

18 1. Medical and hospital benefits coverage group consisting of active eligible
19 employees and retired employees not eligible for medicare, except for
20 employees who first retire and are not yet eligible for medicare after the
21 effective date of Section one of [insert appropriate Bill No.]. In determining
22 premiums for coverage under this subsection for retired employees not
23 eligible for medicare, the rate for a non-medicare retiree single plan is one

1 hundred fifty percent of the active member single plan rate, the rate for a
2 non-medicare retiree family plan of two people is twice the non-medicare
3 retiree single plan rate, and the rate for a non-medicare retiree family plan
4 of three or more persons is two and one-half times the non-medicare
5 retiree single plan rate.

6 2. ~~In addition to the coverage provided in subsection 1, another coverage~~
7 ~~option may be provided for retired employees not eligible for medicare,~~
8 ~~provided the option does not increase the implicit subsidy as determined~~
9 ~~by the governmental accounting standards board's other postemployment~~
10 ~~benefit reporting procedure. In offering this additional option, the board~~
11 ~~may have an open enrollment but thereafter enrollment for this option~~
12 ~~must be as specified in section 54-52.1-03.~~

13 3.2. Retired medicare-eligible employee group medical and hospital benefits
14 coverage.

15 4. 3 Active eligible employee life insurance benefits coverage.

16 5. 4 Retired employee life insurance benefits coverage.

17 6. 5 Terminated employee continuation group medical and hospital benefits
18 coverage.

19 7. 6 Terminated employee conversion group medical and hospital benefits
20 coverage.

21 8. 7 Dental benefits coverage.

22 9. 8 Vision benefits coverage.

23 10. 9 Long-term care benefits coverage.

24 11 10 Employee assistance benefits coverage.

25 12. 11 Prescription drug coverage.

26 **SECTION 2. AMENDMENT.** Section 54-52.1-03.2 of the North Dakota Century
27 Code is amended and reenacted as follows:

1 **54-52.1-03.2. Retiree health benefits fund - Appropriation.**

2 1. The board shall establish a retiree health benefits fund account with the
3 Bank of North Dakota for the purpose of prefunding and providing hospital
4 benefits coverage and medical benefits coverage under any health
5 insurance program and dental, vision, and long-term care benefits
6 coverage under the uniform group insurance program for retired eligible
7 employees or surviving spouses of retired eligible employees and their
8 dependents as provided in this chapter. The state shall contribute monthly
9 to the retiree health benefits fund an amount equal to one and fourteen
10 hundredths percent of the monthly salaries and wages of all participating
11 members of the highway patrolmen's retirement system under chapter
12 39-03.1, and one and fourteen hundredths percent of the monthly salaries
13 of all supreme or district court judges who are participating members of
14 the public employees retirement system under chapter 54-52. Each
15 governmental unit that contributes to the public employees retirement
16 system fund under section 54-52-06 or the retirement plan under chapter
17 54-52.6 shall contribute monthly to the retiree health benefits fund an
18 amount equal to one and fourteen hundredths percent of the monthly
19 salaries or wages of all participating members of the public employees
20 retirement system under chapter 54-52 or chapter 54-52.6, except for
21 nonteaching employees of the superintendent of public instruction who
22 elect to participate in the public employees retirement system pursuant to
23 section 54-52-02.13 and employees of the state board for career and
24 technical education who elect to participate in the public employees
25 retirement system pursuant to section 54-52-02.14. For nonteaching
26 employees of the superintendent of public instruction who elect to
27 participate in the public employees retirement system pursuant to section

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1 54-52-02.13, the superintendent of public instruction shall contribute
2 monthly to the retiree health benefits fund an amount equal to three and
3 twenty-four hundredths percent of the monthly salaries or wages of those
4 nonteaching employee members, beginning on the first of the month
5 following the transfer under section 54-52-02.13 and continuing thereafter
6 for a period of eight years, after which time the superintendent of public
7 instruction shall contribute one and fourteen hundredths percent of the
8 monthly salary or wages of those nonteaching employee members. For
9 employees of the state board for career and technical education who elect
10 to participate in the public employees retirement system pursuant to
11 section 54-52-02.14, the state board for career and technical education
12 shall contribute monthly to the retiree health benefits fund an amount
13 equal to two and ninety-nine hundredths percent of the monthly salary or
14 wages of those employee members, beginning on the first of the month
15 following the transfer under section 54-52-02.14 and continuing thereafter
16 for a period of eight years, after which time the state board for career and
17 technical education shall contribute one and fourteen hundredths percent
18 of the monthly salary or wages of those employee members. The
19 employer of a national guard security officer or firefighter shall contribute
20 monthly to the retiree health benefits fund an amount equal to one and
21 fourteen hundredths percent of the monthly salaries or wages of all
22 national guard security officers or firefighters participating in the public
23 employees retirement system under chapter 54-52. Job service North
24 Dakota shall reimburse monthly the retiree health benefits fund for credit
25 received under section 54-52.1-03.3 by members of the retirement
26 program established by job service North Dakota under section 52-11-01.

1 The board, as trustee of the fund and in exclusive control of its
2 administration, shall:

3 a. Provide for the investment and disbursement of moneys of the
4 retiree health benefits fund and administrative expenditures in the
5 same manner as moneys of the public employees retirement
6 system are invested, disbursed, or expended.

7 b. Adopt rules necessary for the proper administration of the retiree
8 health benefits fund, including enrollment procedures.

9 2. All moneys deposited in the fund established under subsection 1, not
10 otherwise appropriated, are hereby appropriated to the board for the
11 purpose of making investments for the fund and to make contributions
12 toward hospital and medical benefits coverage under any health insurance
13 program and dental, vision, and long-term care benefits coverage under
14 the uniform group insurance program for eligible retired employees or
15 surviving spouses of eligible retired employees and their dependents as
16 elected ~~under the uniform group insurance program.~~

17 3. If a member terminates employment because of death, permanent and
18 total disability, or any voluntary or involuntary reason prior to retirement,
19 the member or the member's designated beneficiary is entitled to the
20 member's account balance at termination. If a member's account balance
21 is withdrawn, the member relinquishes all rights to benefits under the
22 retiree health benefits fund.

23
24 **SECTION 3. AMENDMENT.** Section 54-52.1-03.3 of the North Dakota Century
25 Code is amended and reenacted as follows:

26 **54-52.1-03.3. Eligibility for retiree health benefits - Fixed contribution and**
27 **reduction factors.**

- 1 1. The following persons are entitled to receive credit for hospital and
2 medical benefits coverage under any health insurance program and
3 dental, vision, and long-term care benefits coverage under the uniform
4 group insurance program under subsection 2:
- 5 a. A member or surviving spouse of the highway patrolmen's
6 retirement system is eligible for the credit beginning on the date
7 retirement benefits are effective unless the premium is billed to the
8 employer.
- 9 b. A member or surviving spouse of the public employees retirement
10 system is eligible for the credit beginning on the date retirement
11 benefits are effective unless the premium is billed to the employer.
- 12 c. A member or surviving spouse of the retirement program
13 established by job service North Dakota under section 52-11-01
14 receiving retirement benefits is eligible for the credit beginning on
15 the date retirement benefits are effective unless the premium is
16 billed to the employer.
- 17 d. A retired judge or surviving spouse receiving retirement benefits
18 under the retirement program established under chapter 27-17 is
19 eligible for the credit beginning on the date retirement benefits are
20 effective unless the premium is billed to the employer.
- 21 e. A former participating member of the defined contribution
22 retirement plan receiving retirement benefits, or the surviving
23 spouse of a former participating member of that retirement plan
24 who was eligible to receive or was receiving benefits, under section
25 54-52.6-13, is eligible as determined by the board pursuant to its
26 rules.

1 2. The board shall calculate the allowable monthly credit toward hospital and
2 medical benefits coverage under any health insurance program and
3 dental, vision, and long-term care benefits coverage under the uniform
4 group insurance program for a person eligible under subsection 1 in an
5 amount equal to five dollars multiplied by the member's or deceased
6 member's number of years of credited service under the highway
7 patrolmen's retirement system, the public employees retirement system,
8 the retirement program established by job service North Dakota under
9 section 52-11-01, or the judges' retirement program established under
10 chapter 27-17. For a member of the public employees retirement system
11 receiving an early retirement benefit or the surviving spouse of that
12 member, or a former participating member of the defined contribution
13 retirement plan who is receiving a periodic distribution and would not meet
14 the normal retirement provisions of the public employees retirement
15 system, the allowable monthly credit must be reduced by three percent if
16 the member terminates employment within one year prior to attaining the
17 age of sixty-five and an additional reduction factor of six percent shall
18 apply for each year the member terminates employment prior to attaining
19 the age of sixty-four. For a member of the highway patrolmen's retirement
20 system receiving an early retirement benefit or the surviving spouse of that
21 member, the allowable monthly credit must be reduced by three percent if
22 the member terminates employment within one year prior to attaining the
23 age of fifty-five and an additional reduction factor of six percent shall apply
24 for each year the member terminates employment prior to attaining the
25 age of fifty-four. For a member of the retirement program established by
26 job service North Dakota under section 52-11-01 receiving an early
27 retirement benefit or a discontinued service annuity under the plan

1 provisions of that retirement program or the surviving spouse of that
2 member, the allowable monthly credit must be reduced by three percent if
3 the member terminates employment within one year prior to attaining the
4 age of sixty-five and an additional reduction factor of six percent applies
5 for each year the member terminates employment prior to attaining the
6 age of sixty-four.

- 7 3. The board shall apply the credit allowable under subsection 2 as elected
8 by the eligible participant to the payment of monthly premiums required of
9 each person eligible under subsection 1 for hospital benefits coverage and
10 medical benefits coverage under any health insurance program and
11 dental, vision, and long-term care benefits coverage under the uniform
12 group insurance program. The board shall allow spouses who each have
13 credit under subsection 2 to combine their credits and shall apply the
14 combined credit to the required monthly premiums as elected pursuant to
15 this subsection ~~under the uniform group insurance program~~. However, if
16 the allowable credit under any circumstance exceeds the monthly
17 premium in effect for selected coverage, that amount of the credit which
18 exceeds the premium is forfeited and may not be used for any other
19 purpose.

- 20 4. The board may, as an alternative to the calculation of the allowable
21 monthly credit under subsection 2, provide actuarially reduced benefit
22 options for the member and the member's surviving spouse including a
23 one hundred percent joint and survivor option, a fifty percent joint and
24 survivor option, or a five-year or ten-year certain option.

25 **SECTION 4. CONTIGENT EFFECTIVE DATE.** This Act becomes effective on
26 January 1, 2014, as specified under section 1321 of the Patient Protection
27 and Affordable Care Act of 2010 [P.L. 111-148] in effect on March 23,

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1 2010, as modified by the Health Care and Education Reconciliation Act of
2 2010 [P.L. 111-152] in effect on March 30, 2010, or no later than three
3 months after a date subsequently designated by the United States
4 Department of Health and Human Services for the implementation of state
5 health care exchanges.



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: March 15, 2012
SUBJECT: Proposed Retirement Legislation

Attached please find two proposed bills relating to the retirement plans. The first bill relates to the recovery plan for the PERS retirement plans and provides for increases in the contributions in 2014 and 2015. The bill is the same as that submitted two years ago for those years.

The second bill is the administrative bill for the retirement plans. The following items that were approved at the last meeting are in the bill:

	<i>NDCC Section Changed</i>	<i>Proposed Change</i>	<i>Reason for Proposed Change</i>	<i>Bill Draft Section</i>
1	54-52-17.(3)	c. Normal retirement date for a peace officer or correctional officer employed by a political subdivision is: (1) The first day of the month next following the month in which the peace officer or correctional officer attains the age of fifty-five years and has completed at least three consecutive <u>eligible</u> years of employment as a peace officer or correctional officer immediately preceding retirement; or..... Also making the same change for the other law enforcement member plans	Last session we had made this change to other parts of the statute however missed it here so we need to update this to conform with the other changes	Section 4

	NDCC Section Changed	Proposed Change	Reason for Proposed Change	Bill Draft Section
2	54-52-17.(9)	<p>9. The board shall adopt rules providing for the receipt of retirement benefits in the following optional forms:</p> <p>a. Single life.</p> <p>b. An actuarially equivalent joint and survivor option, with fifty percent or one hundred percent options.</p> <p>c. An actuarially equivalent level social security option, which is available only to members who retire prior to attaining the age at which they may begin to receive unreduced social security benefits.</p> <p>d. Actuarially equivalent life with ten-year or twenty-year certain options.</p> <p>e. An actuarially equivalent partial lump sum distribution option with a twelve-month maximum lump sum distribution.</p>	<p>We are proposing to eliminate the level social security option for several reasons:</p> <ol style="list-style-type: none"> 1. Social Security no longer will provide the benefit estimate that we relied upon to do the adjustment 2. Less than 5% of the members that retiree select this option 3. Even though we council members carefully on this benefit they are still surprised when their benefit is reduced in the future – so this option remains confusing 4. The addition of the 20 year term certain option provides another alternative for members 	Section 4 (9)
3	54-52-28	The board shall administer the plan in compliance with the following sections of the Internal Revenue Code in effect on August 1, 2014 2013 , as it applies for governmental plans.....	Each session we submit this to update the reference to the IRS code	Section 1 and Section 6

In addition to the above approved provisions, staff is also requesting your approval of the following additional items (they are also included in the proposed bill)

1. The change is to make the DC Plan consistent with the DB plan related to designating individuals in addition to the spouse. Currently, the DC plan would allow a periodic payment option with the full RHIC to a surviving spouse even if a portion of the member's DC account was paid out to a non-spouse beneficiary. The DB plan only allows a spouse to receive a monthly benefit and RHIC benefit if they are the only designated beneficiary and select the lifetime benefit option. For example, without this change, a member could designate all but 5% of the member's DC account balance to non-spouse beneficiaries and the spouse could still receive periodic payments with the full RHIC (not reduced in any manner to account for the significant decrease in member account value) to the spouse. Therefore, it is providing an option related to the RHIC that our DB plan members do not have available to them. **(Section 7 of the proposed bill)**
2. Update the Savings Clause to show the current name of the Legislative Employee benefits Committee **(Section 2 And Section 5 of the proposed bill)**
3. Add an IRS Compliance section to the Defined Contribution Statute **(Section 8 of the proposed bill)**
4. If the board decides to seek authority to accept revenue sharing funds from the 457 recordkeeper as discussed under item II.A on the agenda this wording would need to be requested in this bill **(Section 3)**

Introduced by

1 A BILL for an Act to amend and reenact sections 39-03.1-09, 39-03.1-10, 54-52-02.9,
2 54-52-05, 54-52-06, 54-52-06.1, 54-52-06.3, and 54-52-06.4, subsection 6 of section
3 54-52.6-02, and section 54-52.6-09 of the North Dakota Century Code, relating to
4 increased employer and employee contributions under the highway patrolmen's
5 retirement plan and public employees retirement system.

6 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

7 **SECTION 1. AMENDMENT.** Section 39-03.1-09 of the North Dakota Century
8 Code is amended and reenacted as follows:

9 **39-03.1-09. Payments by contributors - Employer payment of employee**
10 **contribution.**

11 1. Every member, except as provided in section 39-03.1-07, shall contribute
12 into the fund ten and thirty-hundredths percent of the member's monthly
13 salary, which sum must be deducted from the member's salary and
14 credited to the member's account in the fund. Member contributions
15 increase by one percent of the member's monthly salary beginning with
16 the monthly reporting period of January 2012, and ~~with an additional~~
17 increase of annually by one percent, ~~beginning with the~~ monthly reporting
18 period of January 2013, January 2014, and January 2015.

19 2. The state of North Dakota, at its option, may pay the member
20 contributions required by subsection 1 for all compensation earned after
21 June 30, 1983, and may pay the member contributions required to

1 purchase service credit on a pretax basis pursuant to subsection 8 of
2 section 39-03.1-08.2. The amount paid must be paid by the state in lieu of
3 contributions by the member. A member may not receive the contributed
4 amounts directly once the employer has elected to pay the member
5 contributions. If the state decides not to pay the contributions, the amount
6 that would have been paid will continue to be deducted from
7 compensation. If contributions are paid by the state, they must be treated
8 as employer contributions in determining tax treatment under this code
9 and the federal Internal Revenue Code. If contributions are paid by the
10 state, they must not be included as gross income of the member in
11 determining tax treatment under this code and the Internal Revenue Code
12 until they are distributed or made available. The state shall pay these
13 member contributions from the same source of funds used in paying
14 compensation to the members. The state shall pay these contributions by
15 effecting an equal cash reduction in the gross salary of the employee or by
16 an offset against future salary increases or by a combination of a
17 reduction in gross salary and offset against future salary increases. If
18 member contributions are paid by the state, they must be treated for the
19 purposes of this chapter in the same manner and to the same extent as
20 member contributions made prior to the date the contributions were
21 assumed by the state. The option given employers by this subsection
22 must be exercised in accordance with rules adopted by the board.

23 3. For compensation earned after August 1, 2009, all employee contributions
24 required under subsection 1, and not otherwise paid under subsection 2,
25 must be paid by the state in lieu of contributions by the member. All
26 contributions paid by the state under this subsection must be treated as
27 employer contributions in determining tax treatment under this code and

1 the federal Internal Revenue Code. Contributions paid by the state under
2 this subsection may not be included as gross income of the member in
3 determining tax treatment under this code and the Internal Revenue Code
4 until the contributions are distributed or made available. Contributions paid
5 by the state in accordance with this subsection must be treated for the
6 purposes of this chapter in the same manner and to the same extent as
7 member contributions made before the date the contributions were
8 assumed by the state. The state shall pay these member contributions
9 from the same source of funds used in paying compensation to the
10 members. The state shall pay these contributions by effecting an equal
11 cash reduction in the gross salary of the employee. The state shall
12 continue making payments under this section unless otherwise specifically
13 provided for under the agency's biennial appropriation or by law.

14 **SECTION 2. AMENDMENT.** Section 39-03.1-10 of the North Dakota Century
15 Code is amended and reenacted as follows:

16 **39-03.1-10. Contributions by the state.**

17 The state shall contribute to the fund a sum equal to sixteen and
18 seventy-hundredths percent of the monthly salary or wage of a participating member.
19 State contributions increase by one percent of the monthly salary or wage of a
20 participating member beginning with the monthly reporting period of January 2012, and
21 ~~with an additional increase of~~ annually by one percent, ~~beginning~~ with the reporting
22 period of January 2013, January 2014, and January 2015. If the member's contribution
23 is paid by the state under subsection 2 of section 39-03.1-09, the state shall contribute,
24 in addition, an amount equal to the required member's contribution. The state shall pay
25 the associated employer contribution for those members who elect to exercise their
26 rights under subsection 3 of section 39-03.1-10.1.

1 **SECTION 3. AMENDMENT.** Section 54-52-02.9 of the North Dakota Century
2 Code is amended and reenacted as follows:

3 **54-52-02.9. Participation by temporary employees.**

4 A temporary employee may elect, within one hundred eighty days of beginning
5 employment, to participate in the public employees retirement system and receive credit
6 for service after enrollment. The temporary employee shall pay monthly to the fund an
7 amount equal to eight and twelve-hundredths percent times the temporary employee's
8 present monthly salary. The amount required to be paid by a temporary employee
9 increases by two percent times the temporary employee's present monthly salary
10 beginning with the monthly reporting period of January 2012, and ~~with an additional~~
11 increases annually by two percent increase, beginning with the reporting period of
12 January 2013, January 2014, and January 2015. The temporary employee shall also
13 pay the required monthly contribution to the retiree health benefit fund established
14 under section 54-52.1-03.2. This contribution must be recorded as a member
15 contribution pursuant to section 54-52.1-03.2. An employer may not pay the temporary
16 employee's contributions. A temporary employee may continue to participate as a
17 temporary employee in the public employees retirement system until termination of
18 employment or reclassification of the temporary employee as a permanent employee. A
19 temporary employee may not purchase any additional credit, including additional credit
20 under section 54-52-17.4 or past service under section 54-52-02.6.

21 **SECTION 4. AMENDMENT.** Section 54-52-05 of the North Dakota Century
22 Code is amended and reenacted as follows:

23 **54-52-05. Membership and assessments - Employer payment of employee**
24 **contributions.**

25 1. Every eligible governmental unit employee concurring in the plan must so
26 state in writing and all future eligible employees are participating
27 members. An employee who was not enrolled in the retirement system

1 when eligible to participate must be enrolled immediately upon notice of
2 the employee's eligibility, unless the employee waives in writing the
3 employee's right to participate for the previous time of eligibility, to avoid
4 contributing to the fund for past service. An employee who is eligible for
5 normal retirement who accepts a retirement benefit under this chapter and
6 who subsequently becomes employed with a participating employer other
7 than the employer with which the employee was employed at the time the
8 employee retired under this chapter may, before reenrolling in the
9 retirement plan, elect to permanently waive future participation in the
10 retirement plan and the retiree health program and maintain that
11 employee's retirement status. An employee making this election is not
12 required to make any future employee contributions to the public
13 employees retirement system nor is the employee's employer required to
14 make any further contributions on behalf of that employee.

15 2. Each member must be assessed and required to pay monthly four percent
16 of the monthly salary or wage paid to the member, and such assessment
17 must be deducted and retained out of such salary in equal monthly
18 installments commencing with the first month of employment. Member
19 contributions increase by one percent of the monthly salary or wage paid
20 to the member beginning with the monthly reporting period of January
21 2012, and ~~with an additional~~ increase of annually by one percent,
22 beginning with the monthly reporting period of January 2013, January
23 2014, and January 2015.

24 3. Each employer, at its option, may pay all or a portion of the employee
25 contributions required by subsection 2 and sections 54-52-06.1,
26 54-52-06.2, 54-52-06.3, and 54-52-06.4 or the employee contributions
27 required to purchase service credit on a pretax basis pursuant to

1 subsection 5 of section 54-52-17.4. Employees may not receive the
2 contributed amounts directly once the employer has elected to pay the
3 employee contributions. The amount paid must be paid by the employer in
4 lieu of contributions by the employee. If the state determines not to pay
5 the contributions, the amount that would have been paid must continue to
6 be deducted from the employee's compensation. If contributions are paid
7 by the employer, they must be treated as employer contributions in
8 determining tax treatment under this code and the federal Internal
9 Revenue Code. If contributions are paid by the employer, they may not be
10 included as gross income of the employee in determining tax treatment
11 under this code and the Internal Revenue Code until they are distributed
12 or made available. The employer shall pay these employee contributions
13 from the same source of funds used in paying compensation to the
14 employee or from the levy authorized by subsection 5 of section
15 57-15-28.1. The employer shall pay these contributions by effecting an
16 equal cash reduction in the gross salary of the employee or by an offset
17 against future salary increases or by a contribution of a reduction in gross
18 salary and offset against future salary increases. If employee contributions
19 are paid by the employer, they must be treated for the purposes of this
20 chapter in the same manner and to the same extent as employee
21 contributions made prior to the date on which employee contributions were
22 assumed by the employer. An employer exercising its option under this
23 subsection shall report its choice to the board in writing.

24 4. For compensation earned after August 1, 2009, all employee contributions
25 required under section 54-52-06.1 and the job service North Dakota
26 retirement plan, and not otherwise paid under subsection 3, must be paid
27 by the employer in lieu of contributions by the member. All contributions

1 paid by the employer under this subsection must be treated as employer
2 contributions in determining tax treatment under this code and the Internal
3 Revenue Code. Contributions paid by the employer under this subsection
4 may not be included as gross income of the member in determining tax
5 treatment under this code and the Internal Revenue Code until the
6 contributions are distributed or made available. Contributions paid by the
7 employer in accordance with this subsection must be treated for the
8 purposes of this chapter in the same manner and to the same extent as
9 member contributions made before the date the contributions were
10 assumed by the employer. The employer shall pay these member
11 contributions from the same source of funds used in paying compensation
12 to the employee. The employer shall pay these contributions by effecting
13 an equal cash reduction in the gross salary of the employee. The
14 employer shall continue making payments under this section unless
15 otherwise specifically provided for under the agency's biennial
16 appropriation or by amendment to law.

17 **SECTION 5. AMENDMENT.** Section 54-52-06 of the North Dakota Century
18 Code is amended and reenacted as follows:

19 **54-52-06. Employer's contribution to retirement plan.**

20 Each governmental unit shall contribute an amount equal to four and
21 twelve-hundredths percent of the monthly salary or wage of a participating member.
22 Governmental unit contributions increase by one percent of the monthly salary or wage
23 of a participating member beginning with the monthly reporting period of January 2012,
24 and ~~with an additional increase of~~ annually by one percent, ~~beginning~~ with the reporting
25 period of January 2013, January 2014, and January 2015. For those members who
26 elect to exercise their rights under section 54-52-17.14, the employing governmental
27 unit, or in the case of a member not presently under covered employment the most

1 recent employing governmental unit, shall pay the associated employer contribution. If
2 the employee's contribution is paid by the governmental unit under subsection 3 of
3 section 54-52-05, the employer unit shall contribute, in addition, an amount equal to the
4 required employee's contribution. Each governmental unit shall pay the contribution
5 monthly, or in the case of an election made pursuant to section 54-52-17.14 a lump
6 sum, into the retirement fund from its funds appropriated for payroll and salary or any
7 other funds available for these purposes. Any governmental unit failing to pay the
8 contributions monthly, or in the case of an election made pursuant to section
9 54-52-17.14 a lump sum, is subject to a civil penalty of fifty dollars and, as interest, one
10 percent of the amount due for each month of delay or fraction thereof after the payment
11 became due. In lieu of assessing a civil penalty or one percent per month, or both,
12 interest at the actuarial rate of return may be assessed for each month the contributions
13 are delinquent. If contributions are paid within ninety days of the date they became due,
14 penalty and interest to be paid on delinquent contributions may be waived. An employer
15 is required to submit contributions for any past eligible employee who was employed
16 after July 1, 1977, for which contributions were not made if the employee would have
17 been eligible to become vested had the employee participated and if the employee
18 elects to join the public employees retirement system. Employer contributions may not
19 be assessed for eligible service that an employee has waived pursuant to subsection 1
20 of section 54-52-05. The board shall report to each session of the legislative assembly
21 the contributions necessary, as determined by the actuarial study, to maintain the fund's
22 actuarial soundness.

23 **SECTION 6. AMENDMENT.** Section 54-52-06.1 of the North Dakota Century
24 Code is amended and reenacted as follows:

25 **54-52-06.1. Contribution by supreme and district court judges - Employer**
26 **contribution.**

1 Each judge of the supreme or district court who is a member of the public
2 employees retirement system must be assessed and required to pay monthly five
3 percent of the judge's monthly salary. Member contributions increase by one percent of
4 the judge's monthly salary beginning with the monthly reporting period of January 2012,
5 and ~~with an additional~~ increase of annually by one percent, beginning with the monthly
6 reporting period of January 2013, January 2014, and January 2015. The assessment
7 must be deducted and retained out of the judge's salary in equal monthly installments.
8 The state shall contribute an amount equal to fourteen and fifty-two one-hundredths
9 percent of the monthly salary of a supreme or district court judge who is a participating
10 member of the system, which matching contribution must be paid from its funds
11 appropriated for salary, or from any other funds available for such purposes. State
12 contributions increase by one percent of the monthly salary of a supreme or district
13 court judge who is a participating member of the system beginning with the monthly
14 reporting period of January 2012, and ~~with an additional~~ increase of annually by one
15 percent, ~~beginning~~ with the monthly reporting period of January 2013, January 2014,
16 and January 2015. If the judge's contribution is paid by the state under subsection 3 of
17 section 54-52-05, the state shall contribute, in addition, an amount equal to the required
18 judge's contribution.

19 **SECTION 7. AMENDMENT.** Section 54-52-06.3 of the North Dakota Century
20 Code is amended and reenacted as follows:

21 **54-52-06.3. Contribution by peace officers and correctional officers**
22 **employed by political subdivisions - Employer contribution.**

23 Each peace officer or correctional officer employed by a political subdivision that
24 enters into an agreement with the retirement board on behalf of its peace officers and
25 correctional officers separately from its other employees and who is a member of the
26 public employees retirement system is assessed and shall pay monthly four percent of
27 the employee's monthly salary. Peace officer or correctional officer contributions

1 increase by one-half of one percent of the member's monthly salary beginning with the
2 monthly reporting period of January 2012, and ~~with an additional~~ increase of annually by
3 one-half of one percent, ~~beginning~~ with the monthly reporting period of January 2013,
4 January 2014, and January 2015. The assessment must be deducted and retained out
5 of the employee's salary in equal monthly installments. The peace officer's or
6 correctional officer's employer shall contribute an amount determined by the board to be
7 actuarially required to support the level of benefits specified in section 54-52-17. If the
8 peace officer's or correctional officer's assessment is paid by the employer under
9 subsection 3 of section 54-52-05, the employer shall contribute, in addition, an amount
10 equal to the required peace officer's or correctional officer's assessment.

11 **SECTION 8. AMENDMENT.** Section 54-52-06.4 of the North Dakota Century
12 Code is amended and reenacted as follows:

13 **54-52-06.4. Contribution by peace officers employed by the bureau of**
14 **criminal investigation - Employer contribution.**

15 Each peace officer employed by the bureau of criminal investigation who is a
16 member of the public employees retirement system is assessed and shall pay monthly
17 four percent of the employee's monthly salary. Peace officer contributions increase by
18 one percent of the member's monthly salary beginning with the monthly reporting period
19 of January 2012, and ~~with an additional~~ increase of annually by one percent, ~~beginning~~
20 with the reporting period of January 2013, January 2014, and January 2015. The
21 assessment must be deducted and retained out of the employee's salary in equal
22 monthly installments. The peace officer's employer shall contribute an amount
23 determined by the board to be actuarially required to support the level of benefits
24 specified in section 54-52-17. The employer's contribution must be paid from funds
25 appropriated for salary or from any other funds available for such purposes. If the peace
26 officer's assessment is paid by the employer under subsection 3 of section 54-52-05,

1 the employer shall contribute, in addition, an amount equal to the required peace
2 officer's assessment.

3 **SECTION 9. AMENDMENT.** Subsection 6 of section 54-52.6-02 of the North
4 Dakota Century Code is amended and reenacted as follows:

5 6. A participating member who becomes a temporary employee may still
6 participate in the defined contribution retirement plan upon filing an
7 election with the board within one hundred eighty days of transferring to
8 temporary employee status. The participating member may not become a
9 member of the defined benefit plan as a temporary employee. The
10 temporary employee electing to participate in the defined contribution
11 retirement plan shall pay monthly to the fund an amount equal to eight and
12 twelve-hundredths percent times the temporary employee's present
13 monthly salary. The amount required to be paid by a temporary employee
14 increases by two percent times the temporary employee's present monthly
15 salary beginning with the monthly reporting period of January 2012, and
16 ~~with an additional increase of~~ increases annually by two percent,
17 ~~beginning with the~~ monthly reporting period of January 2013, January
18 2014, and January 2015. The temporary employee shall also pay the
19 required monthly contribution to the retiree health benefit fund established
20 under section 54-52.1-03.2. This contribution must be recorded as a
21 member contribution pursuant to section 54-52.1-03.2. An employer may
22 not pay the temporary employee's contributions. A temporary employee
23 may continue to participate as a temporary employee until termination of
24 employment or reclassification of the temporary employee as a permanent
25 employee.

26 **SECTION 10. AMENDMENT.** Section 54-52.6-09 of the North Dakota Century
27 Code is amended and reenacted as follows:

1 **54-52.6-09. Contributions - Penalty.**

- 2 1. Each participating member shall contribute monthly four percent of the
3 monthly salary or wage paid to the participant, and this assessment must
4 be deducted from the participant's salary in equal monthly installments
5 commencing with the first month of participation in the defined contribution
6 retirement plan established under this chapter. Participating member
7 contributions increase by one percent of the monthly salary or wage paid
8 to the participant beginning with the monthly reporting period of January
9 2012, and ~~with an additional~~ increase of annually by one percent,
10 ~~beginning~~ with the reporting period of January 2013, January 2014, and
11 January 2015.
- 12 2. The employer shall contribute an amount equal to four and
13 twelve-hundredths percent of the monthly salary or wage of a participating
14 member. Employer contributions increase by one percent of the monthly
15 salary or wage of a participating member beginning with the monthly
16 reporting period of January 2012, and ~~with an additional~~ increase of
17 annually by one percent, ~~beginning~~ with the monthly reporting period of
18 January 2013, January 2014, and January 2015. If the employee's
19 contribution is paid by the employer under subsection 3, the employer
20 shall contribute, in addition, an amount equal to the required employee's
21 contribution. The employer shall pay monthly such contribution into the
22 participating member's account from its funds appropriated for payroll and
23 salary or any other funds available for such purposes. If the employer fails
24 to pay the contributions monthly, it is subject to a civil penalty of fifty
25 dollars and, as interest, one percent of the amount due for each month of
26 delay or fraction thereof after the payment became due.

1 3. Each employer, at its option, may pay the employee contributions required
2 by this section for all compensation earned after December 31, 1999. The
3 amount paid must be paid by the employer in lieu of contributions by the
4 employee. If the employer decides not to pay the contributions, the
5 amount that would have been paid will continue to be deducted from the
6 employee's compensation. If contributions are paid by the employer, they
7 must be treated as employer contributions in determining tax treatment
8 under this code and the federal Internal Revenue Code. Contributions paid
9 by the employer may not be included as gross income of the employee in
10 determining tax treatment under this code and the federal Internal
11 Revenue Code until they are distributed or made available. The employer
12 shall pay these employee contributions from the same source of funds
13 used in paying compensation to the employee. The employer shall pay
14 these contributions by effecting an equal cash reduction in the gross
15 salary of the employee or by an offset against future salary increases or
16 by a combination of a reduction in gross salary and offset against future
17 salary increases. Employee contributions paid by the employer must be
18 treated for the purposes of this chapter in the same manner and to the
19 same extent as employee contributions made before the date on which
20 employee contributions were assumed by the employer. An employer shall
21 exercise its option under this subsection by reporting its choice to the board in
22 writing.

Introduced by

1 A BILL for an Act to create and enact a new section to chapter 54-52.6 of the North
2 Dakota Century Code, relating to plan modifications needed to maintain compliance
3 with the Internal Revenue Code; to amend and reenact sections 39-03.1-11.2,
4 39-03.1-29, subsection 11 of section 54-52-04, sections 54-52-17, 54-52-23, 54-52-28,
5 54-52.6-13 of the North Dakota Century Code, relating to incorporation of Internal
6 Revenue Code compliance under the highway patrolmen's retirement plan and public
7 employees retirement system, updating appropriate committee designations for the
8 savings clauses under the highway patrolmen's retirement plan and public employees
9 retirement system, the board's authority to fund the administrative expenses of chapter
10 54-52.2, the normal retirement dates for a peace officer or correctional officer, a national
11 guard security officer or firefighter, and a peace officer employed by the bureau of
12 criminal investigation, removal of the level social security retirement benefit option under
13 the public employees retirement system, distribution of a deceased participant's
14 accumulated account balance under the defined contribution retirement plan.

15 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

16 **SECTION 1. AMENDMENT.** Section 39-03.1-11.2 of the North Dakota Century
17 Code is amended and reenacted as follows:

18 **39-03.1-11.2. Internal Revenue Code compliance.**

19 The board shall administer the plan in compliance with the following sections of
20 the Internal Revenue Code in effect on August 1, ~~2014~~ 2013, as it applies for
21 governmental plans.

22 1. Section 415, including the defined benefit dollar limitation under section
23 415(b)(1)(A) of the Internal Revenue Code.

- 1 a. The defined benefit dollar limitation under section 415(b)(1)(A) of
2 the Internal Revenue Code, as approved by the legislative
3 assembly, must be adjusted under section 415(d) of the Internal
4 Revenue Code, effective January first of each year following a
5 regular legislative session. The adjustment of the defined benefit
6 dollar limitation under section 415(d) applies to participating
7 members who have had a separation from employment, but that
8 member's benefit payments may not reflect the adjusted limit prior
9 to January first of the calendar year in which the adjustment
10 applies.
- 11 b. If a participating member's benefit is increased by plan amendment
12 after the commencement of benefit payments, the member's annual
13 benefit may not exceed the defined benefit dollar limitation under
14 section 415(b)(1)(A) of the Internal Revenue Code, as adjusted
15 under section 415(d) for the calendar year in which the increased
16 benefit is payable.
- 17 c. If a participating member is, or ever has been, a participant in
18 another defined benefit plan maintained by the employer, the sum
19 of the participant's annual benefits from all the plans may not
20 exceed the defined benefit dollar limitation under section
21 415(b)(1)(A) of the Internal Revenue Code. If the participating
22 member's employer-provided benefits under all such defined
23 benefit plans would exceed the defined benefit dollar limitation, the
24 benefit must be reduced to comply with section 415 of the Internal
25 Revenue Code. This reduction must be made pro rata between the
26 plans, in proportion to the participating member's service in each
27 plan.

- 1 2. The minimum distribution rules under section 401(a)(9) of the Internal
2 Revenue Code, including the incidental death benefit requirements under
3 section 401(a)(9)(G), and the regulations issued under that provision to
4 the extent applicable to governmental plans. Accordingly, benefits must be
5 distributed or begin to be distributed no later than a member's required
6 beginning date, and the required minimum distribution rules override any
7 inconsistent provision of this chapter. A member's required beginning date
8 is April first of the calendar year following the later of the calendar year in
9 which the member attains age seventy and one-half or terminates
10 employment.
- 11 3. The annual compensation limitation under section 401(a)(17) of the
12 Internal Revenue Code, as adjusted for cost-of-living increases under
13 section 401(a)(17)(B).
- 14 4. The rollover rules under section 401(a)(31) of the Internal Revenue Code.
15 Accordingly, a distributee may elect to have an eligible rollover
16 distribution, as defined in section 402(c)(4) of the Internal Revenue Code,
17 paid in a direct rollover to an eligible retirement plan, as defined in section
18 402(c)(8)(B) of the Internal Revenue Code, specified by the distributee.
- 19 5. If the plan of retirement benefits set forth in this chapter is terminated or
20 discontinued, the rights of all affected participating members to accrued
21 retirement benefits under this chapter as of the date of termination or
22 discontinuance is nonforfeitable, to the extent then funded.

23 **SECTION 2. AMENDMENT.** Section 39-03.1-29 of the North Dakota Century
24 Code is amended and reenacted as follows:

25 **39-03.1-29. Savings clause - Plan modifications.**

26 If the board determines that any section of this chapter does not comply with
27 applicable federal statutes or rules, the board shall adopt appropriate terminology with

1 respect to that section as will comply with those federal statutes or rules, subject to the
2 approval of the employee benefits programs committee ~~on public employees retirement~~
3 ~~programs~~. Any plan modifications made by the board pursuant to this section are
4 effective until the effective date of any measure enacted by the legislative assembly
5 providing the necessary amendments to this chapter to ensure compliance with the
6 federal statutes or rules.

7 **SECTION 3. AMENDMENT.** Subsection 11 of section 54-52-04 of the North
8 Dakota Century Code is amended and reenacted as follows:

9 **54-52-04. Board authority.**

- 10 1. The board shall adopt rules necessary to implement this chapter, and to
11 manage the system, subject to the limitations of this chapter. The board
12 has the powers and privileges of a corporation, including the right to sue
13 and be sued in its own name as the board. The venue of all actions in
14 which the board is a party must be Burleigh County, North Dakota.
- 15 2. The board shall appoint an executive director to serve at its discretion.
16 The executive director shall perform such duties as assigned by the board.
- 17 3. The board shall authorize the creation of whatever staff it deems
18 necessary for sound and economical administration of the system. The
19 executive director shall hire the staff, subject to the approval of the board.
- 20 4. The board shall arrange for actuarial and medical advisers for the system.
21 The board shall cause a qualified, competent actuary to be retained on a
22 consulting basis. The actuary shall make an annual valuation of the
23 liabilities and reserves of the system and a determination of the
24 contributions required by the system to discharge its liabilities and pay the
25 administrative costs under this chapter, and to recommend to the board
26 rates of employer and employee contributions required, based upon the
27 entry age normal cost method, to maintain the system on an actuarial

- 1 reserve basis; once every five years make a general investigation of the
2 actuarial experience under the system including mortality, retirement,
3 employment turnover, and other items required by the board, and
4 recommend actuarial tables for use in valuations and in calculating
5 actuarial equivalent values based on such investigation; and perform other
6 duties as may be assigned by the board.
- 7 5. The state shall provide the board with the retirement systems office or
8 offices to be used for the meetings of the board and for the general
9 purposes of the administrative personnel.
- 10 6. The funds necessary for paying prior service and service benefits,
11 consultant fees, and making withdrawal payments and refunds are hereby
12 appropriated from the retirement fund for those purposes. The amount
13 necessary to pay the consulting fees and insurance benefits related to the
14 uniform group insurance program is hereby appropriated from the
15 insurance premiums received by the board.
- 16 7. The board shall administer chapters 39-03.1, 54-52.1, and 54-52.2, and
17 may administer other optional employee benefit programs, including a
18 flexible benefits plan, an optional employee short-term disability plan, a
19 long-term care plan, or other optional employee benefit programs as the
20 board deems appropriate. The board shall also administer the retirement
21 plan established in 1961 and frozen to new entrants in 1980 for
22 employees of job service North Dakota under chapter 52-11.
- 23 8. The board shall annually report the investment performance of the fund
24 and distribute a copy to each participant.
- 25 9. The board may distribute the employer contribution and applicable interest
26 for any employee of any development foundation associated with a public
27 institution of higher education in this state who may previously have been

- 1 included in the public employees retirement system while employed by
2 such foundation. Such employee is entitled to have that employee's
3 contribution and the contribution of the development foundation, with
4 interest.
- 5 10. The board may audit any books, papers, accounts, bills, vouchers, and
6 other documents or property of any and all departments, boards,
7 commissions, political subdivisions, financial institutions, contractors,
8 health care organizations, and consultants relating to their participation in
9 services provided to programs administered by the board.
- 10 11. The board shall fund the administrative expenses of chapter 54-52.2 from
11 funds collected under chapters 54-52, 54-52.1, and 54-52.3 and from fines
12 and fees collected from deferred compensation services providers
13 including any fees paid for by participant funds, subject to appropriation by
14 the legislative assembly.
- 15 12. Except as provided by section 54-52-17.7, the board may adjust service
16 and make any correction of member, retiree, or beneficiary records and
17 benefits after an error or inequity has been determined.
- 18 13. The board may use any amount credited to the separate uniform group
19 insurance program fund created by section 54-52.1-06 in excess of the
20 costs of administration of the uniform group insurance program to reduce
21 the amount of premium amounts paid monthly by enrolled members of the
22 uniform group insurance program, to reduce any increase in premium
23 amounts paid monthly by enrolled members, or to provide increased
24 insurance coverage to the members, as the board may determine.
- 25 14. The board may create and implement an Internal Revenue Code section
26 115 trust health care savings plan for all supreme and district court judges
27 participating in the public employees retirement system if seventy-five

1 percent of the total active participating supreme and district court judges
2 vote to approve the program. If approved, the contribution level specified
3 in the vote applies to all current and future participating supreme and
4 district court judges and must be paid pursuant to the plan document
5 developed by the board. The contribution level may only be changed by a
6 vote of seventy-five percent of the total active participating supreme and
7 district court judges at that time.

8 **SECTION 4. AMENDMENT.** Section 54-52-17 of the North Dakota Century
9 Code is amended and reenacted as follows:

10 **54-52-17. Formulation of plan.**

11 Participating members shall receive benefits according to this section and
12 according to rules adopted by the board, not inconsistent with this chapter. No person is
13 entitled to receive a prior service benefit if the person was not continuously employed by
14 a governmental unit in North Dakota for a period of not less than two years immediately
15 prior to eligibility for retirement.

16 1. Participating members shall receive credit for full-time employment or its
17 equivalent from the date they attain eligibility until their normal retirement
18 date, postponed retirement date, or early retirement date, as defined in
19 this section. Part-time employment will be recognized as full-time
20 employment on a prorated basis as the board may prescribe.

21 2. Retirement benefits are calculated from the participating member's final
22 average salary, which is the average of the highest salary received by the
23 member for any thirty-six months employed during the last one hundred
24 twenty months of employment. For members who terminate employment
25 on or after August 1, 2010, final average salary is the average of the
26 highest salary received by the member for any thirty-six months employed
27 during the last one hundred eighty months of employment. For members

1 who terminate employment between July 31, 2005, and August 1, 2010,
2 final average salary is the average of the highest salary received by the
3 member for any thirty-six months employed during the period for which the
4 board has appropriate and accurate salary records on its electronic
5 database, but that period may not be more than the last one hundred
6 eighty months of employment. Months not employed are excluded in
7 arriving at the thirty-six months to be used for the purpose of computing an
8 average. If the participating member has worked for less than thirty-six
9 months at the normal retirement date, the final average salary is the
10 average salary for the total months of employment.

11 3. Retirement dates are defined as follows:

12 a. Normal retirement date, except for a national guard security officer
13 or firefighter or a peace officer or correctional officer employed by
14 the bureau of criminal investigation or by a political subdivision, is:

15 (1) The first day of the month next following the month in
16 which the member attains the age of sixty-five years; or

17 (2) When the member has a combined total of years of service
18 credit and years of age equal to eighty-five and has not
19 received a retirement benefit under this chapter.

20 b. Normal retirement date for a national guard security officer or
21 firefighter is the first day of the month next following the month in
22 which the national guard security officer or firefighter attains the
23 age of fifty-five years and has completed at least three ~~consecutive~~
24 eligible years of employment as a national guard security officer or
25 firefighter ~~immediately preceding retirement~~.

26 c. Normal retirement date for a peace officer or correctional officer
27 employed by a political subdivision is:

- 1 (1) The first day of the month next following the month in which
2 the peace officer or correctional officer attains the age of
3 fifty-five years and has completed at least three ~~consecutive~~
4 eligible years of employment as a peace officer or
5 correctional officer; or
- 6 (2) When the peace officer or correctional officer has a
7 combined total of years of service credit and years of age
8 equal to eighty-five and has not received a retirement benefit
9 under this chapter.
- 10 d. Normal retirement date for a peace officer employed by the bureau
11 of criminal investigation is:
- 12 (1) The first day of the month next following the month in which
13 the peace officer attains the age of fifty-five years and has
14 completed at least three ~~consecutive~~eligible years of
15 employment as a peace officer ~~immediately preceding~~
16 ~~retirement~~; or
- 17 (2) When the peace officer has a combined total of years of
18 service credit and years of age equal to eighty-five and has
19 not received a retirement benefit under this chapter.
- 20 e. Postponed retirement date is the first day of the month next
21 following the month in which the member, on or after July 1, 1977,
22 actually severs or has severed the member's employment after
23 reaching the normal retirement date.
- 24 f. Early retirement date, except for a national guard security officer or
25 firefighter or a peace officer or correctional officer employed by the
26 bureau of criminal investigation or by a political subdivision, is the
27 first day of the month next following the month in which the member

1 attains the age of fifty-five years and has completed three years of
2 eligible employment. For a national guard security officer or
3 firefighter, early retirement date is the first day of the month next
4 following the month in which the national guard security officer or
5 firefighter attains the age of fifty years and has completed at least
6 three years of eligible employment. For a peace officer or
7 correctional officer employed by the bureau of criminal investigation
8 or by a political subdivision, early retirement date is the first day of
9 the month next following the month in which the peace officer or
10 correctional officer attains the age of fifty years and has completed
11 at least three years of eligible employment.

12 g. Disability retirement date is the first day of the month after a
13 member becomes permanently and totally disabled, according to
14 medical evidence called for under the rules of the board, and has
15 completed at least one hundred eighty days of eligible employment.
16 For supreme and district court judges, permanent and total
17 disability is based solely on a judge's inability to perform judicial
18 duties arising out of physical or mental impairment, as determined
19 pursuant to rules adopted by the board or as provided by
20 subdivision a of subsection 3 of section 27-23-03. A member is
21 eligible to receive disability retirement benefits only if the member:

22 (1) Became disabled during the period of eligible
23 employment; and

24 (2) Applies for disability retirement benefits within twelve months
25 of the date the member terminates employment.

26 A member is eligible to continue to receive disability benefits as
27 long as the permanent and total disability continues and the

1 member submits the necessary documentation and undergoes
2 medical testing required by the board, or for as long as the member
3 participates in a rehabilitation program required by the board, or
4 both. If the board determines that a member no longer meets the
5 eligibility definition, the board may discontinue the disability
6 retirement benefit. The board may pay the cost of any medical
7 testing or rehabilitation services it deems necessary and these
8 payments are appropriated from the retirement fund for those
9 purposes.

10 4. The board shall calculate retirement benefits as follows:

11 a. Normal retirement benefits for all retirees, except supreme and
12 district court judges, reaching normal retirement date equal an
13 annual amount, payable monthly, comprised of a service benefit
14 and a prior service benefit, as defined in this chapter, which is
15 determined as follows:

16 (1) Service benefit equals two percent of final average salary
17 multiplied by the number of years of service employment.

18 (2) Prior service benefit equals two percent of final average
19 salary multiplied by the number of years of prior service
20 employment.

21 b. Normal retirement benefits for all supreme and district court judges
22 under the public employees retirement system reaching normal
23 retirement date equal an annual amount, payable monthly,
24 comprised of a benefit as defined in this chapter, determined as
25 follows:

26 (1) Benefits must be calculated from the time of appointment or
27 election to the bench and must equal three and one-half

1 percent of final average salary multiplied by the first ten
2 years of judicial service, two and eighty hundredths percent
3 of final average salary multiplied by the second ten years of
4 judicial service, and one and one-fourth percent of final
5 average salary multiplied by the number of years of judicial
6 service exceeding twenty years.

7 (2) Service benefits must include, in addition, an amount equal
8 to the percent specified in subdivision a of final average
9 salary multiplied by the number of years of nonjudicial
10 employee service and employment.

11 c. Postponed retirement benefits are calculated as for single life
12 benefits for those members who retired on or after July 1, 1977.

13 d. Early retirement benefits are calculated as for single life benefits
14 accrued to the date of termination of employment, but must be
15 actuarially reduced to account for benefit payments beginning prior
16 to the normal retirement date, which is the earlier of age sixty-five
17 or the age at which current service plus age equals eighty-five. A
18 retiree, other than a supreme or district court judge, is eligible for
19 early retirement benefits only after having completed three years of
20 eligible employment. A supreme or district court judge retiree is
21 eligible for early retirement benefits only after having completed five
22 years of eligible employment.

23 e. Except for supreme and district court judges, disability retirement
24 benefits are twenty-five percent of the member's final average
25 salary. Disability retirement benefits for supreme and district court
26 judges are seventy percent of final average salary reduced by the
27 member's primary social security benefits and by any workforce

1 safety and insurance benefits paid. The minimum monthly disability
2 retirement benefit under this section is one hundred dollars.

3 5. Upon termination of employment after completing three years of eligible
4 employment, except for supreme and district court judges, who must
5 complete five years of eligible employment, but before normal retirement
6 date, a member who does not elect to receive early retirement benefits is
7 eligible to receive deferred vested retirement benefits payable
8 commencing on the member's normal retirement date in one of the
9 optional forms provided in subsection 9. Members who have delayed or
10 inadvertently failed to apply for retirement benefits to commence on their
11 normal retirement date may choose to receive either a lump sum payment
12 equal to the amount of missed payments, or an actuarial increase to the
13 form of benefit the member has selected, which increase must reflect the
14 missed payments.

15 6. If before retiring a member dies after completing three years of eligible
16 employment, except for supreme and district court judges, who must have
17 completed five years of eligible employment, the board shall pay the
18 member's account balance to the member's designated beneficiary as
19 provided in this subsection. If the member has designated an alternate
20 beneficiary with the surviving spouse's written consent, the board shall pay
21 the member's account balance to the named beneficiary. If the member
22 has named more than one primary beneficiary, the board shall pay the
23 member's account balance to the named primary beneficiaries in the
24 percentages designated by the member or, if the member has not
25 designated a percentage for the beneficiaries, in equal percentages. If one
26 or more of the primary beneficiaries has predeceased the member, the
27 board shall pay the predeceased beneficiary's share to the remaining

1 primary beneficiaries. If any beneficiary survives the member, yet dies
2 before distribution of the beneficiary's share, the beneficiary must be
3 treated as if the beneficiary predeceased the member. If there are no
4 remaining primary beneficiaries, the board shall pay the member's account
5 balance to the contingent beneficiaries in the same manner. If there are no
6 remaining designated beneficiaries, the board shall pay the member's
7 account balance to the member's estate. If the member has not
8 designated an alternate beneficiary or the surviving spouse is the
9 beneficiary, the surviving spouse of the member may select a form of
10 payment as follows:

11 a. If the member was a supreme or district court judge, the surviving
12 spouse may select one of the following optional forms of payment:

13 (1) A lump sum payment of the member's retirement account as
14 of the date of death.

15 (2) Payments as calculated for the deceased member as if the
16 member was of normal retirement age at the date of death,
17 payable until the spouse dies.

18 b. The surviving spouse of all other members may select one of the
19 following options:

20 (1) A lump sum payment of the member's retirement account as
21 of the date of death.

22 (2) Payment of a monthly retirement benefit equal to fifty
23 percent of the deceased member's accrued single life
24 retirement benefits until the spouse dies.

25 (3) If the member dies on or after the member's normal
26 retirement date, the payment of a monthly retirement benefit
27 equal to an amount that would have been paid to the

1 surviving spouse if the member had retired on the day of the
2 member's death and had selected a one hundred percent
3 joint and survivor annuity, payable until the spouse dies. A
4 surviving spouse who received a benefit under this
5 subsection as of July 31, 1995, is entitled to the higher of
6 that person's existing benefit or the equivalent of the accrued
7 benefit available under the one hundred percent joint and
8 survivor provision as if the deceased member were of
9 normal retirement age, with the increase payable beginning
10 August 1, 1995.

11 7. If a member not coming under the provisions of subsection 6 terminates
12 employment because of death, permanent and total disability, or any
13 voluntary or involuntary reason prior to retirement, the member or the
14 member's designated beneficiary is entitled to the member's account
15 balance at termination. The board automatically shall refund a member's
16 account balance if the member has completed less than three years of
17 eligible employment, has an account balance of less than one thousand
18 dollars, and was not a supreme or district court judge. If the member was
19 a supreme or district court judge, the board automatically shall refund a
20 member's account balance if the member completed less than five years
21 of eligible employment. A member may waive the refund if the member
22 submits a written statement to the board, within thirty days after
23 termination, requesting that the member's account balance remain in the
24 fund.

25 8. The surviving spouse of a member receiving retirement benefits must be
26 the member's primary beneficiary unless there is no surviving spouse or
27 the surviving spouse designates an alternate beneficiary in writing. If a

1 member receiving retirement benefits or the member's surviving spouse
2 receiving retirement benefits dies before the total amount of benefits paid
3 to either or both equals the amount of the member's account balance at
4 retirement, the difference must be paid to the named beneficiary of the
5 recipient or, if there is no named beneficiary, to the recipient's estate.

6 9. The board shall adopt rules providing for the receipt of retirement benefits
7 in the following optional forms:

8 a. Single life.

9 b. An actuarially equivalent joint and survivor option, with fifty percent
10 or one hundred percent options.

11 ~~c. An actuarially equivalent level social security option, which is~~
12 ~~available only to members who retire prior to attaining the age at~~
13 ~~which they may begin to receive unreduced social security benefits.~~

14 ~~d.~~ Actuarially equivalent life with ten-year or twenty-year certain
15 options.

16 ~~e.~~ d. An actuarially equivalent partial lump sum distribution option with a
17 twelve-month maximum lump sum distribution.

18 ~~f.~~ e. An actuarially equivalent graduated benefit option with either a one
19 percent or two percent increase to be applied the first day of
20 January of each year.

21 Except for supreme and district court judges, unless a member specifically
22 requests that the member receive benefits according to one of these
23 options at the time of applying for retirement, all retirement benefits must
24 be in the form of a single life benefit. For supreme and district court
25 judges, unless a member specifically requests that the member receive
26 benefits according to one of these options at the time of applying for
27 retirement, all retirement benefits must be in the form of a lifetime monthly

1 pension with fifty percent of the benefit continuing for the life of the
2 surviving spouse, if any.

3 10. The fund may accept rollovers from other eligible plans under rules
4 adopted by the board for the purchase of additional service credit, but only
5 to the extent the transfer is a rollover contribution that meets the
6 requirement of section 408 of the Internal Revenue Code.

7 11. The board may accept trustee-to-trustee transfers as permitted by Internal
8 Revenue Code section 403(b)(13) and section 457(e)(17) from an Internal
9 Revenue Code section 403(b) annuity or Internal Revenue Code section
10 457 deferred compensation plan for the purchase of permissive service
11 credit, as defined in Internal Revenue Code section 415(n)(3)(A) or as
12 repayment of a cashout from a governmental plan under Internal Revenue
13 Code section 415(k)(3).

14 12. The board may establish individual retirement accounts and individual
15 retirement annuities as permitted under section 408(q) of the Internal
16 Revenue Code to allow employees to make voluntary employee
17 contributions. The board may adopt rules to implement and administer the
18 accounts and annuities under this section.

19 **SECTION 5. AMENDMENT.** Section 54-52-23 of the North Dakota Century
20 Code is amended and reenacted as follows:

21 **54-52-23. Savings clause - Plan modifications.**

22 If the board determines that any section of this chapter does not comply with
23 applicable federal statutes or rules, the board shall adopt appropriate terminology with
24 respect to that section as will comply with those federal statutes or rules, subject to the
25 approval of the employee benefits programs committee ~~on public employees retirement~~
26 ~~programs~~. Any plan modifications made by the board pursuant to this section are
27 effective until the effective date of any measure enacted by the legislative assembly

1 providing the necessary amendments to this chapter to ensure compliance with the
2 federal statutes or rules.

3 **SECTION 6. AMENDMENT.** Section 54-52-28 of the North Dakota Century
4 Code is amended and reenacted as follows:

5 **54-52-28. Internal Revenue Code compliance.**

6 The board shall administer the plan in compliance with the following sections of
7 the Internal Revenue Code in effect on August 1, ~~2014~~ 2013, as it applies for
8 governmental plans.

9 1. Section 415, including the defined benefit dollar limitation under section
10 415(b)(1)(A) of the Internal Revenue Code.

11 a. The defined benefit dollar limitation under section 415(b)(1)(A) of
12 the Internal Revenue Code, as approved by the legislative
13 assembly, must be adjusted under section 415(d) of the Internal
14 Revenue Code, effective January first of each year following a
15 regular legislative session. The adjustment of the defined benefit
16 dollar limitation under section 415(d) applies to participating
17 members who have had a separation from employment, but that
18 member's benefit payments may not reflect the adjusted limit prior
19 to January first of the calendar year in which the adjustment
20 applies.

21 b. If a participating member's benefit is increased by plan amendment
22 after the commencement of benefit payments, the member's annual
23 benefit may not exceed the defined benefit dollar limitation under
24 section 415(b)(1)(A) of the Internal Revenue Code, as adjusted
25 under section 415(d) for the calendar year in which the increased
26 benefit is payable.

- 1 c. If a participating member is, or ever has been, a participant in
2 another defined benefit plan maintained by the employer, the sum
3 of the participant's annual benefits from all the plans may not
4 exceed the defined benefit dollar limitation under section
5 415(b)(1)(A) of the Internal Revenue Code. If the participating
6 member's employer-provided benefits under all such defined
7 benefit plans would exceed the defined benefit dollar limitation, the
8 benefit must be reduced to comply with section 415 of the Internal
9 Revenue Code. The reduction must be made pro rata between the
10 plans, in proportion to the participating member's service in each
11 plan.
- 12 2. The minimum distribution rules under section 401(a)(9) of the Internal
13 Revenue Code, including the incidental death benefit requirements under
14 section 401(a)(9)(G), and the regulations issued under that provision to
15 the extent applicable to governmental plans. Accordingly, benefits must be
16 distributed or begin to be distributed no later than a member's required
17 beginning date, and the required minimum distribution rules override any
18 inconsistent provision of this chapter. A member's required beginning date
19 is April first of the calendar year following the later of the calendar year in
20 which the member attains age seventy and one-half or terminates
21 employment.
- 22 3. The annual compensation limitation under section 401(a)(17) of the
23 Internal Revenue Code, as adjusted for cost-of-living increases under
24 section 401(a)(17)(B).
- 25 4. The rollover rules under section 401(a)(31) of the Internal Revenue Code.
26 Accordingly, a distributee may elect to have an eligible rollover
27 distribution, as defined in section 402(c)(4) of the Internal Revenue Code,

1 paid in a direct rollover to an eligible retirement plan, as defined in section
2 402(c)(8)(B) of the Internal Revenue Code, specified by the distributee.

3 5. If the plan of retirement benefits set forth in this chapter is terminated or
4 discontinued, the rights of all affected participating members to accrued
5 retirement benefits under this chapter as of the date of termination or
6 discontinuance is nonforfeitable, to the extent then funded.

7 **SECTION 7. AMENDMENT.** Section 54-52.6-13 of the North Dakota Century
8 Code is amended and reenacted as follows:

9 **54-52.6-13. Distributions.**

10 1. A participating member is eligible to receive distribution of that person's
11 accumulated balance in the plan upon becoming a former participating
12 member.

13 2. Upon the death of a participating member or former participating member,
14 the board shall pay the accumulated account balance of that deceased
15 participant ~~is considered to belong to the~~ deceased participant's refund
16 beneficiary, if any, ~~of that deceased participant~~ as provided in this
17 subsection. ~~If a valid nomination of the participating member has~~
18 designated an alternative refund beneficiary ~~is not on file with the~~ surviving
19 spouses written consent, the board, the board, in a lump sum distribution,
20 shall distribute the accumulated balance to the named beneficiary. ~~If a~~
21 ~~legal representative, if any, of the deceased participant~~ participating
22 member has named more than one primary beneficiary with the surviving
23 spouses written consent, the board shall pay the accumulated account
24 balance to the named primary beneficiaries in the percentages designated
25 by the participating member or, if the participating member has not
26 designated a percentage for the beneficiaries, in equal percentages. ~~If one~~

1 or more of the primary beneficiaries has predeceased the participating
2 member, the board shall pay the predeceased beneficiary's share to the
3 remaining primary beneficiaries. If any beneficiary survives the
4 participating member, yet dies before distribution of the beneficiary's
5 share, the beneficiary must be treated as if the beneficiary predeceased
6 the participating member. If there is ~~are~~ no legal representative remaining
7 designated beneficiaries, ~~to~~ the board shall pay the accumulated account
8 balance of that deceased participant to the deceased participant's estate.
9 If the participating member has not designated an alternate refund
10 beneficiary or the surviving spouse is the refund beneficiary, the surviving
11 spouse of the participating member may select a form of payment as
12 provided in subsection 3(d).

- 13 3. A former participating member may elect one or a combination of several
14 of the following methods of distribution of the accumulated balance:
- 15 a. A lump sum distribution to the recipient.
 - 16 b. A lump sum direct rollover to another qualified plan, to the extent
17 allowed by federal law.
 - 18 c. Periodic distributions, as authorized by the board.
 - 19 d. No current distribution, in which case the accumulated balance
20 must remain in the plan until the former participating member or
21 refund beneficiary elects a method or methods of distribution under
22 this section, to the extent allowed by federal law. A surviving
23 spouse beneficiary may elect one or a combination of several of the
24 methods of distribution provided in subdivisions a, b, or c if the
25 surviving spouse is the sole refund beneficiary. A if the surviving
26 spouse is not the sole refund beneficiary who is not the surviving

1 ~~spouse, the refund beneficiary~~ may only choose a lump sum
2 distribution of the accumulated balance.

3 4. If the former participating member's vested account balance is less than
4 one thousand dollars, the board shall automatically refund the member's
5 vested account balance upon termination of employment. The member
6 may waive the refund if the member submits a written statement to the
7 board, within one hundred twenty days after termination, requesting that
8 the member's vested account balance remain in the plan.

9 **SECTION 8.** A new section to chapter 54-52.6 of the North Dakota Century
10 Code is created and enacted as follows:

11 **Internal Revenue Code compliance.** The board shall administer the plan in
12 compliance with section 415, section 401(a)(9), section 401(a)(17), and section
13 401(a)(31) of the Internal Revenue Code and regulations adopted pursuant to those
14 provisions as they apply to governmental plans.



**North Dakota
Public Employees Retirement System**
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Memorandum

TO: PERS Board
FROM: Sparb
DATE: March, 2012
SUBJECT: BCBS Annual Report

Representatives from BCBS will be at the meeting to present the Health Plan Annual Report.

Attached is the report along and a presentation they will be reviewing with you.



North Dakota Public Employees Retirement System

Presented by: Blue Cross Blue Shield of ND

March 2012

Consultative Approach

2

Group Anniversary

Group Anniversary



Assess

Population
Health Needs &
Health Culture



Develop

Annual
Program and
Incentive Plan



Implement

Plan and
Educate
Employees

Monitor

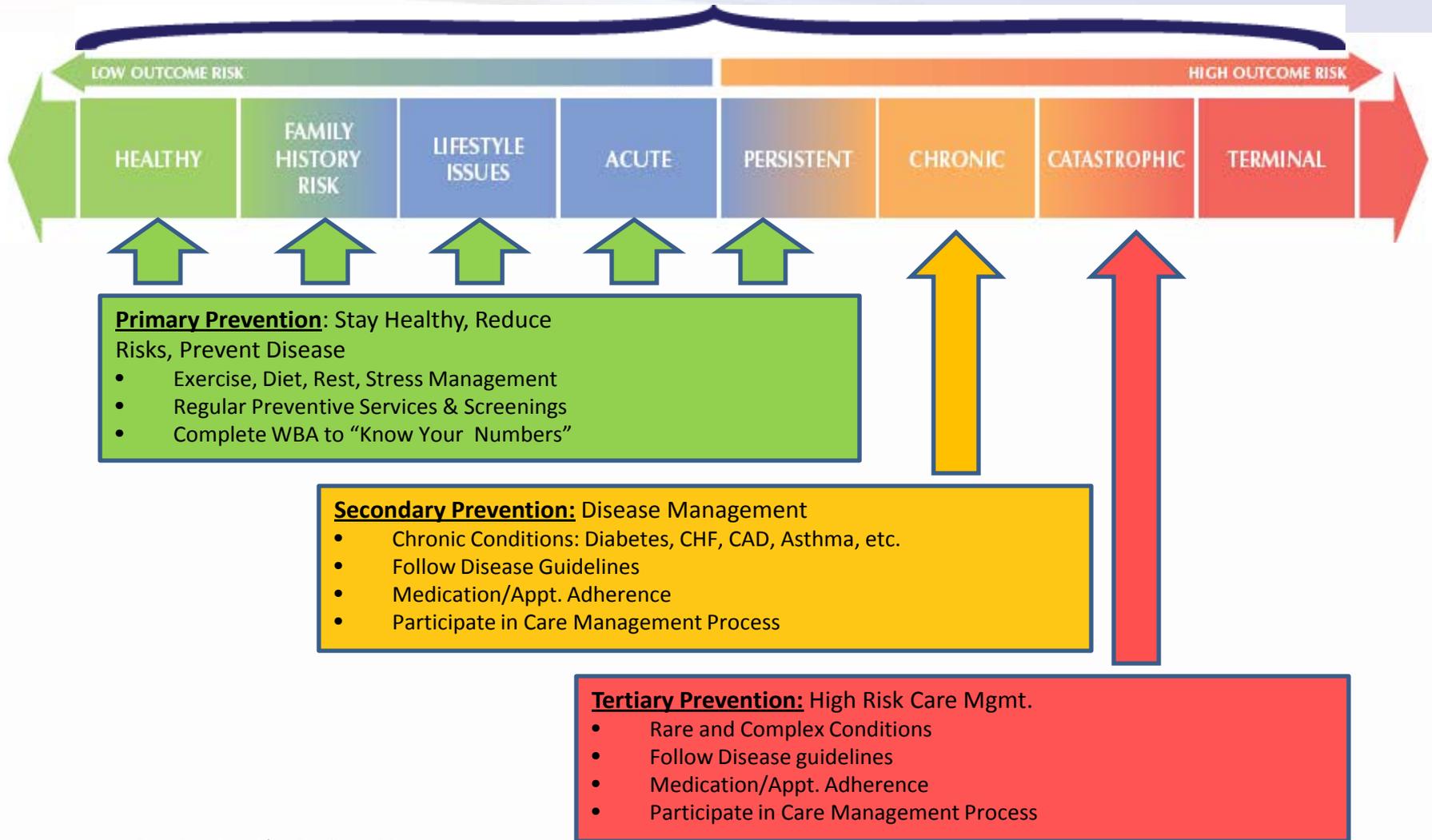
Performance
Periodically



Improving Health Status

3

Member-Centric Behaviors and Goals



Executive Summary

4

Of Note:

- New hypertension program rollout

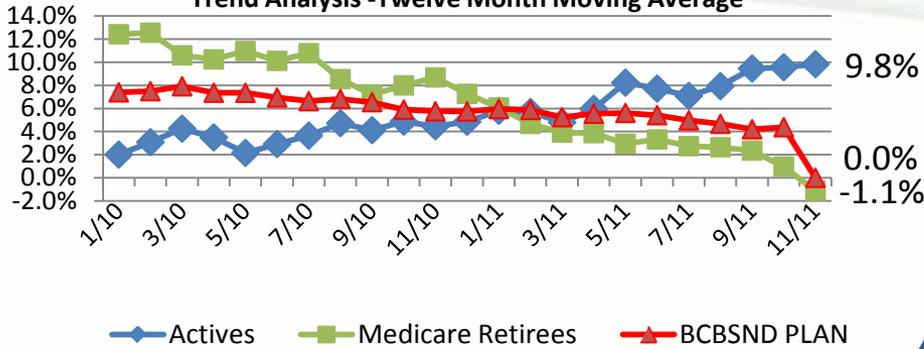
- NDPERS in state membership - participation in MediQHome is at 74.7%

- Continue to develop worksite wellness programs to improve group health and prevent decline of health status

- Membership has remained stable
 - Early Retirees have declined 15% since 2009
 - Medicare Retirees
- 12 month moving average trend is 9.8% for the Actives
 - Compares to BCBSND Plan trend at 0%
- Acute catastrophic cases continue to be a factor for increased trend
 - Inpatient admits are actually down
- Potentially preventable conditions such as: ischemic heart disease, diabetes, hypertension, and hyperlipidemia are prevalent in the high dollar cases. These can be improved upon by lifestyle changes.
- Significant Rx savings due to prescription strategies
- Wellness program participation continues to be above State averages and launch of new online tool has been successful
- Challenges of Health Care Reform
 - Retain Grandfather Status
 - Shared Responsibility
 - Underwriting guideline changes

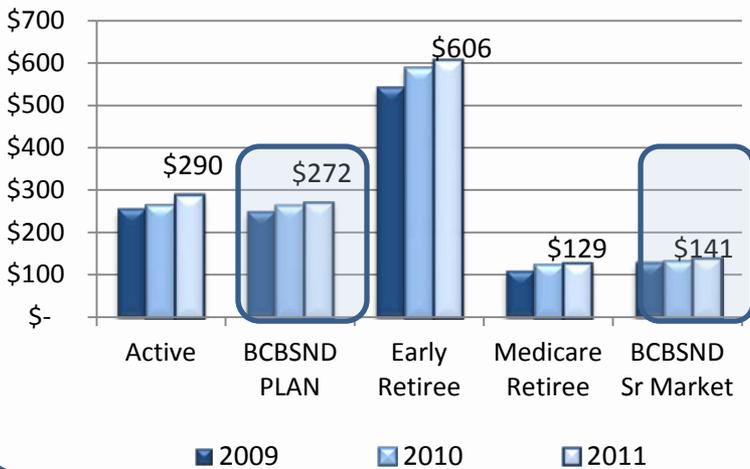
Dashboard

Trend Analysis -Twelve Month Moving Average



Membership	2010	2011
Actives	49,836	50,886
Early Retirees	1,354	1,221
Medicare Retirees	6,672	6,923

Paid Per Member Per Month



Wellness Programs

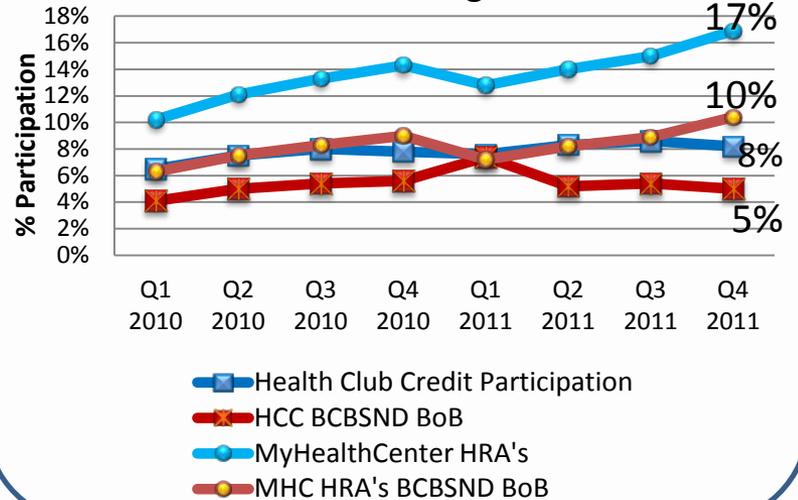


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FINANCIAL

Annual Trend

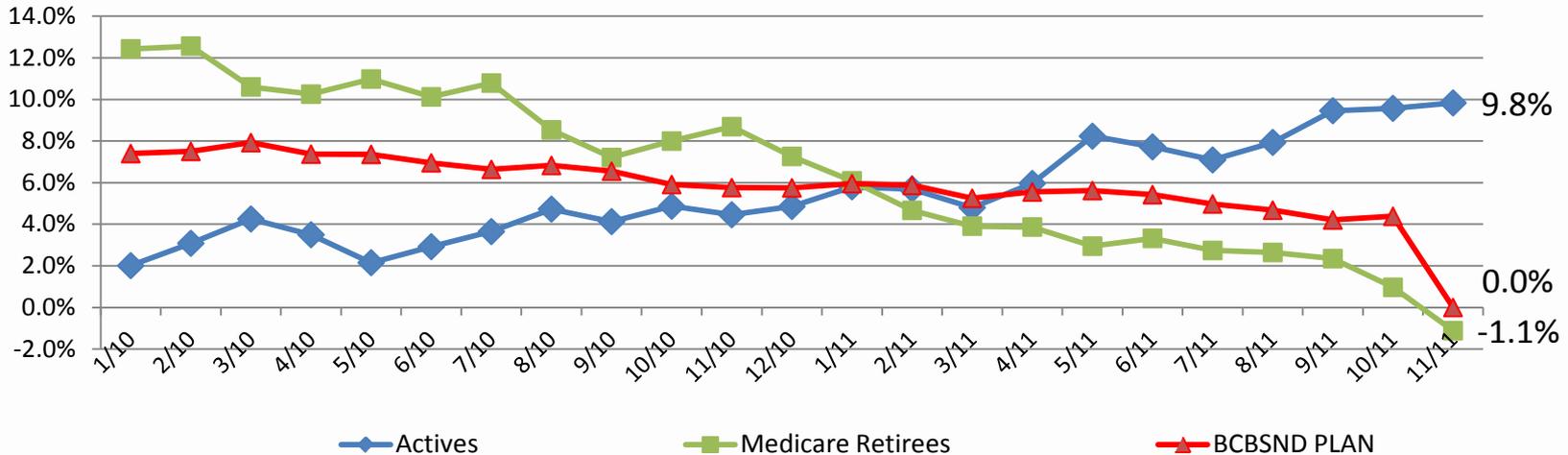
PERS Biennium Comparison

Paid through January 31, 2012

	Premium	Admin Fee	Interest on Surplus	Estimated Incurred Claims	Gain(Loss)	Gain(Loss) as a % of Premium	Biennium Gain(loss)	% of Premium
July 07 - Nov 07	67,651	3,660	123	60,609	3,505	5.2%	-3,106	-0.9%
July 09 - Nov 09	87,074	4,600	42	71,250	11,265	12.9%	37,698	8.9%
July 11 - Nov 11	95,001	5,037	11	86,149	3,826	4.0%	N/A	N/A

Note: Reported in thousands

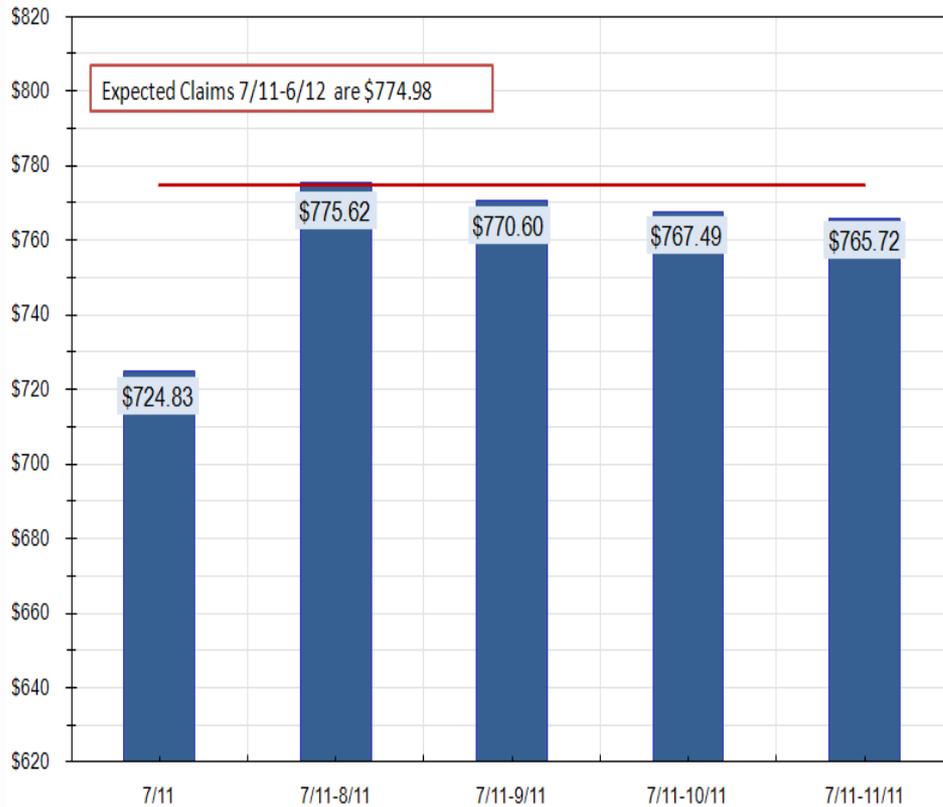
Trend Analysis -Twelve Month Moving Average



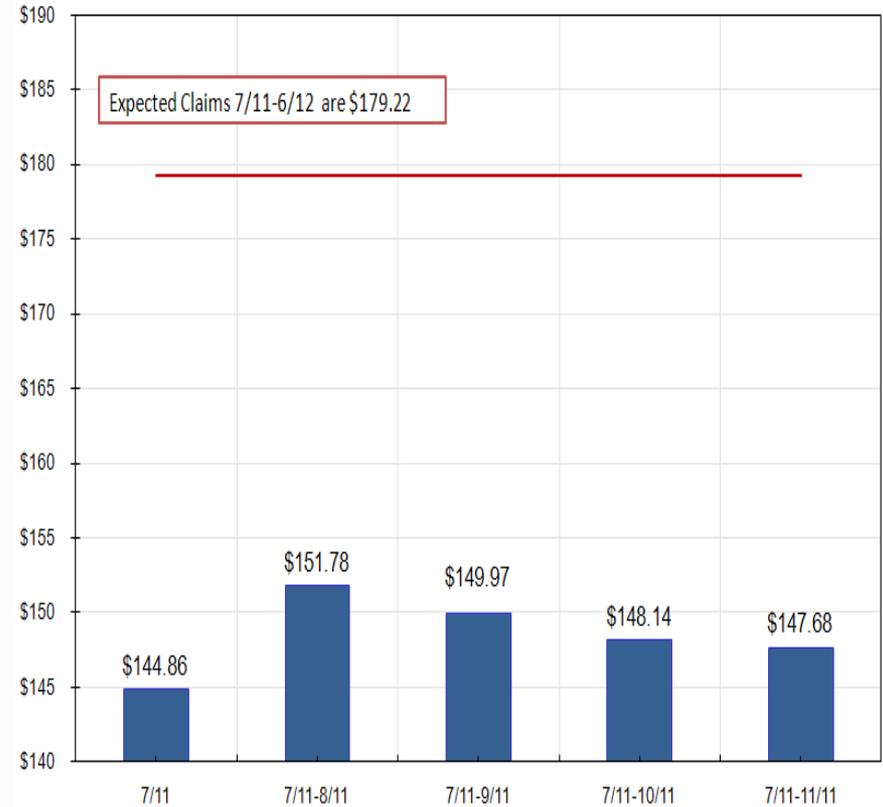
Year to Date Incurred Claims Per Contract

9

Actives/ E. Retirees

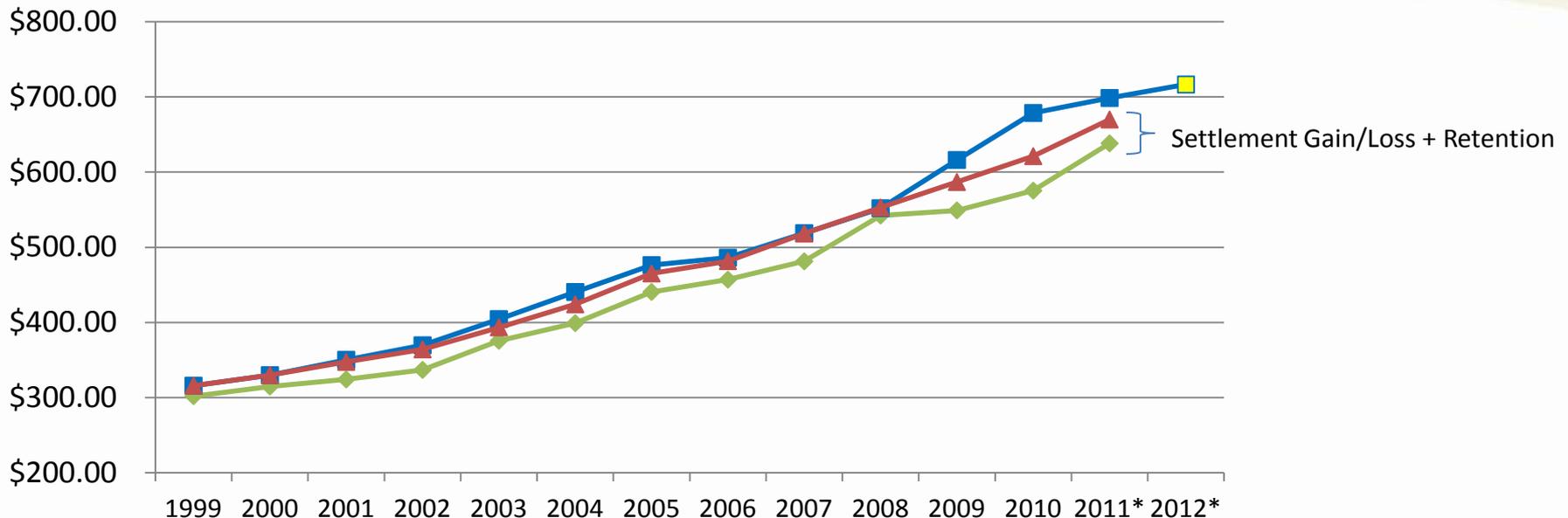


Medicare Retirees



Claims Trend

- Overall average annual rate of medical inflation: 8%
- NDPERS average annual claims increase: just over 6%



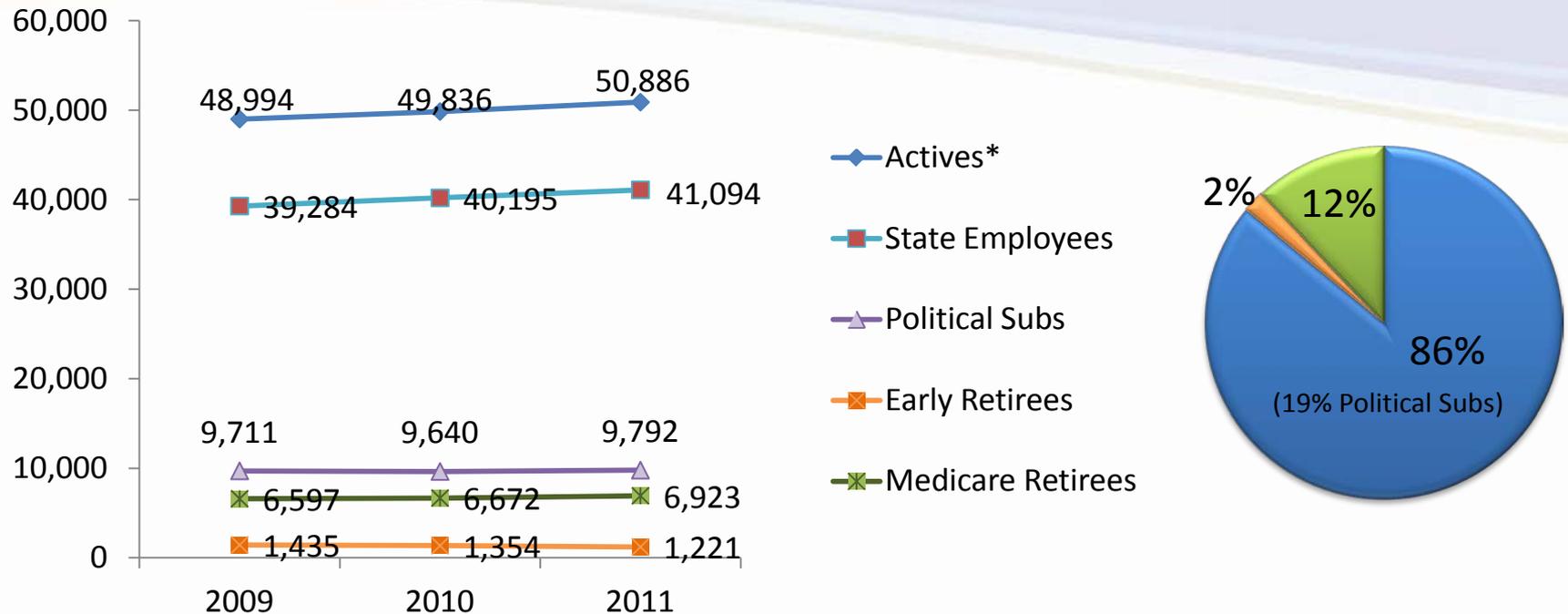
*2009–11 biennium settlement is estimated
 *2012 projected premium, assumes flat enrollment
 Includes all enrollment (Actives, Political Subs and retirees)

- Incurring Claims PCPM
- Premium PCPM
- Premium After Settlement PCPM

NDPERS SUMMARY

- Membership/Demographics
- Paid Per Member Per Month
- Provider Discounts

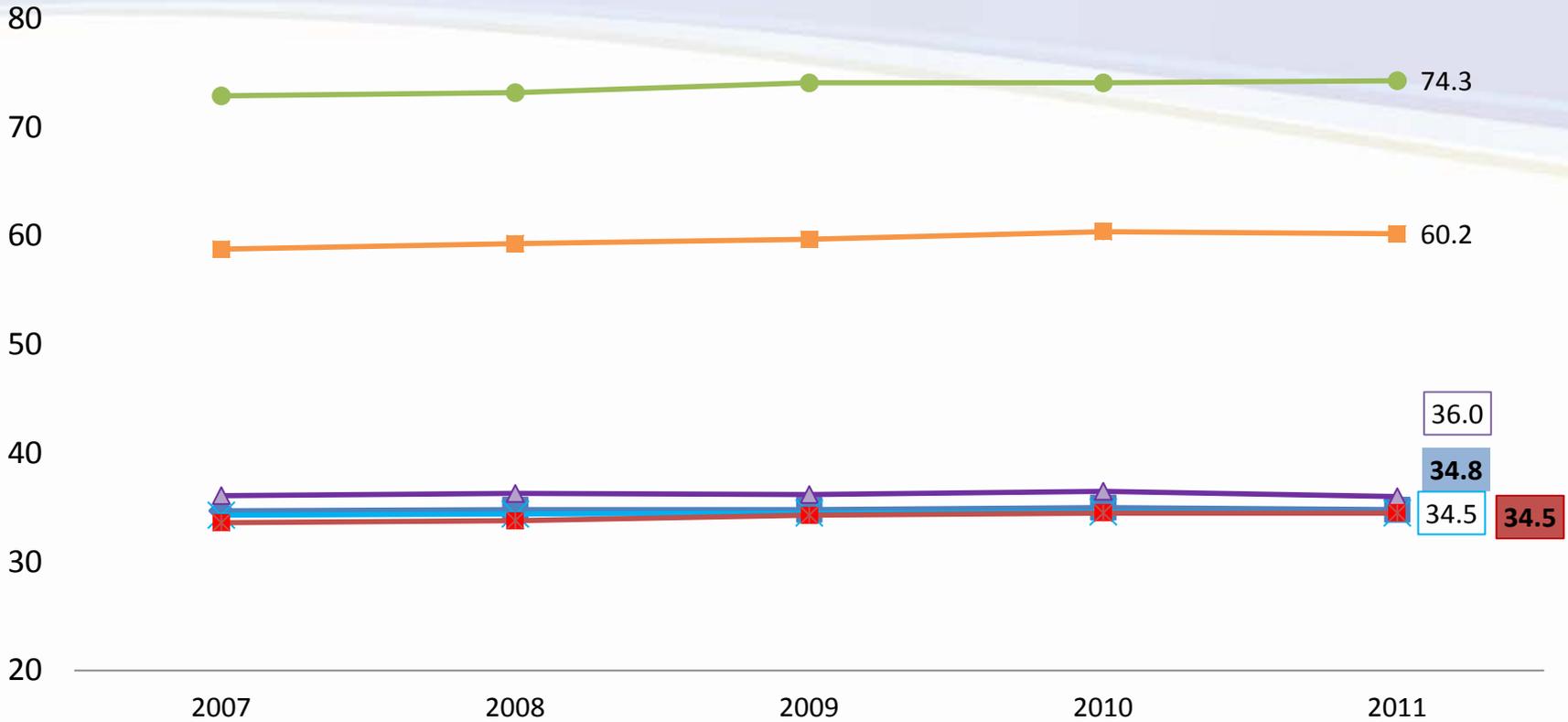
Membership



- Active & Medicare membership has remained steady
- Early Retirees have decreased 15% when compared to 2009 counts

*Actives = includes State Employees & Political Subs

Average Age



- Actives*
- ▲ Political Subs
- ✕ State Employees
- BCBSND PLAN
- Early Retirees
- Medicare Retirees

*Actives = includes State Employees & Political Subs

Paid Per Member Per Month



Percent of Change 2009 to 2011	
Actives	13%
State Employees	9%
Political Subs	26%
Early Retirees	11%
Medicare Retirees	16%
BCBSND PLAN	9%
BCBSND Sr. Market	7%

*Actives = includes State Employees & Political Subs



2011 Provider Discounts

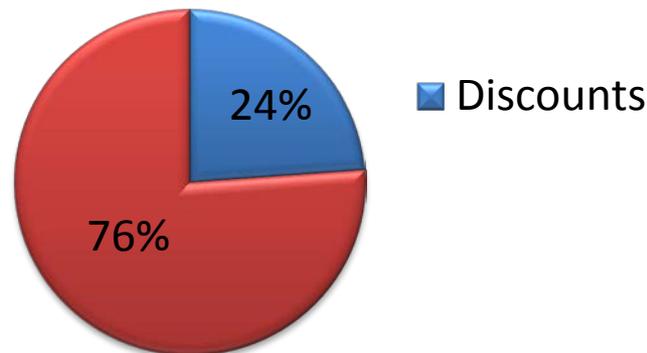
Performance Guarantees:

- BCBSND will maintain a PPO network: consisting of 90% or more of the in-state hospitals, MD's and DO's

Above Goal - 99.6%

PPO Discounts	\$ 3,888,325
Other	<u>\$ 107,715,905</u>
Total In-State	\$111,604,230
BlueCard Discounts	<u>\$ 14,954,803</u>
Total Discounts	\$126,559,033

% Discounts off Total Charges

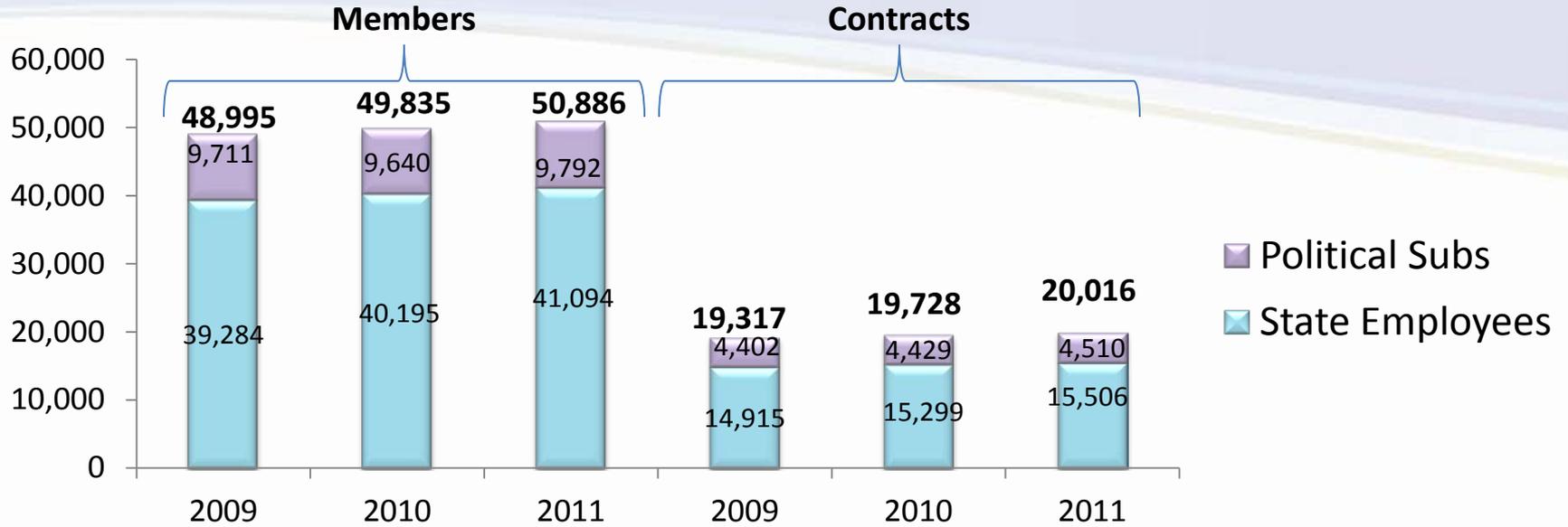


	Discount
Actives	34%
Early Retirees	38%
Medicare Retirees	0%

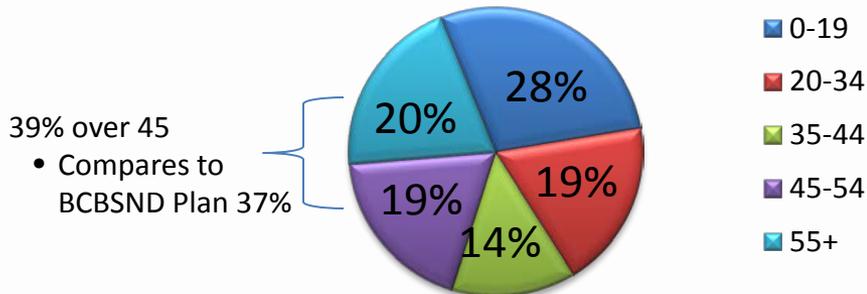
ACTIVES

Includes State Employees & Political Subs

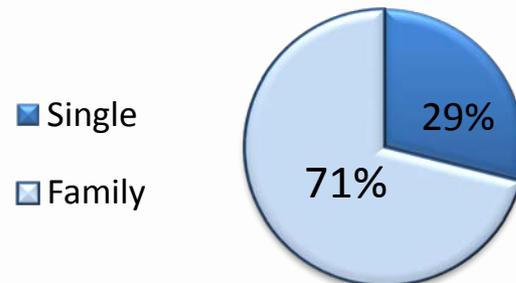
Membership



2011 Age Bands



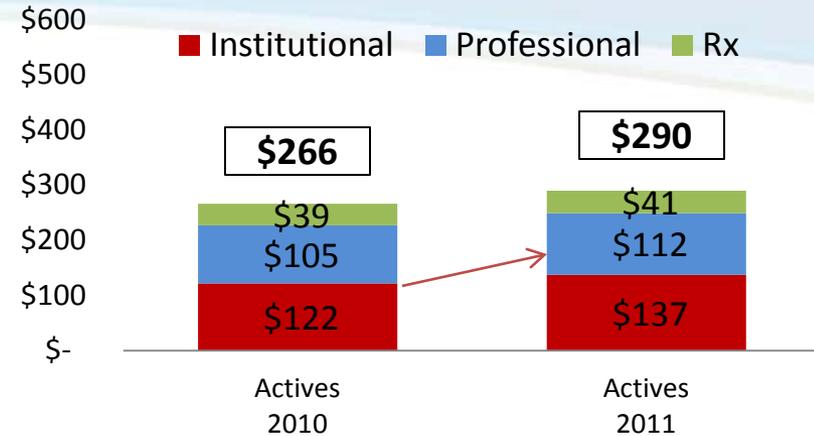
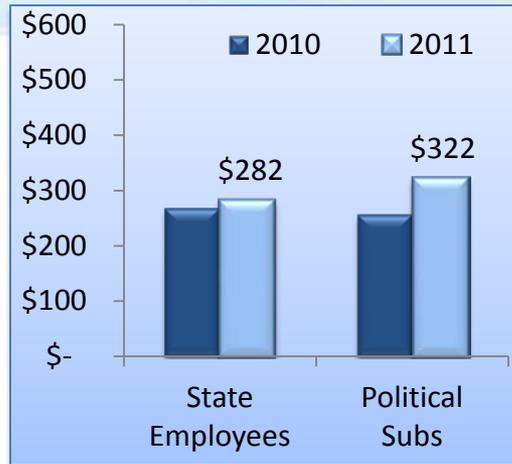
2011 Membership by Class of Coverage



Paid Per Member Per Month

Note:

- We will monitor to see how the addition of Burleigh Co and City of Fargo affect the utilization trends this year. As well as the addition of the HDHP plans.

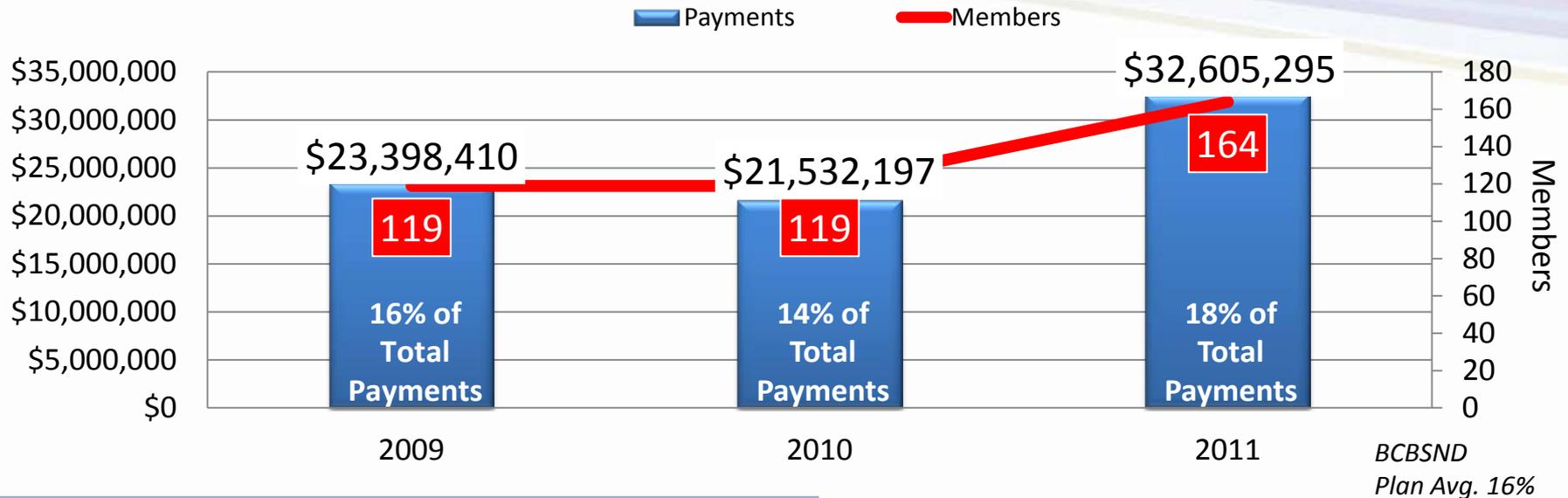


	Claims / 1000 members		Payments PMPM		% Change
	2010	2011	2010	2011	
Critical Newborns	1.2	1.4	\$2.90	\$4.17	44%
IP Surgical	25.5	22.7	\$39.32	\$46.02	17%
Outpatient Psychiatric	16.7	13.1	\$1.62	\$2.00	23%

- Critical newborn spend continues to be high
- IP Surgery is largely related to catastrophic cases
- OP Psychiatric costs have increased primarily due to a few high dollar cases
- Political Subs are contributing more to the increase of the Active utilization mainly due to their catastrophic cases

High Dollar Cases

Claims over \$100,000/member



2011 Paid Range	Member Count	Examples
\$1,000,000+	1	Pneumonia
\$300,000-999,999	18	Brain Hemorrhage
\$200,000-299,999	31	Lung Malignancy
\$100,000-\$199,999	<u>114</u>	Heart Disease
	164	

	Avg. Paid / Case
2009	\$196,625
2010	\$180,943
2011	\$198,813

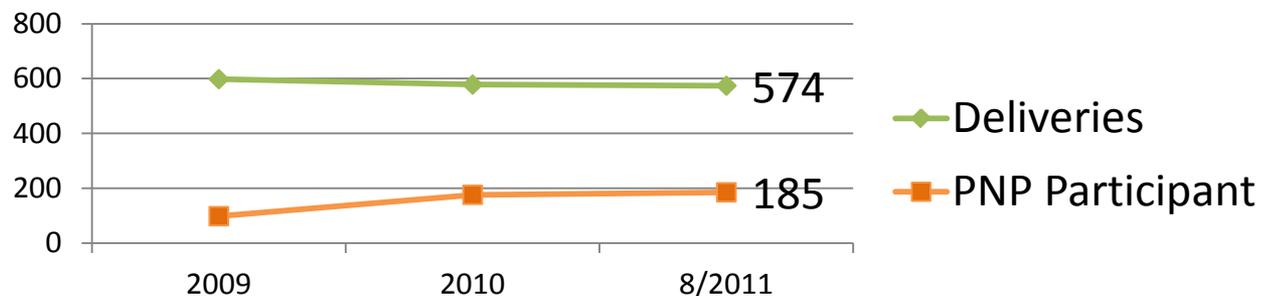
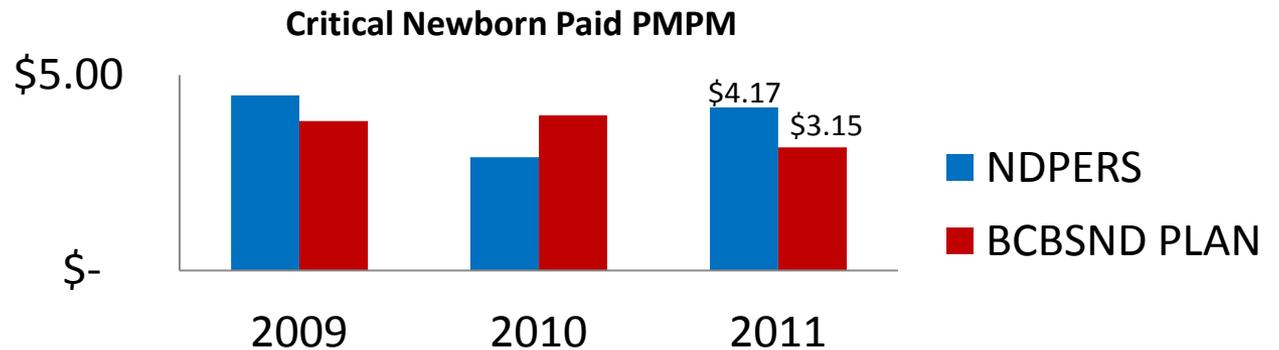
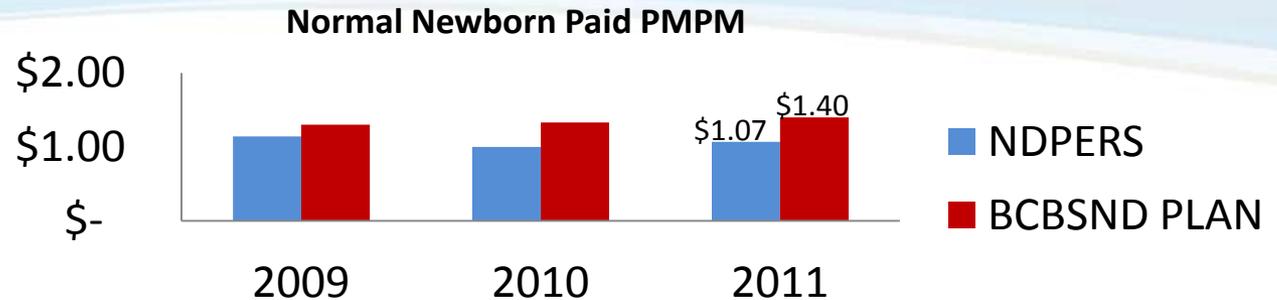
Newborns

Opportunity:

- Prenatal Plus Program enhanced

- Of the 574 deliveries in 2011, only 185 members are participated in the PNP program (32%)

- 1,750 deliveries in the last 3 years. Only 459 members have participated in the PNP program (26%)

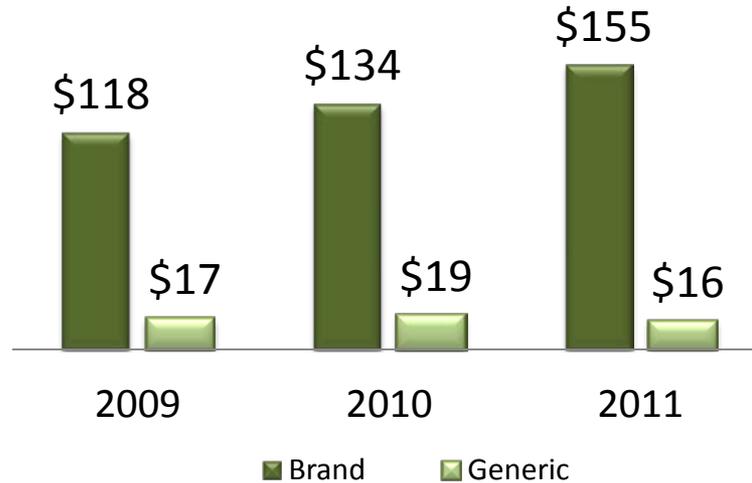


Prescriptions

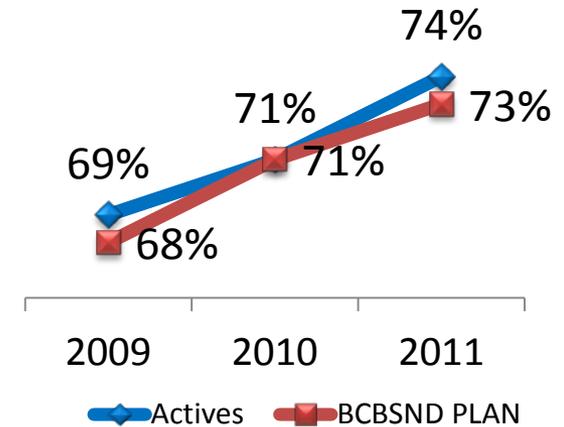
Opportunity:

- Lipitor went generic - November 2011
- MS & RA members are offered additional care management through AccordantCare
- Specialty drugs are available through Triessent which provides additional care management and deeper discounts

Paid Per Prescription



Generic Utilization Rate

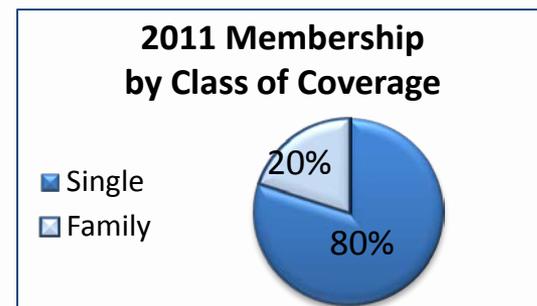
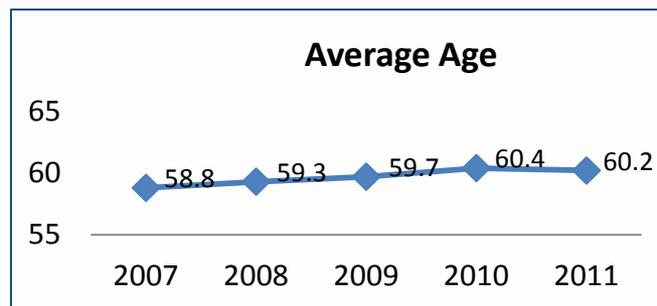
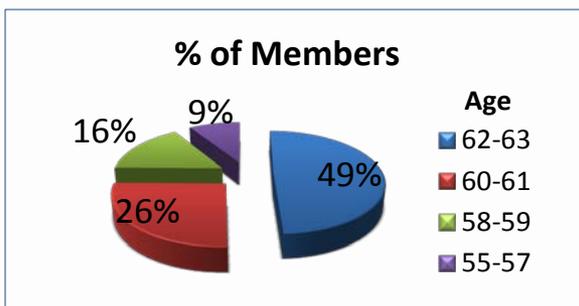
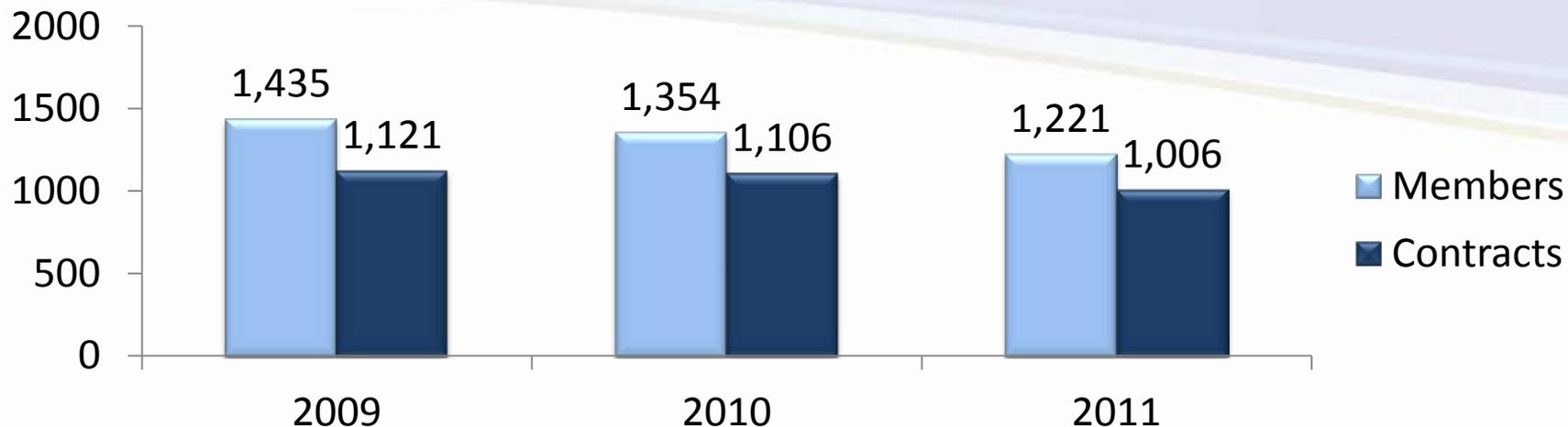


Top 5 Prescriptions by Payments			
Drug	Use	Total Paid	Average Paid/Rx
Copaxone	MS	\$ 1,064,261	\$ 4,688
Humira Pen	Rheumatoid Arthritis	\$ 874,827	\$ 1,826
Lipitor	Cholesterol	\$ 820,116	\$ 143
Avonex	MS	\$ 572,170	\$ 3,043
Enbrel Sureclick	Rheumatoid Arthritis	\$ 571,433	\$ 2,063

Highlighted prescriptions are specialty drugs

EARLY RETIREES

Membership



Paid Per Member Per Month

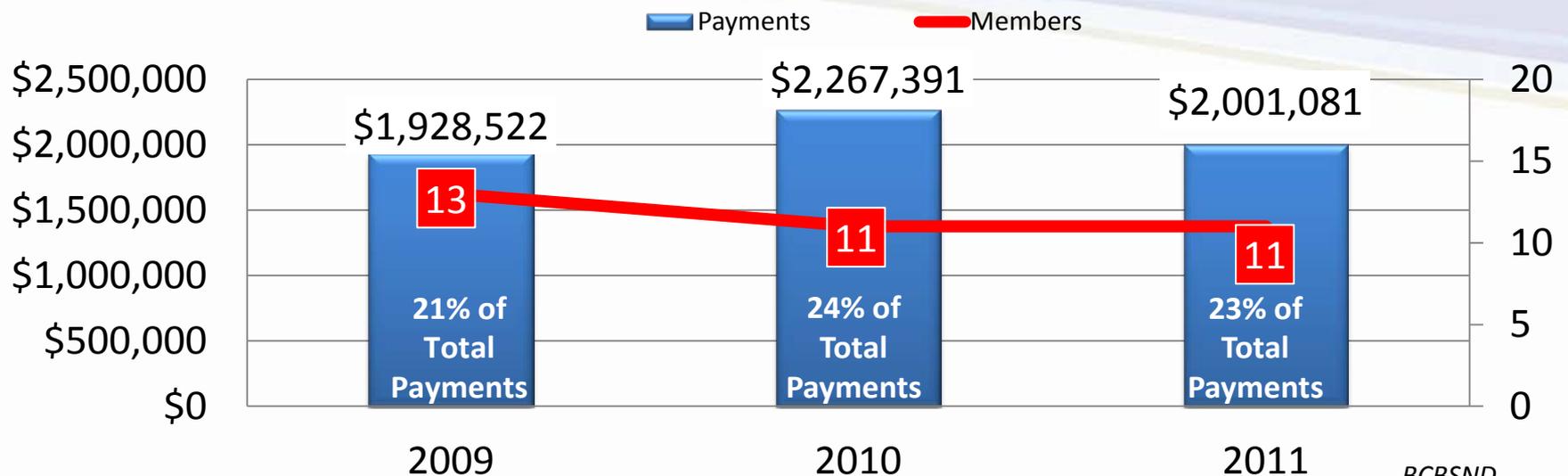


	Claims / 1000		Payments PMPM		% Change
	2010	2011	2010	2011	
OP Surgical	248.8	283.5	\$43.65	\$79.29	82%

- Non drug card prescriptions increased 17%
- Largest percent of change was the OP Surgical -specifically outpatient cancer treatments
 - Of Note: IP Surgery decreased

High Dollar Cases

Claims over \$100,000/member



BCBSND
Plan Avg. 16%

2011 Paid Range	Member Count	Examples
400,000-499,999	1	Prostate Malignancy
\$300,000-399,999	0	
\$200,000-299,999	3	Lymph Tumor
\$100,000-\$199,999	7	Heart Disease

	Avg. Paid / Case
2009	\$148,348
2010	\$206,126
2011	\$181,917

Prescriptions

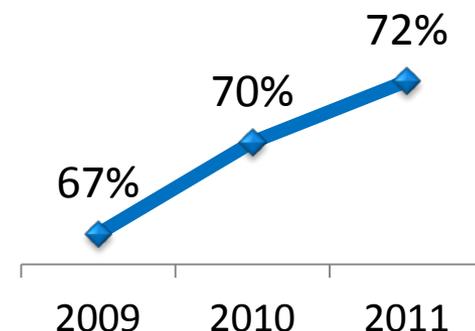
Opportunity:

- Lipitor went generic - November 2011
- MS & RA members are offered additional care management through AccordantCare
- Specialty drugs in yellow are available through Triessent

Paid Per Prescription



Generic Utilization Rate



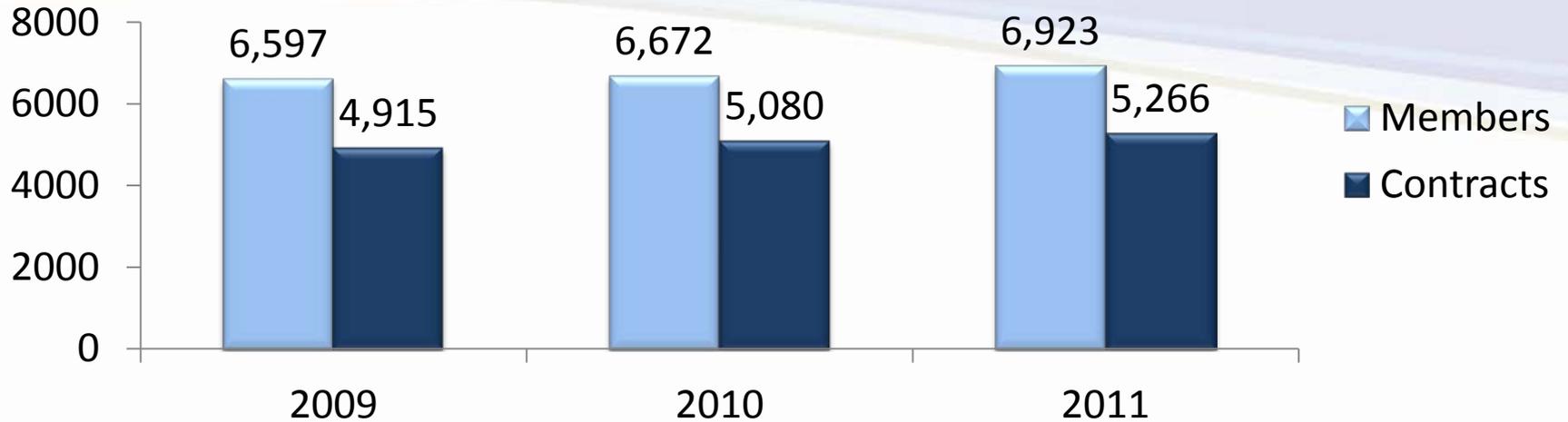
Top 5 Prescriptions by Payments

Drug	Use	Total Paid	Average Paid/Rx
Copaxone	MS	\$ 142,592	\$ 3,564
Lipitor	Cholesterol	\$ 84,754	\$ 134
Rebif	MS	\$ 43,004	\$ 2,389
Caprelsa	Thyroid Cancer	\$ 42,213	\$ 10,553
Enbel	Rheumatoid Arthritis	\$ 39,914	\$ 1,996

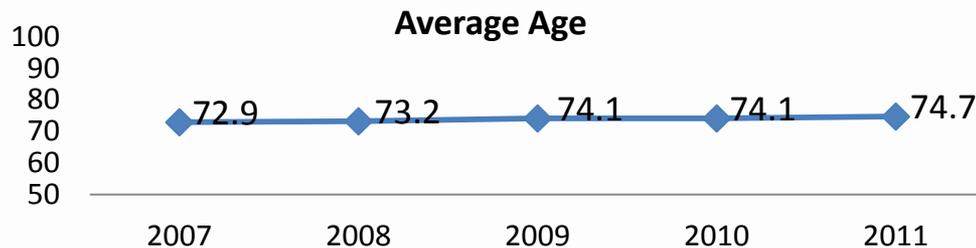
Highlighted prescriptions are specialty drugs

MEDICARE RETIREES

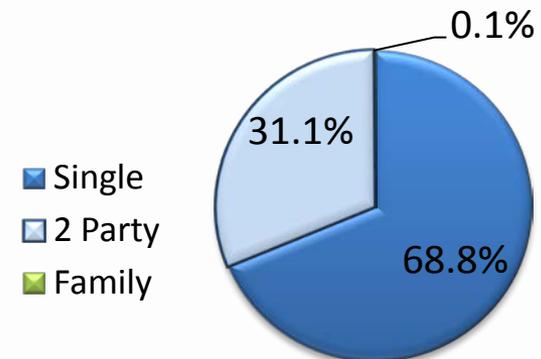
Membership



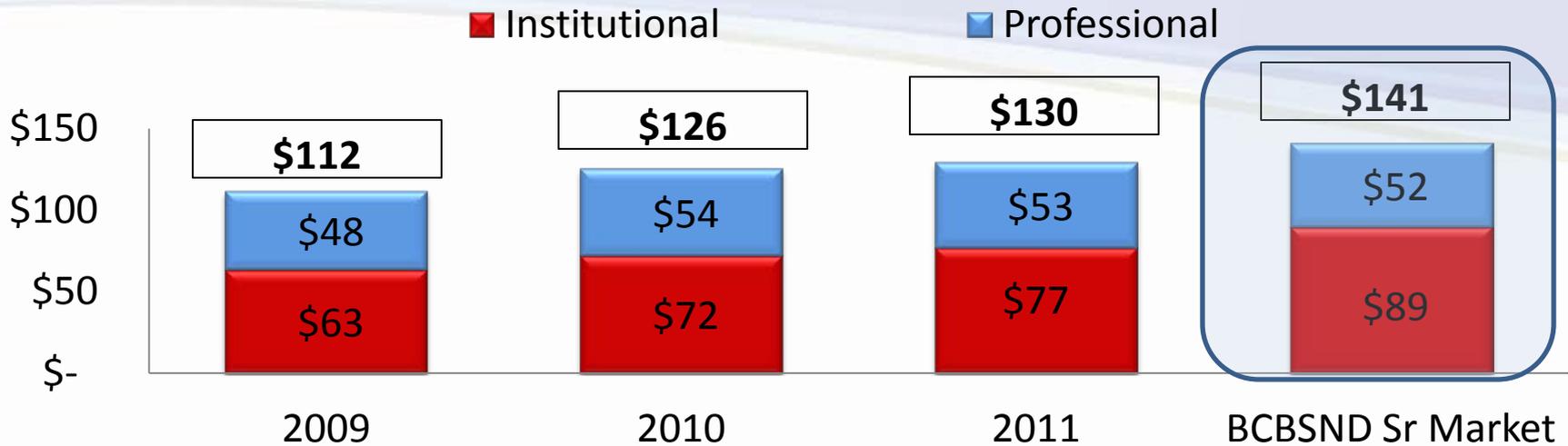
• Membership has increased 4% since 2009



2011 Membership by Class of Coverage



Paid Per Member Per Month



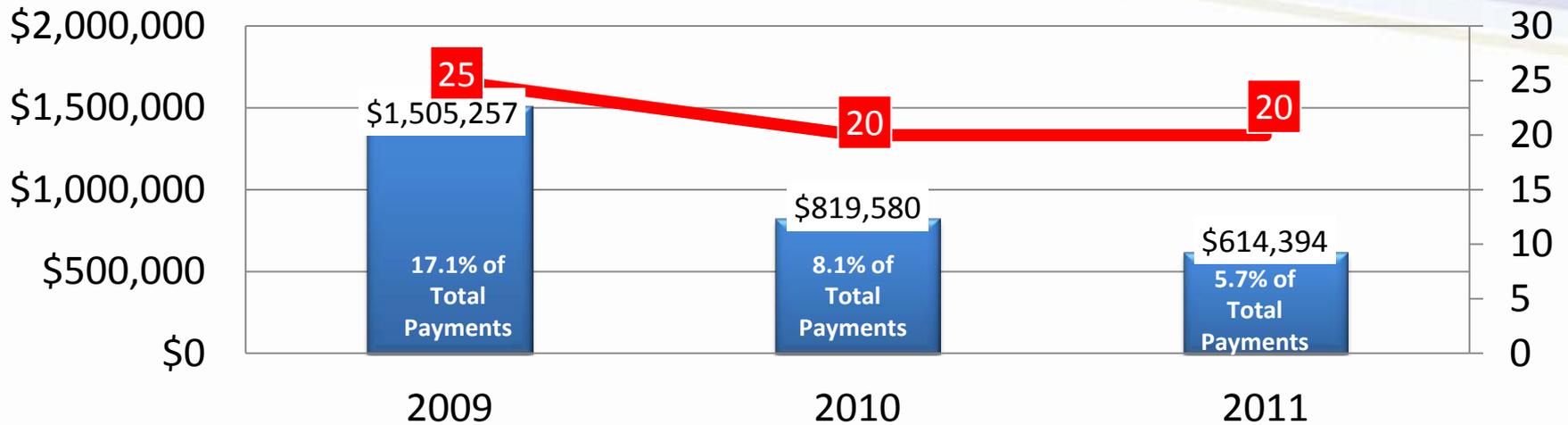
	Claims / 1000		Payments PMPM		% Change
	2010	2011	2010	2011	
IP Surgical	98	96	\$7.40	\$10.76	45%
SNF & Swing Bed	170.1	175.2	\$9.15	\$11.02	20%

**Total PMPM rounded to the nearest dollar*

High Dollar Cases

Claims over \$20,000/member

Payments Members



2011 Paid Range	Member Count	Example
60,000+	1	Alzheimers
\$40,000-59,999	2	Heart Disease
\$20,000-39,999	7	Lung Disease

	Avg. Paid / Case
2009	\$60,210
2010	\$40,979
2011	\$30,720

PHARMACY UTILIZATION

Past RX Strategies (Results)

32

- Prime Select Network
 - 2.7% Deeper Discounts (Avg. 10.3% to 13.0%)
 - Feb-Dec, 2011 (~\$750,000)
- Competitive Pricing
 - Generics: MAC Pricing Improvements (\$1,923,076)
 - Brand: Formulary Alignment (rebates)
- Triessent Specialty Drug Program
 - 35 members with 192 scripts (\$6862)

Future Strategy Opportunities

33

- Integrated Disease Management Programs
 - 2011: Hypertension Quality Improvement Program (QIP)
 - 2012 Quality Improvement Programs: Hypertension, Coronary Arterial Disease, Colorectal Screens, Optimal Diabetes Care, Optimal Vascular Care, Cholesterol, Tobacco
- Specialty Pharmacy campaign
- PrimeMail

Hypertension QIP Goals:

34

BCBSND Corporate Goal:

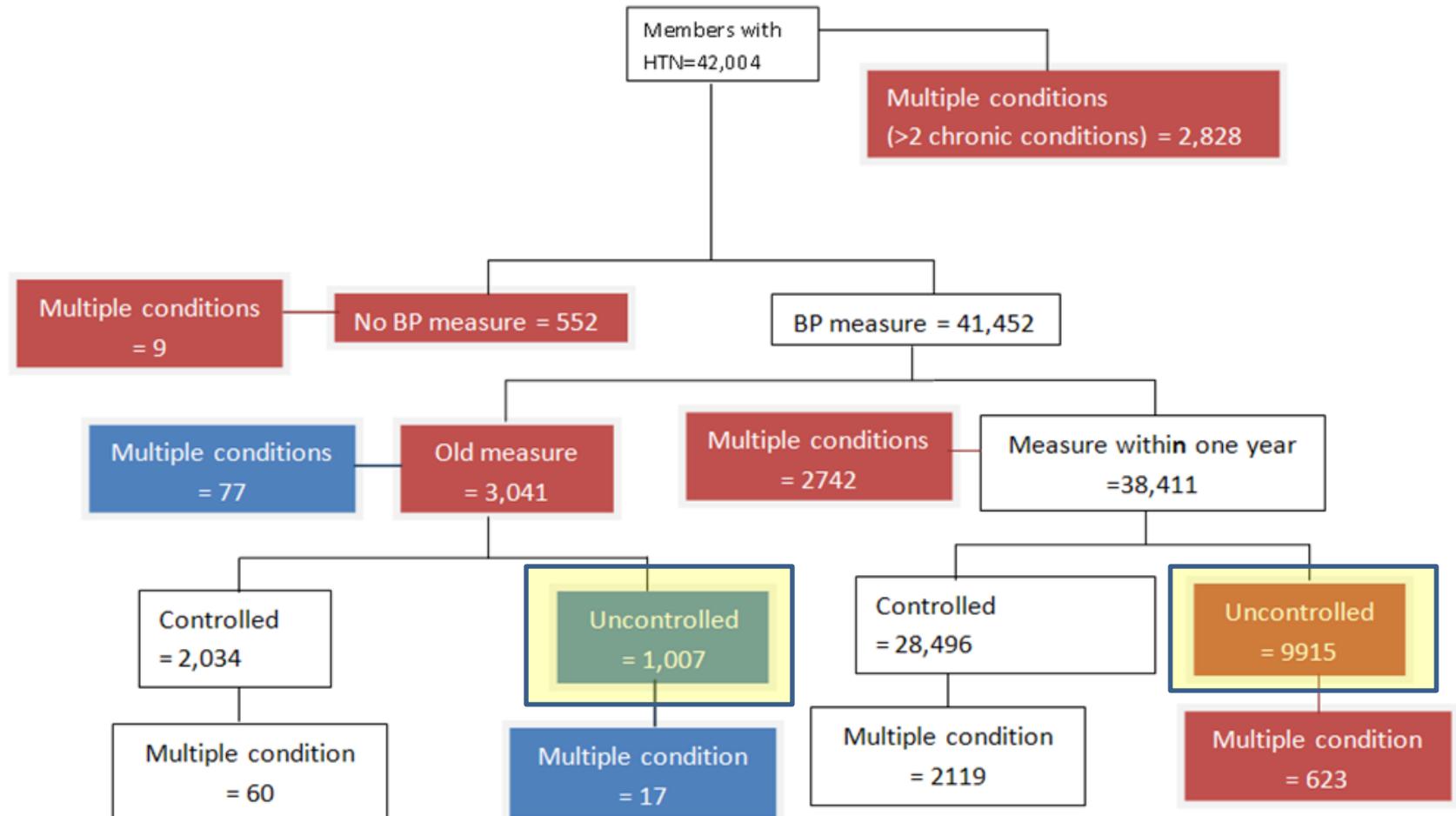
“To increase the percentage of hypertensive members who have blood pressure within a ‘*controlled*’ range, as recorded in MediQHome.”

Threshold	Target	Max
70%	72.5%	75%

MQP Hypertension Suite

35

A flow chart of adult HTN members



Hypertension Clinical Data

36

- Blood Pressure
 - Systolic & diastolic values (i.e. 140/80)
 - Date of measurement
 - Control (+/-)
- Other cardiovascular conditions (+/-)
 - Diabetes
 - Coronary Artery Disease
 - Chronic Heart Failure
- Medication adherence
 - RX coverage (+/-)
 - Antihypertensive medication on file (+/-)
 - Medication Possession Ratio

Phase #1: Provider Outreach

37

- MediQHome sites
 - File of patient data
 - 48 MQH Sites
- Provider Reports:
 - 225 Providers
 - 13,270 Members

BlueCross BlueShield of North Dakota

*An independent licensee of the
Blue Cross & Blue Shield Association*



4510 13th Avenue South
Fargo, North Dakota 58121

DAVID S. HANEKOM, M.D.
Chief Medical Officer
Medical Management

(701) 282-1350
FAX (701) 277-2253
david.hanekom@bcbsnd.com

December 2011

[Provider Name]
[Clinic Name]
[Address]
[City, ST ZIP]

Re: Hypertension Quality Improvement Program

Dear [Provider Name],

In our continuing effort to effectively collaborate with participating providers to improve quality outcomes and drive down health care costs, Blue Cross Blue Shield of North Dakota (BCBSND) is providing the attached report listing your MediQHomeSM-enrolled patients who have uncontrolled blood pressure (BP) levels¹.

In addition to the BP and co-morbidity data you can access in MediQHomeSM, this report also provides information on the patients' medication status, including whether they have been:

- Prescribed an anti-hypertension medication
- Adhering to the prescribed medication regimen, based on their medication possession ratio²
- Enrolled in prescription drug coverage through Prime Therapeutics³

Studies show co-morbidities and medication prescription and adherence are two key factors in controlling hypertension and preventing complications associated with poor hypertension control, as well as prevention of hypertensive disease progression. BCBSND is providing this report to improve your awareness of your patients' hypertensive conditions and how prescription medications are affecting their conditions.

Beginning in February 2012, BCBSND will begin to send your patients with uncontrolled hypertension regular information about how to more effectively manage their condition. We will share this information with you, as well, so we may work more collaboratively on this issue.

The enclosed report is also being sent electronically to your clinic's care coordinator. If you find information in this report inconsistent with your own records, please report them through your care coordinator to De Benjamin at de.benjamin@bcbsnd.com or 701-277-2740.

Thank you for being a BCBSND participating provider and for participating in MediQHomeSM. Results are demonstrating that MediQHome is improving patient quality outcomes and reducing overall health care costs. We are confident that, working together with our state's provider community, MediQHomeSM can be a key factor in creating a sustainable health care system in North Dakota.

Sincerely,

David Hanekom, M.D., F.A.C.P., C.M.P.E.
Vice President and Chief Medical Officer

Enclosure

¹ "Uncontrolled" blood pressure for adults is $\geq 140/90$ or $\geq 130/80$ if glomerular filtration rate (GFR) < 60

² A medication possession ratio of $< 80\%$ over the last six months is considered non-adherent

³ If a patient is not enrolled in drug coverage through Prime Therapeutics, BCBSND may have incomplete information about the patient's medication adherence.

MARCUS WELBY MD
FARGO CLINIC
PO BOX 1001
FARGO ND 58103

MediQHome HTN
Patients
17

Identification Methodology:

BCBSND members who are currently in the HTN suite in MediQHome™ and their most recent BP was equal to or greater than 140/90 or 130/80 with a GFR less than 60. (Data as of Nov 15, 2011)

Hypertension Result:

When the BP is populated in MDinsight and there are multiple readings done on one day the system looks for the lowest systolic and the lowest diastolic.

Co-Morbid Conditions:

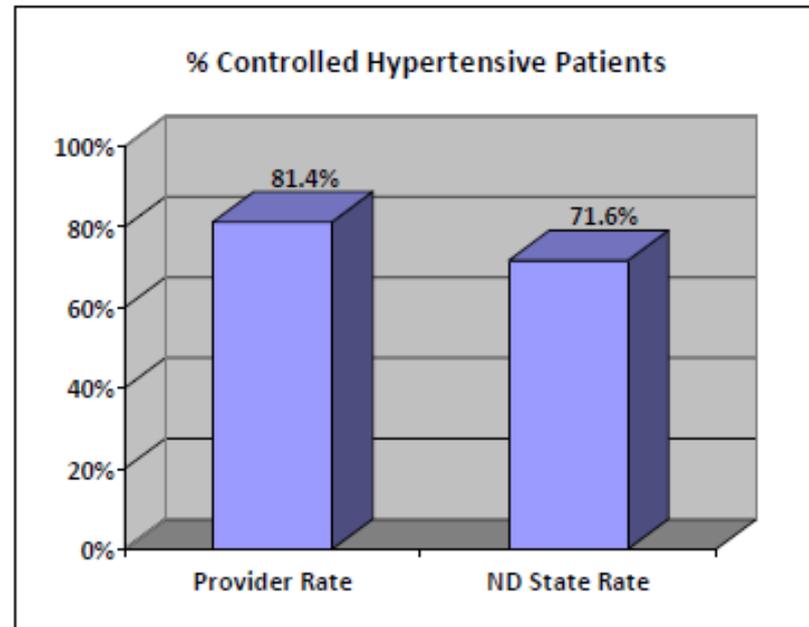
Number of chronic conditions the member has been identified as having, in addition to hypertension: coronary artery disease, chronic heart failure, and diabetes. If 0, patient has hypertension only.

Medication History:

Prescription claims history from April 1, 2011 through Sept 30, 2011.

Medication Possession Ratio (MPR):

Proportion of days during a time period that patients appear to have medication in possession based on days supplied by prescription claims.



Uncontrolled Hypertensive Patients

MARCUS WELBY MD

MDinsight

Patient ID	First Name	Last Name	DOB	Systolic	Diastolic	Last BP Date	GFR	Co-Morbid Conditions	Medication	Last Fill	MPR
9990002	DEREK	ANDERSON	19570403	134	81	10/28/2011	41	1	Prescription History Unavailable		
9990009	CHARLES	BARKLEY	19640201	140	80	6/9/2011	60	1	Prescription History Unavailable		
9990016	KOBE	BRYANT	19680410	157	86	11/4/2011	47	2	METOPROLOL TARTRATE	8/1/2011	100%
9990016	KOBE	BRYANT	19680410	157	86	11/4/2011	47	2	LISINAPRIL	9/2/2011	100%
9990016	KOBE	BRYANT	19680410	157	86	11/4/2011	47	2	DILTIAZEM HCL ER	7/18/2011	100%
9990016	KOBE	BRYANT	19680410	157	86	11/4/2011	47	2	BUMETANIDE	9/21/2011	1 fill only
9990016	KOBE	BRYANT	19680410	157	86	11/4/2011	47	2	AMLODIPINE BESYLATE	9/28/2011	1 fill only
9990011	EARLE	CAMPBELL	19601231	136	78	9/1/2011	56	4	No Antihypertensive on file		

Phase #2:

39

- Member Outreach
 - American Heart Association materials
 - Welcome letter
- Clinical Outreach
 - American Heart Association materials
 - Provider specific patient list
 - Additional Program Description

Future Hypertension QIP Engagement

40

- Members
 - Targeted Cardiovascular co-morbidities
 - Report card format
- Clinicians
 - Continual data feeds supporting performance improvement
 - Preview of patient-targeted activities

Medication Therapy Management

41

- Medicare Modernization Act(2003): Part D
- About the Patient: Diabetes

Outcomes Pharmaceuticals

- Plan Sponsored Pilot project
- Local Pharmacist MTM network
- Therapeutic Interventions
- Administer documentation, reimbursement and reporting of MTM activity.

Specialty Pharmacy

Results:

Date Range: 1/1/11 – 12/31/11

Specialty Channel	Members	Script Count	Total Paid	Annual Savings*
Triessent	35	192	\$715,767	
TOTALS	35	192	\$715,767	\$6,862

*Savings are estimates for NDPERS and should not be considered binding

Remaining Opportunity:

NDPERS Specialty Drugs	Claims	Utilizers	Estimated Annual Savings	Percent of Specialty Savings
Total	2,268	340	\$55,000	0.82%

Recommendation

- Repeat campaign in Q3-2012

PrimeMail

- PrimeMail[®] mail-service pharmacy provide up to a 90-day supply with deep discounts and no dispensing fees
- 90-day supplies also increase adherence rates for key chronic medications¹
- Options exist to drive 90-day utilization
 - RxInterACT (member specific savings and real time communications triggers)
 - Rx 90 Advantage: Provide financial incentives for 90-day use (e.g., 2x the 30-day member cost share for a 90-day supply)

Shifting Prescriptions from Retail to PrimeMail

Current Utilization = 0.1%

Savings @ 3%

Savings @ 5%

Savings @ 7%

\$185,000

\$300,000

\$420,000

¹2009 Prime Therapeutics study.

HEALTH MANAGEMENT

Cancer Screening Measures

45

Performance Guarantees:

- Breast Cancer screening rates at 74.23%

Goal = 80%

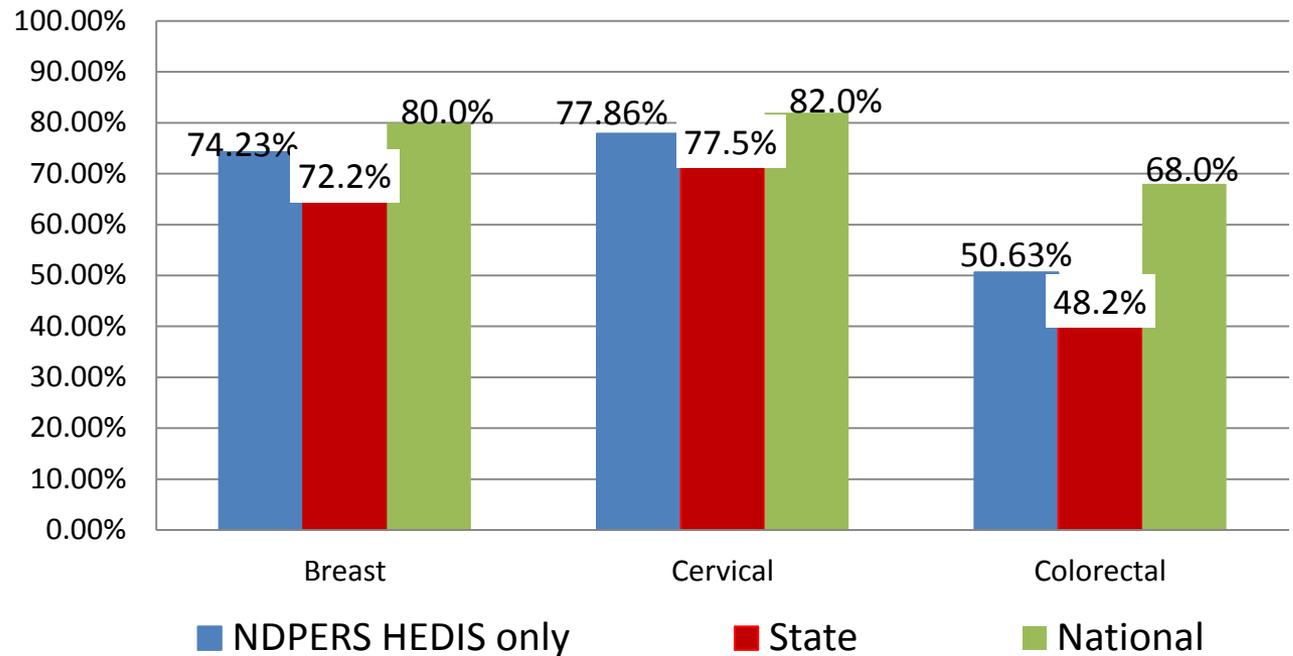
- Cervical Cancer screening rates at 77.86%

Goal = 85%

- Colorectal Cancer screening rates at 50.63%

Goal = 60%

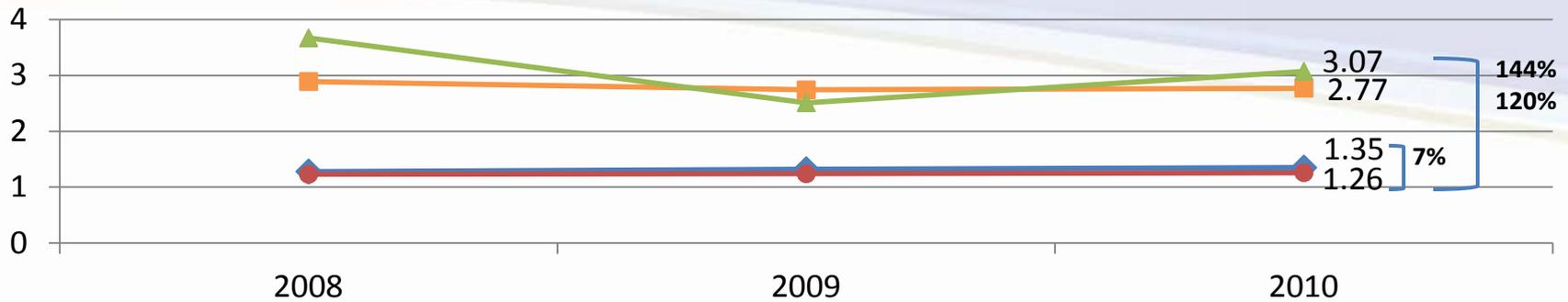
Compliance Percentage



- HEDIS reporting is updated through 2010
- 2011 data will be available in April

Risk Scores

Prospective Risk Score



Demographic Risk Score



- There are dramatic differences between the three groups with increasing risk scores as the population ages.
- Active risk scores are 7.4% above State averages, but Early Retirees and Medicare Retirees are 120% and 144% above the State averages respectively.

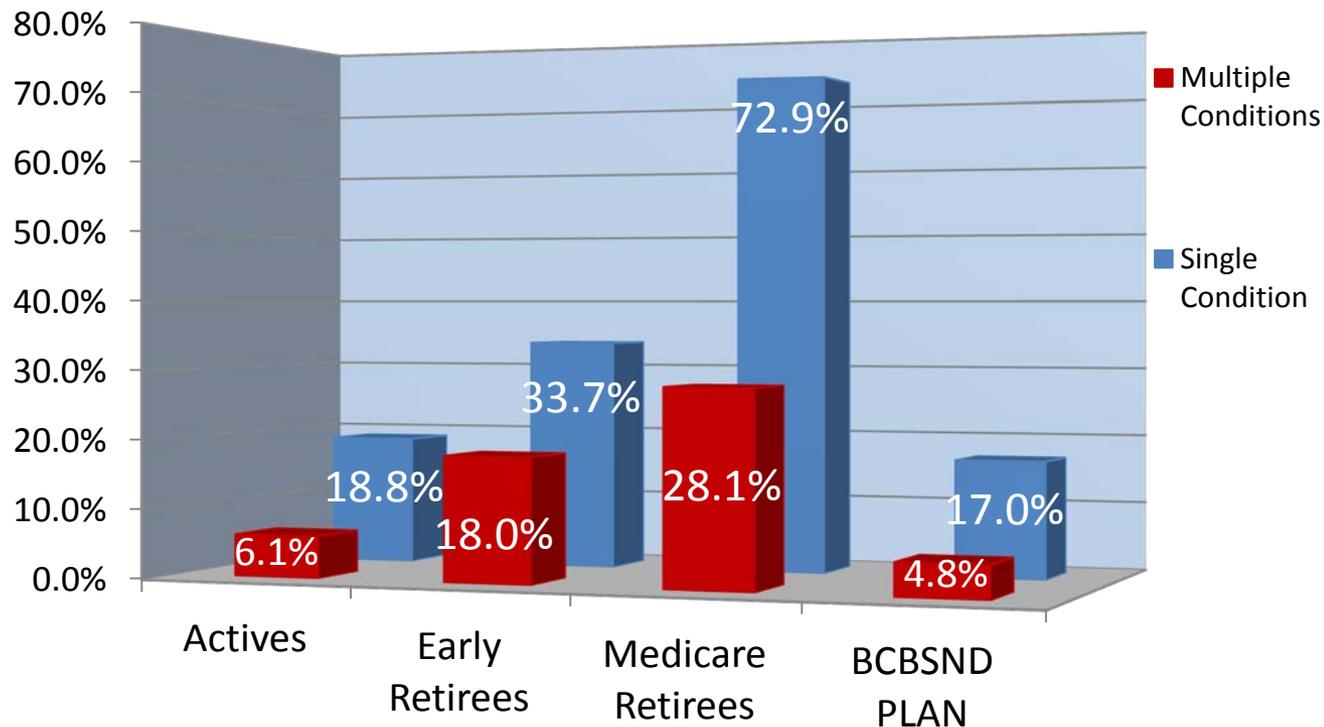
MediQHome

Performance Guarantee:

- 74.7% of NDPERS in state population identified in MQP

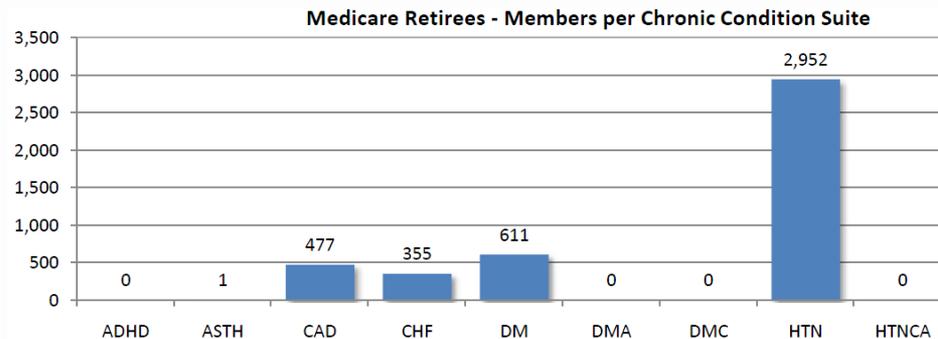
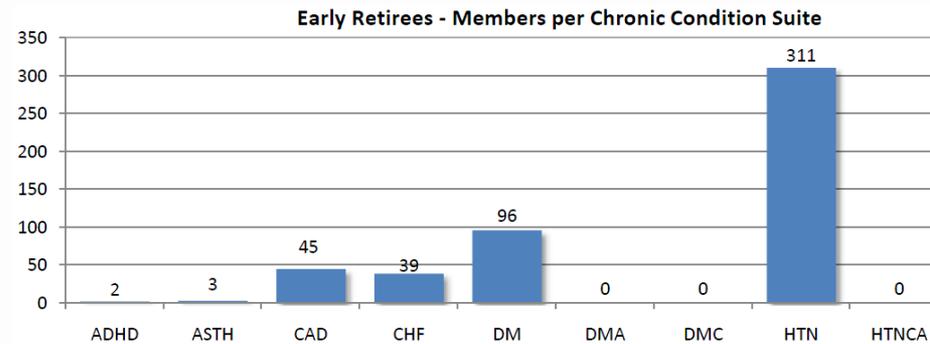
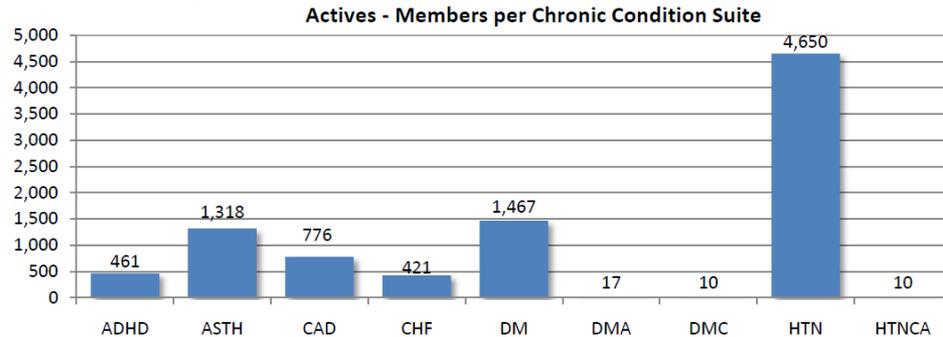
Goal = 80%

All Members in a Medical Home With a chronic condition



MediQHome by Disease Burden

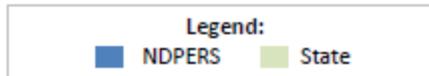
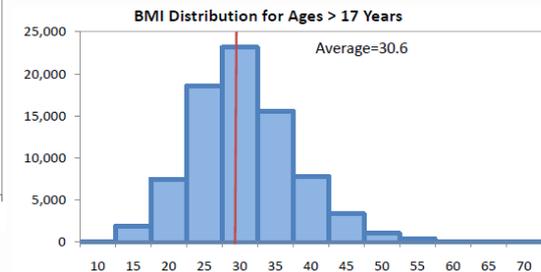
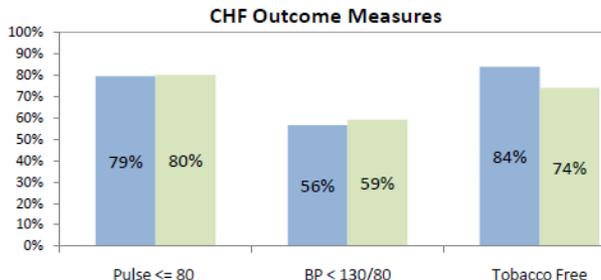
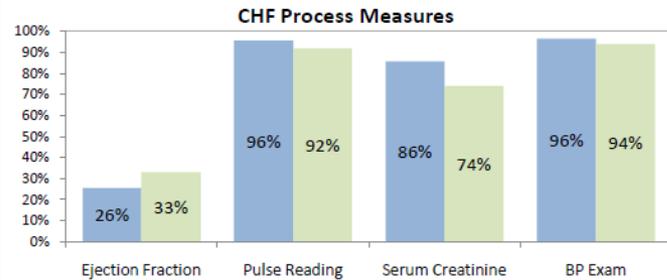
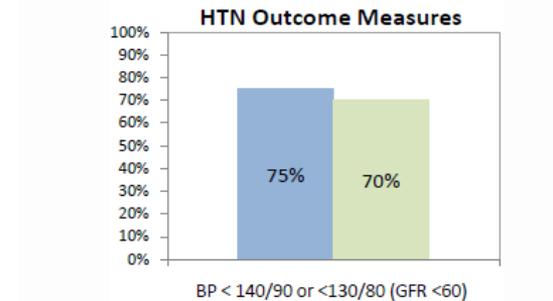
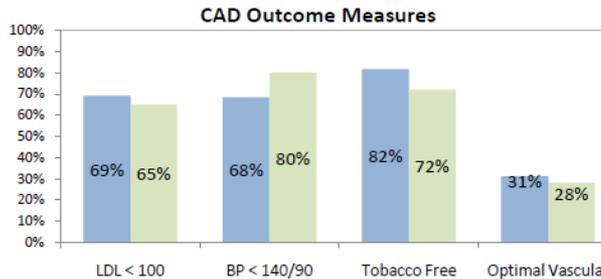
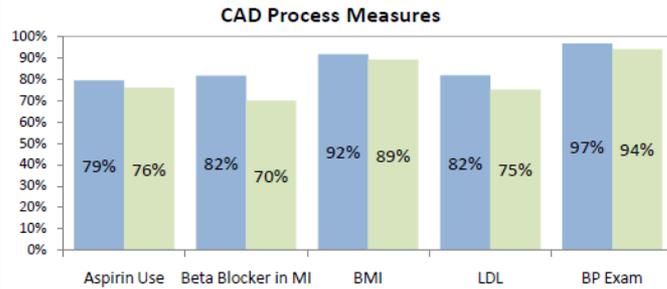
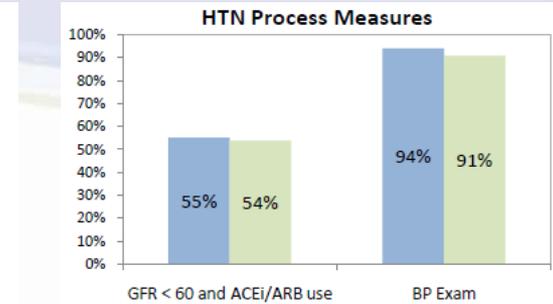
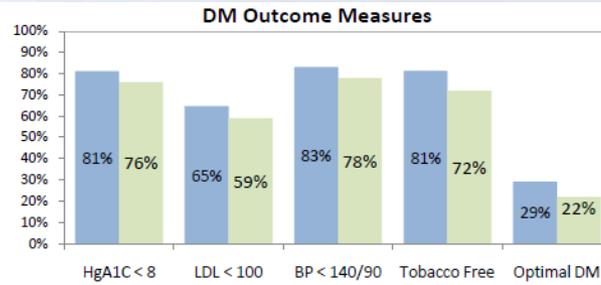
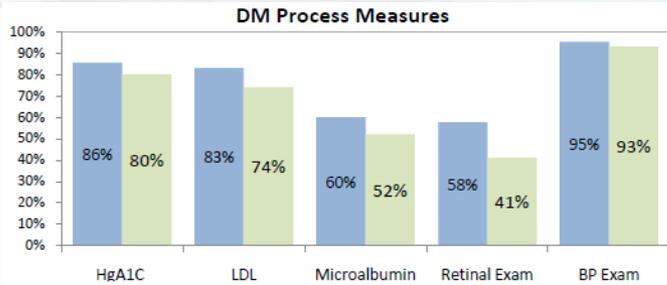
Note: Members may belong to more than one suite in the graphs below.



MediQHome

Clinical Outcome Measures – NDPERS in Total

49



AccordantCare

Cost Savings:

- During first program year with Accordant, BCBSND BoB resulted a :
Net ROI = 1.45

Accordant - Rare and complex condition disease management

- 16 conditions

❖ Chronic Inflammatory Demyelinating Polyradiculoneuropathy (CIDP)	❖ Systemic Lupus Erythematosus
❖ Crohn's	❖ Multiple Sclerosis
❖ Dermatomyositis	❖ Myasthenia Gravis
❖ Gaucher Disease	❖ Parkinson's Disease
❖ Hemophilia	❖ Polymyositis
❖ ALS (Lou Gehrigs)	❖ Rheumatoid Arthritis
❖ Seizure Disorder	❖ Scleroderma
❖ Sickle Cell Disease	❖ Cystic Fibrosis

	Active	Early Retiree	Medicare Retiree
Participation Rate	78.8% (356 members)	94.0% (30 members)	92.9% (26 members)

MyHealthCenter Program Participation

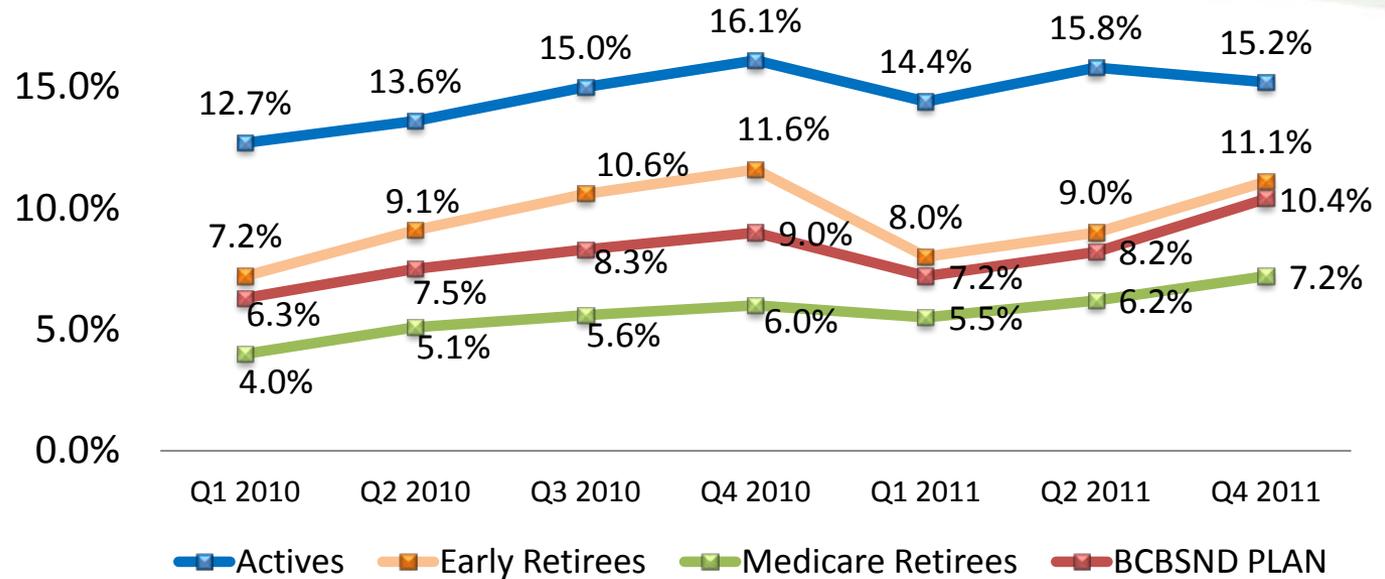
Performance Guarantee:

- Redemptions: 10% increase -2011 compared to 2012
Goal = \$355,741

- HRA Completions: Increase members by 10% compared to 2011
Goal = 7,549

- HRA score: 5% point increase- 12/31/2011 compared to 12/31/2012
Goal =

Percentage of HRA's completed



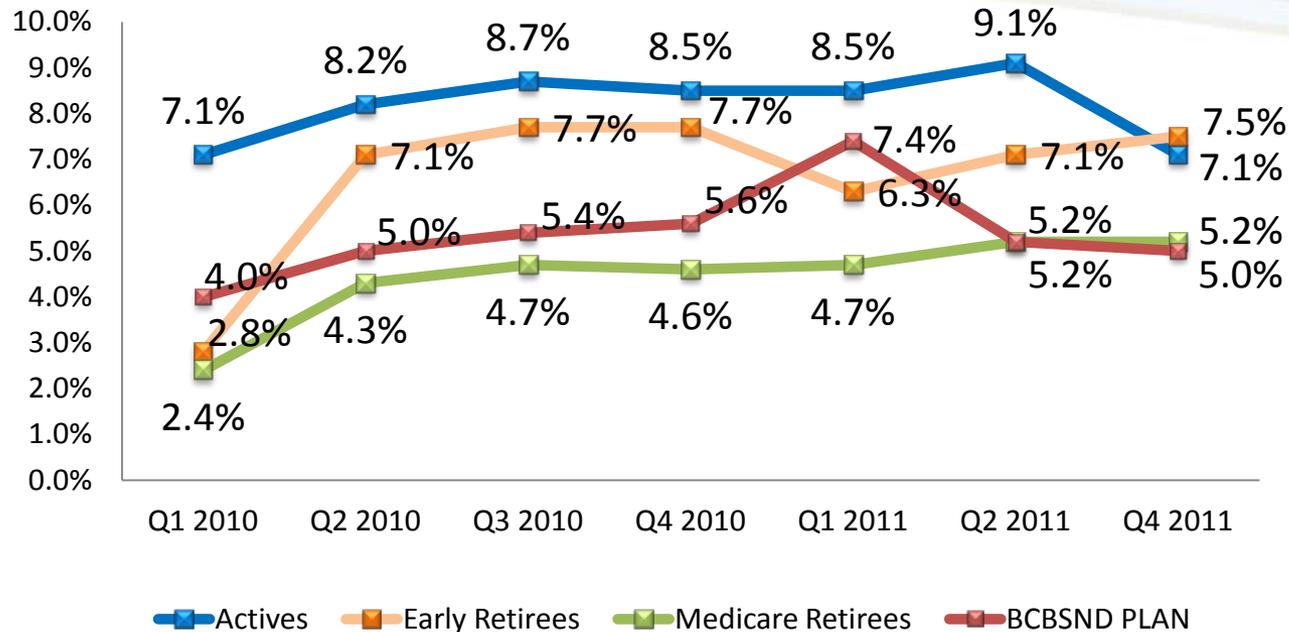
	2011
Redemptions	\$323,401
HRA Completions	6,863
HRA Score	70

Health Club Credit Participation

Performance Guarantees:

- Members receiving credit 10% increase - 2011 compared to 2012

Goal = 2,093



	2011
Participant Count	1,903
12+ visits/month	
Credits Paid	\$493,867

NDPERS Health Score Card

Health Management Metrics	NDPERS	State Baseline	Target
% Breast Cancer Screening	74%	>72%	>80%
% Colorectal Cancer Screening	50.6%	>48%	>68%
% Cervical Cancer Screening	77.8%	>77.5%	>82%
Enrolled in MediQHome	74.7%	47.8%	80.0%
BMI in MediQHome	30.6%	31.31	<30%
MyHealthCenter Participation	16.9%	10.4%	>20%
2011 WBA Score	70	NA	75
HealthyBlue Participation	10.9%	NA	>20%
2012 HRA Score (YTD)	63	NA	75
HCC Participation	8.3%	5.1%	>20.0%

Green - Exceeding Target Goal

Yellow - Exceeding State Baseline

Red - Below State Baseline

Performance Standards and Guarantees

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Measure	Goal	To Date
Cost Management:		
WBA Completions	10% increase (over 2011 rate of 15%)	15.0%
WBA Score	5% point increase (over 2011 score of 70.2)	70.2
Online Wellness Tool - incentives paid	10% increase (over 2011 rate of \$85,000)	\$85,000
Health Club Credit - members receiving credit	10% increase (over 2011 rate of 4.9%)	4.9%
Health Outcomes:		
Members enrolled in a Medical Home	80%	74.7%
Breast Cancer Screening Rates	80%	*74.23%
Cervical Cancer Screening Rates	85%	*77.86%
Colorectal Cancer Screening Rates	60%	*50.63%
Operational Performance:		
Claims Financial Accuracy	99%	100.00%
Payment Incident Accuracy	97%	99.77%
Claim Timeliness	99%	99.92%
Average Speed of Answer (in seconds)	30 seconds or less	9.67
Call Abandonment Rate	5% or less	0.51%
Provider Network Management:		
NDPERS PPO network	90% (or more) participation	99.6%

* Cancer screening rates are based on 2010 HEDIS



FINDINGS, SOLUTIONS & RECOMMENDATIONS

2011 Key Findings

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Key Risk Factors

- Hypertension as identified by claims & MediQHome
- MediQHome reported BMI of 30.6 is higher than state average
- High Critical Newborn costs (26% PNP participation in last 3 years)
- Cancer screening rates are good but there is room for improvement (specific to Breast and Cervical as Colorectal is not covered at 100%)
- 2010 claims prevalence of Asthma, Cancer, CHF, CAD, Depression, Diabetes, Hypertension and Obesity are above state average
- Accordant compliance rate is good but room for improvement with Actives (78.8%)
- MyHealthCenter was at an all-time high despite technical difficulties (HRA's completed at 16.9%)
- Health Club Credit participation was also at an all-time high at 8.3%



2011 Key Solutions

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Key Risk Factors

- Hypertension- BCBSND has developed a Hypertension Quality Improvement Program (QIP)
- BMI – Health Club Credit, HealthyBlue, MediQHome
- High Critical Newborn costs - Prenatal Plus Program outreach/education enhancement
- Cancer screening – Continued outreach via awareness materials made available to Wellness Coordinators for distribution to members
- Targeted Conditions – Hypertension Quality Improvement Programs (December 2012), MediQHome, influence of NDPERS Wellness programs to address conditions
- Accordant – Proactive outreach continues
- MyHealthCenter – Replaced with HealthyBlue
- Health Club Credit – Ongoing education on the importance of Physical Activity



Recommendations

Optimal Health Management

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Prevention

- Execute the strategic campaign to engage NDPERS membership in tools offered by NDPERS and BCBSND that encourage healthy behavior
- Provide enhanced Wellness Coordinator Consulting Services
 - Develop tracking and evaluation methods for NDPERS Employee Wellness Discount Program to determine effectiveness
 - Develop new Wellness Coordinator orientation
- Provide new HealthyBlue services to include but not limited to the following:
 - Cancer Awareness Campaigns
 - HealthyBlue Seatbelt Safety Awareness Campaign
 - Hypertension Workshops
 - Weight Management Workshops
- Offer Linkwell Healthy Coupon program June 2012
- Promote Health Club Credit through HealthyBlue communication and Member Education Programs



Recommendations

Optimal Health Management

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Episodic Care

- Proactive Outreach
 - Enhanced Prenatal Plus Program
 - Member Advocacy Program
- Explore use of secure social media applications to link patients together with similar health issues.



Recommendations

Optimal Health Management

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Chronic Conditions

- Develop a campaign to increase awareness and engagement in MediQHome
- Utilize integrated medical and pharmacy data to identify gaps in medical care and improve medication adherence through outreach campaigns (further discussion at the April board meeting)

Rare & Complex Conditions

- Promote continued Accordant engagement



A decorative graphic consisting of several overlapping, wavy bands in shades of blue and yellow, flowing across the top and middle of the page. The word "QUESTIONS?" is centered within the dark blue band.

QUESTIONS?



Memo

To: NDPERS Board
From: Bryan T. Reinhardt
CC: Sparb, Kathy
Date: 3/15/2012
Re: Health Graphs

Here are the NDPERS Health Plan paid per member per month (per capita) for the latest two years of data (10/09-9/11). The overall group's costs went from \$250 to about \$285. This is about 14% for the 2-year period.

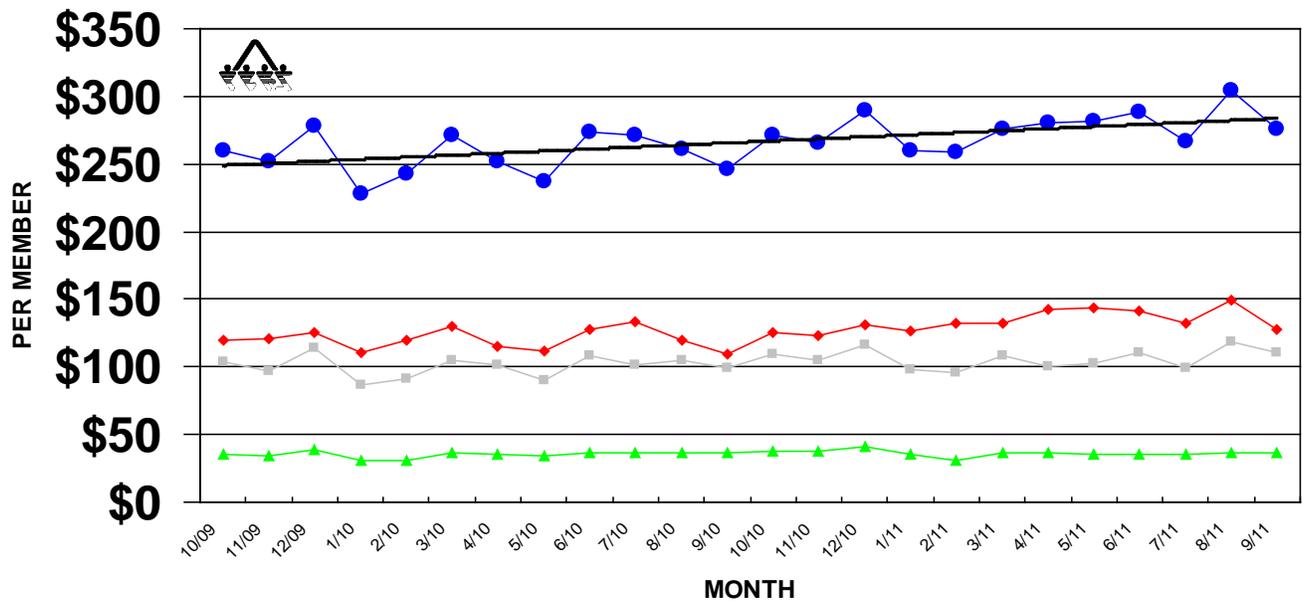
The active employee's per capita costs went from \$300 to \$360. This is 20% for the 2-year period or 10% annually. Their dependent's costs went from \$225 to \$260. This is about 16% for the 2-year period or 8% annually. When you combine the actives the trend is 8.28% per member per month and 8.50% per contract per month.

The retired employee's per capita costs went from \$225 to \$215. This is decrease for the 2-year period. Their dependent's costs also went down from \$175 to \$155.

If you have any questions or need anymore information, please feel free to contact me at 8-3919.

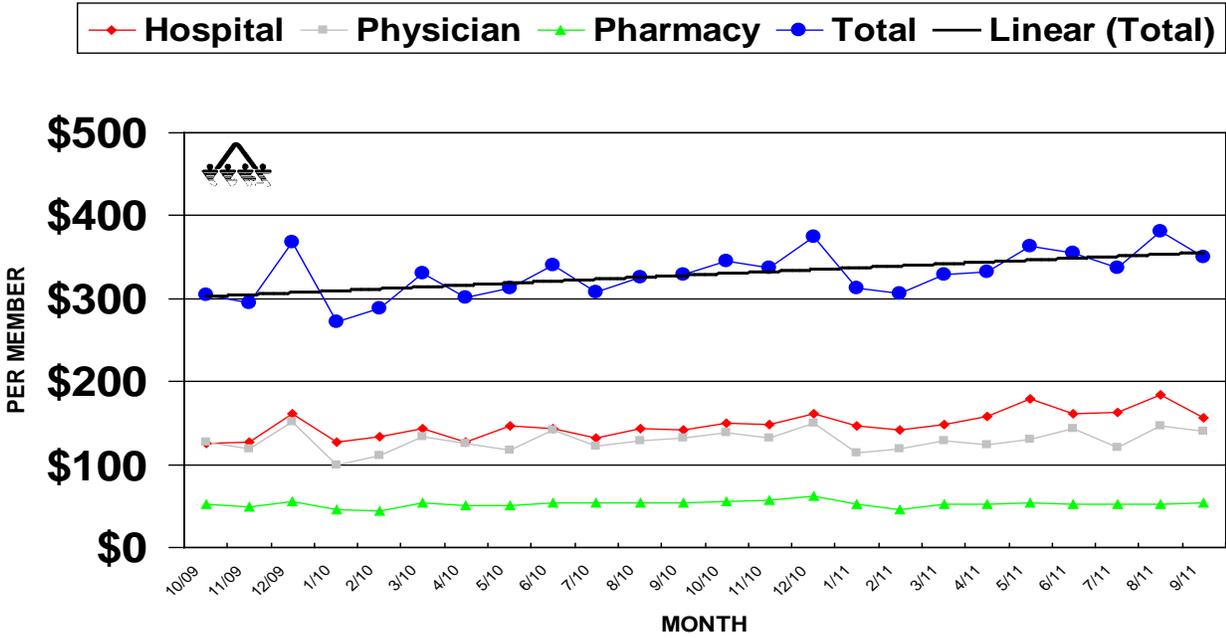
NDPERS HEALTH INSURANCE PLAN

TOTAL MEMBERSHIP



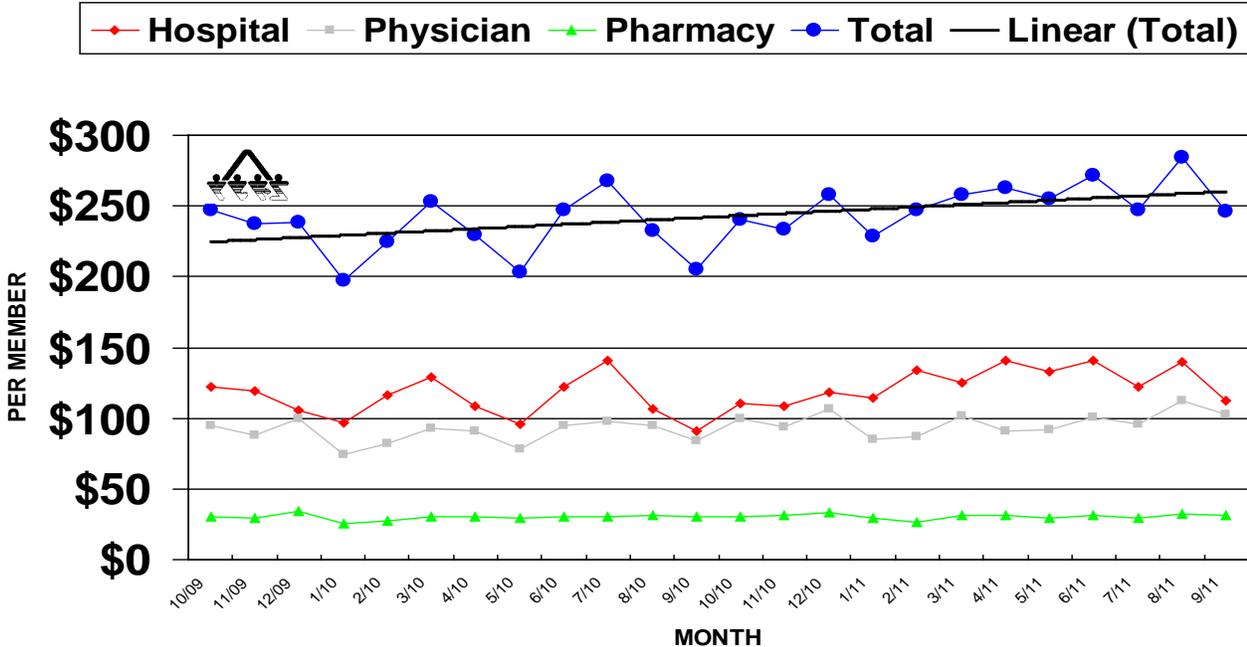
NDPERS HEALTH INSURANCE PLAN

ACTIVE EMPLOYEES



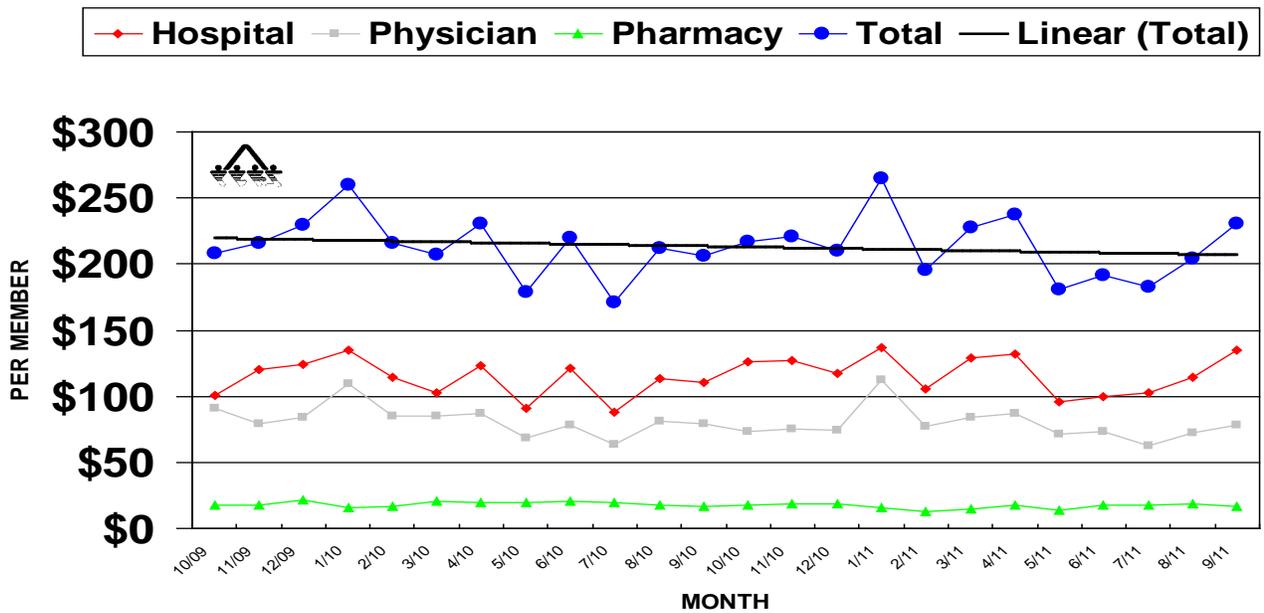
NDPERS HEALTH INSURANCE PLAN

ACTIVE DEPENDENTS



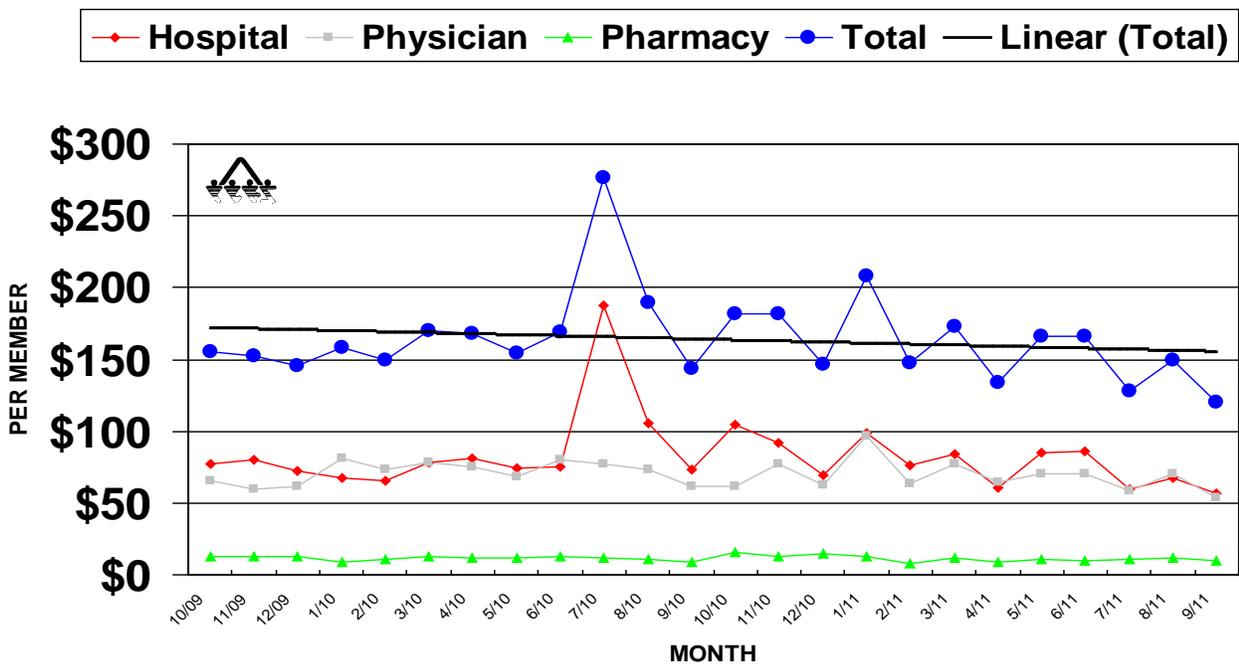
NDPERS HEALTH INSURANCE PLAN

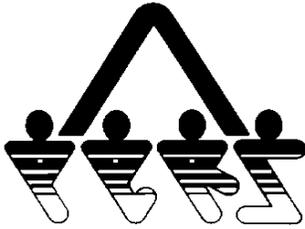
RETIRED EMPLOYEES



NDPERS HEALTH INSURANCE PLAN

RETIRED DEPENDENTS





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Memorandum

TO: NDPERS Board

FROM: Kathy & Sparb

DATE: March 14, 2012

SUBJECT: Dental Plan Consulting Services Request for Proposal

North Dakota Public Employees Retirement System (NDPERS) released a request for proposal (RFP) on February 17, 2012 for consulting services relating to the group dental plan. The consultant is required to develop and market a RFP to solicit bids, evaluate the proposals and prepare an analysis and recommendation for the Board's consideration. We sent RFPs to 12 consulting firms and received proposals from the following two companies:

AON Hewitt
The Segal Company

The AON proposal was not received until Monday March 12, 2012 which was after the published deadline of 5:00 p.m. on March 9, 2012. It is at the Board's discretion whether it wants to accept the AON proposal.

The following companies wrote to us indicating they were declining to bid:

Deloitte Consulting, LLP
Gallagher Benefit Services
Van Iwaarden Associates

Staff reviewed and evaluated the proposals based on technical components, the company's experience, and cost. Overall, The Segal Company scored the highest with 92.67 points versus 87.27 for AON. Segal proposed a fee of \$24,000 with a work effort of 75 hours. AON proposed a fee of \$25,000 for 54 to 64 hours of work effort. Segal has some exceptions to our contract which have been referred to our Legal Counsel for review and comment as to whether we can accept the proposed changes.

Staff Recommendation

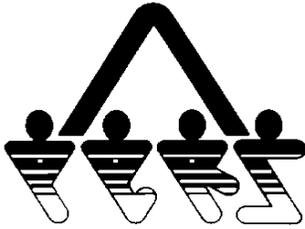
Based on the outcome of our evaluation, and subject to legal's review and approval of the proposed contract exceptions, staff recommends that The Segal Company be awarded the contract for consulting services to market our group dental plan.

Board Action Requested

- Determine whether or not to accept the late submission of the AON Hewitt proposal.
- Subject to legal's approval of the contract exceptions, accept staff's recommendation to award the contract to the Segal Company.

For your information, Following is the schedule of activities depicting the major work efforts and timeframes for completing this task.

March 23, 2012	Begin work on Dental RFP.
April 16, 2012	Submit draft Dental RFP and list of proposed vendors to be solicited along with the marketing plan.
May 4, 2012	Submit final draft of RFP to PERS Board for approval.
May 17, 2012	PERS Board will meet to review the proposal. Consultant should be available either by teleconference or video conference to review and answer questions for the Board.
May 22, 2012	Issue RFP and place ads in North Dakota newspapers.
June 22 , 2012	Dental proposals due.
July 5, 2012	Initial evaluation of proposals reviewed with the PERS staff.
July 10, 2012	Submit to PERS staff draft analysis of proposals and recommendations.
July 19, 2012	PERS Board Meeting – review proposals and recommendations. PERS Board will narrow vendors to two or three for final considerations and interviews at the August meeting. The consultant should plan to attend this meeting
August 23, 2012	At this meeting the Board will interview the finalist selected at the July meeting. The consultant will coordinate with the finalist and attend the interviews. The consultant will develop a list of interview questions for the Board's considerations. The Board will select a vendor at this meeting.
Sept. – Dec. 2012	The consultant will assist the PERS staff with developing a final contract and any transition issues.



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: March 15, 2012
SUBJECT: Health Legislation

Attached please find the first draft of the proposed legislation for the health plan. Staff is continuing to work with Jan to refine this bill for the March 30 submission to the Legislative Employee Benefits committee. As approved at the last meeting the bill includes:

<i>Section of proposed bill</i>	<i>NDCC Section Changed</i>	<i>Proposed Change</i>
Section 2	54-52.1-18	High-deductible health plan alternative with health savings account option. The board shall develop and implement a high-deductible health plan with a health savings account as an alternative to the plan under section 54-52.1-06. The high-deductible health plan alternative must be made available to state employees by January 1, 2012, and may be offered, at the discretion of the board, to political subdivisions after June 30, 2013. Health savings account fees must be paid by the employer. The difference between the cost of the single and family premium for eligible state employees under section 54-52.1-06 and the premium for those employees electing to participate under the high-deductible health plan under this section must be deposited in a health savings account for the benefit of each participating employee. For political subdivision employees, the board shall deposit into a health savings account for the benefit of the participating political subdivision employee, an amount equal to the difference between the primary plan premium as established by the board and the premium for the high-deductible health plan under this section. Each new employee of a participating employer under this section must be provided the opportunity to elect the high-deductible health plan. At least once each biennium, the board shall have an open enrollment period allowing existing employees of a participating employer under this section to change their coverage.

Also approved at the last meeting was changing the definition of temporary employee to meet the requirement of the Affordable Care Act as well as to set a minimum contribution requirement. As we discussed at the last meeting federal rules are not yet available on this provision so we will likely have to change this section substantially as we learn more about complying with this requirement. **(Section 1)**

The bill also provides that the change in the definition of temp does not become effective until the date required in the federal legislation. **(Section 3)**

Staff Recommendation

To approve the provisions of the attached bill for submission to the Legislative Employee Benefits Committee.

Board Action Requested

To approve the provisions of the attached bill for submission to the Legislative Employee Benefits Committee.

Introduced by

1 A BILL for an Act to amend and reenact sections 54-52.1-03.4 and 54-52.1-18 of the
2 North Dakota Century Code, relating to revising the definition of an eligible employee,
3 payment of the cost of uniform group insurance premiums for temporary employees,
4 deleting the health savings account option offered to political subdivisions as part of the
5 high deductible health plan alternative, and to provide an effective date.

6 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

7 **SECTION 1. AMENDMENT.** Section 54-52.1-03.4 of the North Dakota Century
8 Code is amended and reenacted as follows:

9 **54-52.1-03.4. Temporary employees and employees on unpaid leave of**
10 **absence.**

11 A temporary employee employed before August 1, 2007, may elect to participate
12 in the uniform group insurance program by completing the necessary enrollment forms
13 and qualifying under the medical underwriting requirements of the program. A
14 temporary employee employed on or after August 1, 2007, is only eligible to participate
15 in the uniform group insurance program if the employee is employed at least twenty
16 hours per week and at least twenty weeks each year of employment, a temporary
17 employee first employed on or after January 1, 2014, is only eligible to participate in the
18 uniform group insurance program if the employee meets the definition of a full time
19 employee under section 4980H(c)(4) of the Internal Revenue Code [26 U.S.C.
20 4980H(c)(4)] in effect on April 15, 2011. The temporary employee or the temporary
21 employee's employer shall pay monthly to the board the premiums in effect for the

1 coverage being provided but in no event shall the temporary employee's required
2 contribution exceed the maximum employee required contribution specified under
3 section 36B(c)(2)(C) of the Internal Revenue Code [26 U.S.C. 36B(c)(2)(C)] in effect on
4 March 23, 2010, and the employer shall pay any difference between the maximum
5 employee required contribution and the cost of the premiums in effect for the coverage
6 being provided. An employer may pay health or life insurance premiums for a
7 permanent employee on an unpaid leave of absence. A political subdivision,
8 department, board, or agency may make a contribution for coverage under this section.

9 **SECTION 2. AMENDMENT.** Section 54-52.1-18 of the North Dakota Century
10 Code is amended and reenacted as follows:

11 **54-52.1-18. High-deductible health plan alternative with health savings**
12 **account option.**

13 The board shall develop and implement a high-deductible health plan ~~with a~~
14 ~~health savings account~~ as an alternative to the plan under section 54-52.1-06. The
15 high-deductible health plan alternative with a health savings account must be made
16 available to state employees by January 1, 2012, ~~and~~ The high-deductible health plan
17 alternative may be offered, at the discretion of the board, to political subdivisions after
18 June 30, 2013. Health savings account fees for participating state employees must be
19 paid by the employer. The difference between the cost of the single and family premium
20 for eligible state employees under section 54-52.1-06 and the premium for those
21 employees electing to participate under the high-deductible health plan under this
22 section must be deposited in a health savings account for the benefit of each
23 participating employee. ~~For political subdivision employees, the board shall deposit into~~
24 ~~a health savings account for the benefit of the participating political subdivision~~
25 ~~employee, an amount equal to the difference between the primary plan premium as~~
26 ~~established by the board and the premium for the high-deductible health plan under this~~
27 ~~section.~~ Each new employee of a participating employer under this section must be

1 provided the opportunity to elect the high-deductible health plan alternative. At least
2 once each biennium, the board shall have an open enrollment period allowing existing
3 employees of a participating employer under this section to change their coverage.

4 **SECTION 3. EFFECTIVE DATE.** Section 1 of this Act becomes effective on
5 January 1, 2014.



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Memorandum

TO: NDPERS Board

FROM: Sharon Schiermeister

DATE: March 15, 2012

SUBJECT: PERSLink Member Self Service Implementation

Background

As part of our PERSLink project, we included a component for Member Self Service (MSS). This was intended to be deployed in October 2010 when we implemented the rest of our business functionality, but the decision was made to delay this to 2011. When we started to test MSS, we realized that the way the system was designed was not as user friendly as we wanted it to be. Using lessons learned from our Employer Self Service implementation, we knew that changes needed to be made before we made this available to our members.

To assist with this effort, we worked with Experience Dynamics, a usability consulting firm, who reviewed MSS and conducted usability test labs. The results confirmed that we needed to redesign our self service screens. The redesign for retiree MSS was completed and rolled out in January 2012. The redesign for the active MSS is in progress and is scheduled to be ready for implementation in June 2012.

Features Available for Active MSS

Following are the features that will be available to active members through MSS. The member will be provided with greatly expanded on-line access to benefit information, compared to what used to be available through our mainframe system.

- Ability to view
 - Demographic information
 - Benefit plan enrollment information
 - Covered dependents on health, dental and vision plans
 - Designated beneficiaries for retirement and life insurance
 - Member annual statements
 - Service purchase contracts
- Perform retirement benefit projections and service purchase cost projections
- Enroll in benefit plans, make changes, update covered dependents

- Update name, address and contact info
- Enroll in PERS seminars and view history
- Report a death of covered dependent, spouse or beneficiary

What is Changing

One of the bigger changes is that benefit enrollments, name changes and address changes will be done on-line instead of on a paper form. Annual enrollment elections will also be able to be completed on-line instead of on paper. New employees would receive a welcome letter from NDPERS directing them to MSS to enroll in their benefits, rather than receiving a packet of forms from their employer.

Employers whose employees are using MSS for benefit enrollments, will no longer be receiving copies of the paper forms which they use to set up the benefit deductions in their payroll system. Instead, a report will be available to them through PERSLink Employer Self Service, that will provide them with the information they need.

Potential Challenges

We identified some challenges that may arise relating to on-line benefit enrollments through MSS. These were presented at the NDPERS Benefits Committee meeting on March 14 and also include challenges brought up by employers who were in attendance.

- Employees/employers with no computer access
- Employees who are opposed to conducting business on-line
- Employers will need to assist employees with on-line enrollment in place of assisting them with paper enrollment
- How will employers assist employees who work 'in the field'
- Are employers willing to provide access to a computer for employees who do not have one
- Are employers comfortable allowing employees to use their work computers for benefit enrollment and maintenance
- ADA compliance
- Ability for employers to assist new employees with enrollment at group orientation sessions when multiple computers are not available
- Ability for employees whose primary language is not English to perform enrollments on MSS

Implementation Options

We identified various implementation options for on-line benefit enrollments and changes. These were also presented at the March 14 Benefits Committee meeting and include options brought up by employers who were in attendance.

- Require all employees to use MSS for all actions
- Require all new employees to use MSS, others optional
- Require employees of selected employers to use MSS, others optional
- Require certain actions, such as address changes, to be completed through MSS, all other actions optional
- Require all employees to use MSS for annual enrollment
- Allow employees the option to use MSS for annual enrollment

It was determined that even if the direction is to require all enrollments and changes to be performed through MSS, there will always need to be the ability for an employee to enroll in benefits using paper for special circumstances.

Staff Recommendation:

1. Require all newly hired employees to enroll in their benefits using MSS when system is fully deployed unless the Executive Director has granted a waiver to the employee or to the employer.
2. Encourage existing employees to use MSS for benefit enrollments and changes, but give them the option of continuing to use paper. If an employer wants to require all their employees to use MSS, they have that option to implement that type of policy. Goal will be to require all employees to use MSS within 2 years of deployment.
3. Encourage employees to use MSS for 2013 annual enrollment, but give them the option of continuing to use paper. Goal will be to require employees to use MSS for 2014 annual enrollment.

Board Action Requested:

Adopt an implementation policy for PERSLink Member Self Service for active members.



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MEMORANDUM

TO: NDPERS Board

FROM: Jamie Kinsella *Jamie*

DATE: February 22, 2012

SUBJECT: **November 30, 2011 PERS Audit Committee Minutes**

Attached are the approved minutes from the November 30, 2011 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 tentatively scheduled for May 23, 2012 10:00 a.m., in the NDPERS Conference Room.

Attachment



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MEMORANDUM

TO: Audit Committee
Jon Strinden
Arvy Smith
Rebecca Dorwart

FROM: Jamie Kinsella, Internal Auditor *Jamie*

DATE: January 13, 2012

SUBJECT: November 30, 2011 Audit Committee Meeting

In Attendance:

Jon Strinden, via conference call
Rebecca Dorwart
Arvy Smith
Jamie Kinsella
Sparb Collins
Sharon Schiermeister

The meeting was called to order at 10:05 a.m.

I. August 17, 2011 Audit Committee Minutes

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

II. Internal Audit Reports

- A. Quarterly Audit Plan Status Report – A summary of the past quarter audit staff time was included with the audit committee materials.
- B. Audit Recommendation 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. A copy of the report was included with the audit committee materials. However, there has been no change since May 2010 due to implementation of PERSLink. The next report in February will include any recommendations made by Brady Martz & Associates from their 2011 financial audit.
- C. Benefit Adjustments Monitoring Proposal – During the March 24, 2011 board meeting the Board had several member appeals to review, one of which was an appeal due to overpayment of pension benefits to a retiree. There were several benefit adjustments for both the insurance plans and the retirement benefits due to the switch to the PERSLink system, which discovered inconsistencies that had

to be researched and adjusted. Staff indicated there had not been any new discoveries. The Audit Committee would like the Internal Audit staff to provide a proposal at the next meeting of how these could be monitored to ensure consistent management of collection payments. Ms. Kinsella indicated she had done some preliminary research and would need more time to investigate the options and she should have something to present at the February meeting.

- D. Internal Audit Plan for 2012-2013.- Included with the audit committee materials was a copy of the Internal Audit Plan for the 2012-2013 calendar years for review and approval. If there are no changes, the final copy will be signed by Ms. Kinsella and Mr. Strinden.

III. Administrative

- A. Audit Committee Meeting Date & Time – A schedule of tentative audit committee meetings for 2012 was included in the audit committee materials. Ms. Kinsella will send a revised schedule out to audit committee members since there were conflicts on the proposed dates.
- B. Internal Auditor II – Ms. Kinsella introduced Stacey Jones, the new internal auditor to the audit committee. She began employment November 14, 2011.

IV. Miscellaneous

- A. Brady Martz & Associates Presentation FY 2011 Audit Report – The report was not ready for presentation. After discussion with management staff decided to wait until the February audit committee meeting and then present it to the full Board at the February or March Board meeting.
- B. Travel Expenditures Update– There were no travel expenditures of the Board and Executive Director for out-of-state travel from July 31 through October 31, 2011.
- C. Risk Management Report – At a previous audit committee meeting, it was determined that a Risk Management Policy for PERS would not be necessary since a Loss Control Committee is in place to manage risk for the agency. At that time It was suggested that the Loss Control Committee provide a copy of the last meeting agenda and the approved minutes. Included with the audit committee materials were the following: copy of the approved meeting minutes from the June 7, 2011 meeting, agenda for the September 29, 2011 meeting.
- D. PERSLink Update – An updat on PERSLink was provided by Sharon. We will keep this on the agenda for future updates.
- E. 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." Staff was unable to provide a report at this time due to their time involved with PERSLink. It is the goal of the

accounting staff to start providing this report once they are back in their normal routine after the completion of the financial audit.

- F. Continuing Professional Education – Ms. Kinsella conveyed on November 2 and 3 she attended a IIA Central Nodak Chapter sponsored seminar entitled “Champions of Change: The Guide to Creating Sustainable Improvements in Business Processes”, presented by Jeffrey A Berk. A total of 16 CPEs was earned for this seminar. Ms. Kinsella also attended the 20th Anniversary of Association of Public Pension Fund Auditor’s Conference held November 7 -9 held in Austin, TX. This seminar offered 18.5 CPE credits.

- F. Administrative Rules – Included with the audit committee materials were the proposed administrative rules developed by staff that were approved by the Board to present to the public for their comments. The notice of hearing was published in the Bismarck Tribune on October 11, 2011. This was for information only to meet the requirements set forth in the Audit Committee Charter.

The meeting adjourned at 10:42 a.m.