

NDPERS BOARD MEETING

Agenda

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

March 20, 2014

Time: 8:30 AM

I. MINUTES

- A. February 20, 2014

II. FLEX COMP

- A. ADP Response and Plan of Action to Member Survey – Kathy and ADP

III. GROUP INSURANCE

- A. BCBS Executive Summary Report – (Information)
- B. About the Patient Diabetes Update – (Information)
- C. Healthy Blue – Kathy (Board Action) (possible Executive Session pursuant to NDCC 54-52.1-11 and 54-52-26 to discuss confidential member information)
- D. Health Consultant – Sparb (Board Action)
- E. Plan Placement – Sparb (Board Action)
- F. OPEB Valuation – Sparb (Board Action)
- G. Life Insurance Renewal – Kathy (Board Action)
- H. Sanford Heart of America – Kathy (Board Action)
- I. Political Subdivision Participation – Sparb (Information)

IV. RETIREMENT

- A. Retirement Consultant – Sparb (Board Action)
- B. Retirement Legislation – Sparb (Board Action)
- C. Retiree Health Legislation – Sparb (Board Action)
- D. Defined Contribution Plan Legislation – Sparb (Board Action)
- E. Job Service Retirement Plan Update (Dept. of Labor) – Sparb (Information)
- F. Job Service Retirement Plan – Kathy (Board Action) (possible Executive Session pursuant to NDCC 44-04-18.4(1) and 44-04-19.2(1) to discuss confidential records)

V. MISCELLANEOUS

- A. Technical Legislation – Sparb (Board Action)
- B. 2013 Annual Report – Sharon (Information)
- C. Audit Committee: December 19, 2013 Minutes and Charter Activity Review (Information)
- D. Board Election – Kathy (Information)
- E. Personnel Policies – Kathy (Board Action)
- F. Appeals – Kathy (Board Action) (Executive Session pursuant to NDCC 44-04-19.2(1) and 54-52-26 to discuss confidential member information)
 - 1. Retirement Disability Appeal
 - 2. Deferred Compensation Hardship Appeal

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



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

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

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

Memorandum

TO: NDPERS Board

FROM: Kathy

DATE: March 12, 2014

SUBJECT: ADP Response

At the December meeting, ADP provided a preliminary response to the following issues:

1. The need to change members' perception as shown in question 18 (on the survey).
2. The comments and high level of dissatisfaction with the debit card.
3. The concerns with the customer service.
4. The confusion between the debit card and the automatic claim reimbursement.
5. The low level of understanding of the mobile application.
6. How they plan to decrease the intensity of responses relating to "dissatisfaction".

ADP will be in attendance via video conferencing to further define its plan of action for the above issues.



IN THE BUSINESS OF YOUR SUCCESS®

ADP/NDPERS Board of Directors Meeting

March 20, 2014

HR. Payroll. Benefits.

Attendees

Board Members

Ms. Joan Ehrhardt

Mr. Howard Sage

Mr. Mike Sandal

Ms. Kim Wassim

Mr. Thomas Trenbeath

Ms. Arvy Smith

Jon Strinden
(via videoconference)

NDPERS

Mr. Sparb Collins

Ms. Cheryl Stockert

Ms. Sharon Schiermeister

Ms. Kathy Allen

Mr. Bryan Reinhardt

Ms. Rebecca Fricke

Ms. Maryjo Steffes

Ms. Deb Knudsen

Ms. Jan Murtha, Attorney General's Office

ADP

John Erxleben

Kim Wright

Agenda

ADP Service Team

ADP Call Center Survey Results

- 2013 Call Center Survey
- 2014 YTD

Action Plan

- ADP Action Plan & Response
- 2014 Participant Education Preview

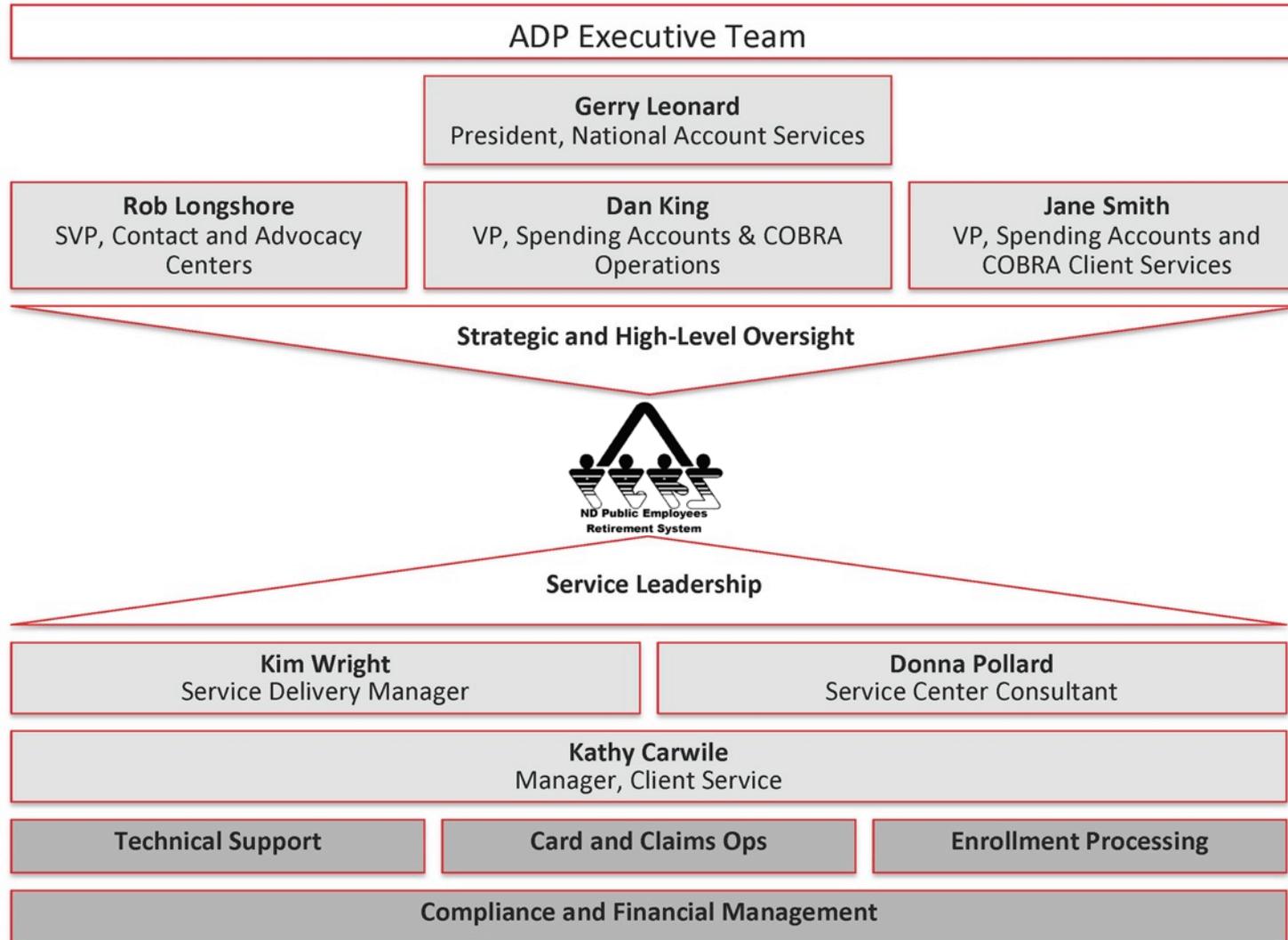
2013 FlexComp Performance

- 2013 Statistics

Questions/Feedback



Your FlexComp Service Team



NDPERS Call Center Experience

- Since going live in January 2013, 98% of NDPERS participants taking the Customer Satisfaction Survey report being extremely satisfied or satisfied with their experience.
- As of January 31, 2014 100% were extremely satisfied or satisfied with their experience.
- During 2013, ADP received 2923 calls.
 - 3% abandonment rate
 - 87% of call answered within 30 seconds
 - 90% first call resolution





IN THE BUSINESS OF YOUR SUCCESS®

2014 ADP/NDPERS Action Plan

What's ahead for
ADP and NDPERS

HR. Payroll. Benefits.

NDPERS Participants - Action Taken

- **Email reminders** sent out to participants the week of 2/24/14
- **FSA Decision Support Tool:** Currently available to New Hires and active participants during 2013. 1,364 NDPERS participants utilized the Decision Support Tool. As of March 3, 91 NDPERS participants have utilized the tool.
- **Participant Webinars & Training Modules: (webinars to be recorded)**
 - April: Debit Card
 - May: Technology
 - June: General FlexComp Plan Overview
 - September: ADP Service team to conduct onsite training - general information booth and individual break out sessions
- **2013 Customized Participant Collateral** *(Completed)*
 - “Cost Suppressant” postcard sent to non-participants & webinar postcard sent to existing participants
 - Conducted three interactive participant education seminars
 - Created custom flyer to include in the Debit Card Welcome Kit

NDPERS Custom Employee Communications

- Targeted participant communications designed to yield greater results.
- Creative messaging to draw the audience in.
- ADP resources to create and deliver targeted communications.

Keep your health costs down by enrolling in a Flexible Spending Account (FSA).

To learn more, visit www.SpendingAccounts.com

Easy access to your healthcare FSA funds!

COST SUPPRESSANT.

Keep your healthcare costs down by enrolling in a Flexible Spending Account (FSA). An FSA is...

- An employee benefit that saves you money on eligible healthcare expenses.
- An account where you contribute money from your paycheck BEFORE taxes, your eligible healthcare expenses and get reimbursed for those expenses.
- A way to REDUCE INCOME TAX and FICA LEADS FOR HEALTHCARE!

Use a Healthcare FSA to pay for eligible out-of-pocket medical expenses not paid by insurance including copays, deductibles, prescriptions, glasses, braces, laser eye surgery and much more!

By using pre-tax money to pay for these expenses, you could save hundreds of dollars a year! (Your savings will depend on your personal tax situation. Visit to learn more and see how much you can save! Visit www.SpendingAccounts.com or call the FSA Hotline at 1-800-228-5762.

Enroll in an FSA during Open Enrollment!

Survey Postcard



Debit Card Insert



How to get reimbursed from your FlexComp Plan.



With your ADP FlexComp Plan, you have options!

When you enroll in the FlexComp Plan, you can decide how you want to be reimbursed when you incur eligible expenses. Details for each option are included below. If you have questions, please call ADP customer service at 1-800-336-1881. To manage your account online, make sure you register at myspendingaccount.adp.com. Remember, you can use your NDPERS Member ID instead of your Social Security number when registering.

DEBIT CARD

- The biggest advantage to using the card is not having to pay for eligible healthcare expenses out of your pocket and then waiting to get reimbursed. Swipe the card at the doctor, pharmacy, optometrist, dentist and for over-the-counter medical supplies and the funds are deducted from your FlexComp Plan.
- **IMPORTANT: Save your receipts!** Why? Since the FlexComp Plan is a tax-free benefit, the IRS requires that the card only be used to pay for eligible healthcare expenses. ADP validates most card swipes, but there may be some instances when we cannot determine if a card swipe was for an eligible expense and we will need your help. So please save your receipts in case we ask for them. Receipts must include provider name, patient name, date of service, type of medical expense and the amount. If receipts are requested and not provided, your card could be turned off.
- Use your debit card to pay for a dependent's eligible health, dental or vision expenses as long as the dependent(s) is enrolled in an NDPERS respective health, dental and/or vision plan.
- Need an additional card for a covered family member? Just call 1-800-336-1881 to request one.
- Remember, you are not required to use the debit card. It is optional.
- Your card is good for three years.
- The option to file a paper claim for reimbursement of expenses not paid with the card is always available to you.
- The card cannot be used for Dependent Care FlexComp Plan expenses (i.e. daycare or after-school care).

PAPER CLAIM

- Pay for eligible healthcare, day care or elder care expenses out of your pocket.
- Download a claim form from myspendingaccount.adp.com and complete the form.
- Send the form and copies of your itemized receipts to the tax number or mailing address on the form.
- Receipts or Explanation of Benefits (EOBs) are required and they must clearly show date of service or purchase, type of service or name of product and the amount.
- Sign up for direct deposit online at myspendingaccount.adp.com and receive your reimbursement faster than by check.

AUTOMATIC REIMBURSEMENT

- If you select this option, ADP will automatically reimburse you from your healthcare FlexComp Plan for eligible out-of-pocket expenses incurred under the NDPERS-sponsored medical and dental insurance plans. No action is required on your part.
- Auto reimbursement cannot be used in conjunction with the debit card. You must choose between the debit card or auto reimbursement.
- For all other FlexComp Plan-eligible expenses, not related to medical or dental plans (vision for example), you must file a paper claim form to get reimbursed. Sign up for direct deposit online at myspendingaccount.adp.com and receive your reimbursement faster than by check.
- To enroll in auto reimbursement, download and complete the form available on myspendingaccount.adp.com under "Statements and Forms."

SMARTPHONE APP

The ADP Flexible Spending Account Smartphone App makes it easy to manage your account whenever, wherever it's convenient for you! With the Smartphone App, you can view your account balance and activity, take pictures of receipts and upload and submit claims. To download the App, log in to your account at myspendingaccount.adp.com and download the Mobile App User Guide.

SUBMIT CLAIMS ONLINE

You may submit FSA reimbursement claims online at myspendingaccount.adp.com. Enter your claim information and upload scanned images of your receipts, or choose to receive a completed claim form via e-mail. **Log in at myspendingaccount.adp.com** and select "Online Claims Submission" to get started.

2014 Participant Education Plan

April 2014: ADP FlexComp Debit Card

June 2014: ADP Spending Account
Technology (Mobile/Texting)

August 2014: Understanding Your
NDPERS FlexComp Plan



IN THE BUSINESS OF YOUR SUCCESS®

2013 Statistical Review

**FlexComp Plan
Performance Results**

HR. Payroll. Benefits.

FlexComp Plan Performance Results

- FSA claims processing on time was **99%**
- Overall processing accuracy was **98%**
- 22,725 claims processed/card transactions from 1/1 - 12/31/2013
- Substantiation rate was **97.2%**



Call Center Statistics

- Calls answered in 2013: **2,923**
- Calls answered on time: **87%**
ADP's book of business at 80%
- Abandonment rate: **3%**
ADP's book of business 3%
- First call resolution: **90%**
ADP's book of business at 80%



Performance Overview

Performance Guarantee FlexComp Administration	Target	Q1 2013	Q2 2013	Q3 2013	Q4 2013	All 2013	PG Met
Processing Timelines: FSA claims are processed within 5 business days of receipt.	90%	99%	100%	100%	99%	99%	✓
Processing Accuracy: FSA claims are processed accurately without errors.	96%	99%	97%	99%	99%	98%	✓
Contact Center							
Abandoned Calls: Percent of total calls that hang up after system answers and before agent answers.	5%	3%	5%	2%	7%	3%	✓
Service Level: Total calls answered and responded to in 30 seconds.	85%	86%	87%	89%	84%	87%	✓
First Call Resolution: Percentage of total calls resolved without any follow up calls.	80%	86%	90%	95%	95%	90%	✓
System Availability							
Web Availability: Time available except scheduled maintenance.	98%	100%	100%	100%	100%	100%	✓
IVR Availability: Time available except scheduled maintenance.	98%	100%	100%	100%	100%	100%	✓

2013 Plan Statistics

NDPERS Plan Totals	Plan	Enrollees	Elections	Deposits	Claims Paid
FlexComp	Health Care FSA	2,711	\$4,042,481.91	\$3,944,172.05	\$3,773,896.49
	Dep. Care FSA	453	\$1,730,419.46	\$1,648,586.34	\$1,595,333.77

NDPERS Debit Card Statistics		Medical	Rx	Dental	Vision	Totals
Benefit By Claim Type	Claims By Type	\$81,193.05	\$43,055.45	\$43,855.08	\$38,825.11	\$206,928.69
	Total Debit Card Claims	17,284 Card Swipes		Substantiation Rate:		97.2%

2013 FlexComp Financial Summary

At a Glance Financial

Pre-Tax Contributions for 2013: **\$5,581,052.31**

Claims Reimbursement Payments in 2013: **\$5,369,230.26**

Estimated Payroll Tax Savings thru 2013: **\$604,305.00**

Forfeitures to date for 2013: + \$297,940.69

FlexComp Administrative Fees for 2013: - \$108,905.60

Net Benefit :  **\$793,340.09**

Employee Savings (assuming top tax rate of 28%)

Total estimated taxes saved for participants: **\$1,562,694.64**

Average Participant Annual Contributions: **HC \$1451.97/ \$ DC \$3630.81**

	Potential	Best Practice	Current	+5%	+10%	+15%	+20%
FSA Participants	7,900	4,345	3,160	3,555	3,950	4,345	4,740
% Participation	100%	55%	40%	45%	50%	55%	60%
Tax Savings (7.65%)	\$1,510,875	\$830,981	\$604,350	\$679,894	\$755,438	\$830,981	906,5251
Increase in Tax Savings	\$906,525	\$226,631	N/A	\$75,544	\$151,088	\$226,631	\$302,175

A Roadmap for Innovation

Leading edge technology that will reduce cost, improve efficiency and increase employee engagement.

Defined Contribution Solution coincides with launch of exchanges to support a premium reimbursement strategy

Analytic & Dashboard Reporting to drive improved results through increased transparency

Push Communications & Alerts improve employee engagement and understanding

Discounts & Rewards delivering additional employee value based on spending patterns

Automated Payroll Contribution money movement and reconciliation decreases financial risk to employers and moves money faster for employees

2012



One-stop Shop Client Administrative Portal regardless of client size



Single ADP Web/Mobile Service participants can manage benefits and financial dollars seamlessly (Health & Payroll)

Day 2

Two Day Processing for payroll contributions and spending account claims



2014

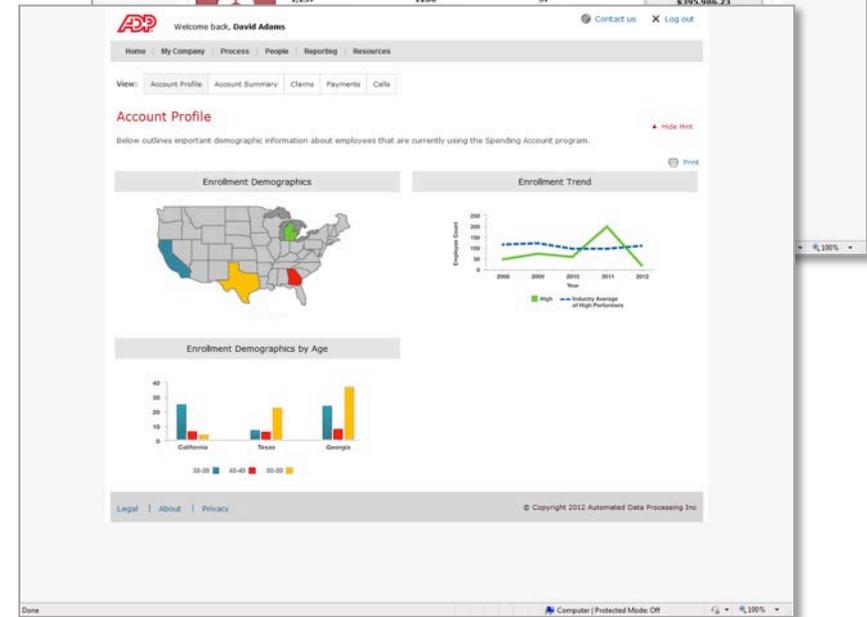
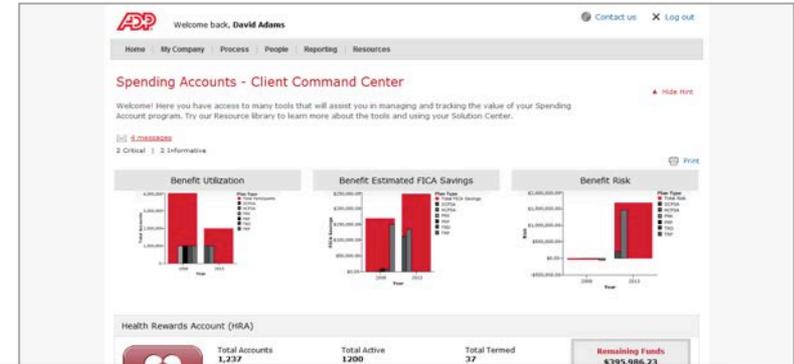
Client Command Center – An Extension of You

Client command center

- Single platform
- Performance reporting
- Service metric reporting
- Participant viewing

Education and communication

- Product advisory council
- Webinars
- Training guides
- White papers
- Compliance experts





North Dakota
Public Employees Retirement System
400 East Broadway, Suite 505 • Box 1657
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Memorandum

TO: NDPERS Board

FROM: Sparb

DATE: March 12, 2014

SUBJECT: BCBS Executive Summary

BCBS staff will present the annual Executive Summary to the Board and staff.
Refer to the attached presentation.



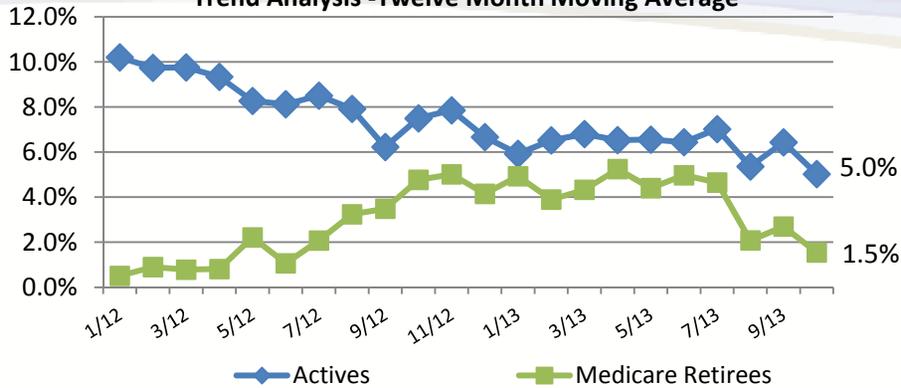
North Dakota Public Employees Retirement System

Presented by: Blue Cross Blue Shield of ND

March 2014

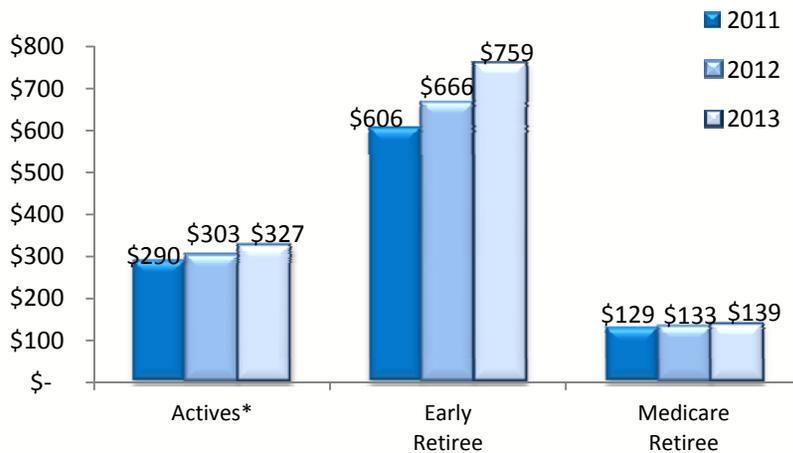
Dashboard

Trend Analysis - Twelve Month Moving Average

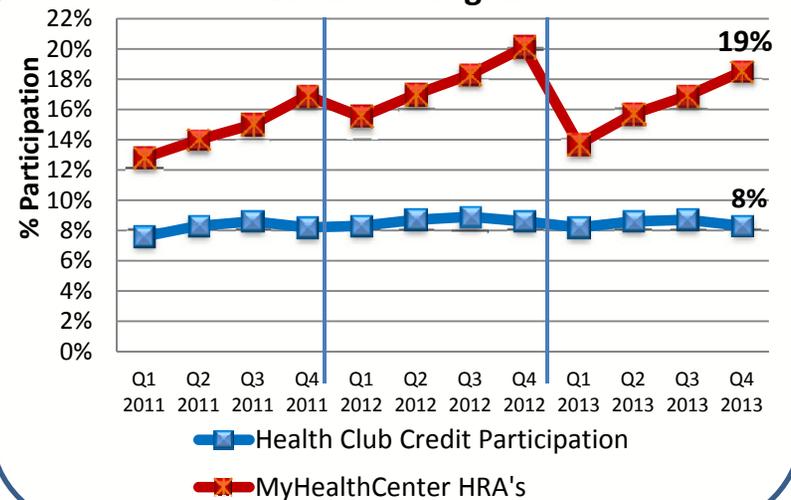


Membership	2011	2012	2013
Actives	50,887	53,759	54,807
Early Retirees	1,220	1,233	1,241
Medicare Retirees	6,923	7,439	7,854

Paid Per Member Per Month

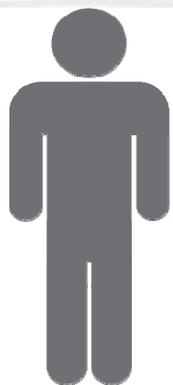


Wellness Programs

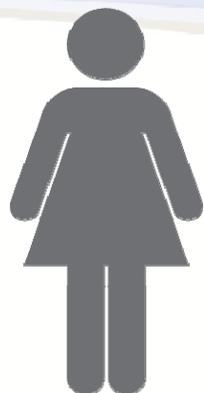


NDPERS Population

3



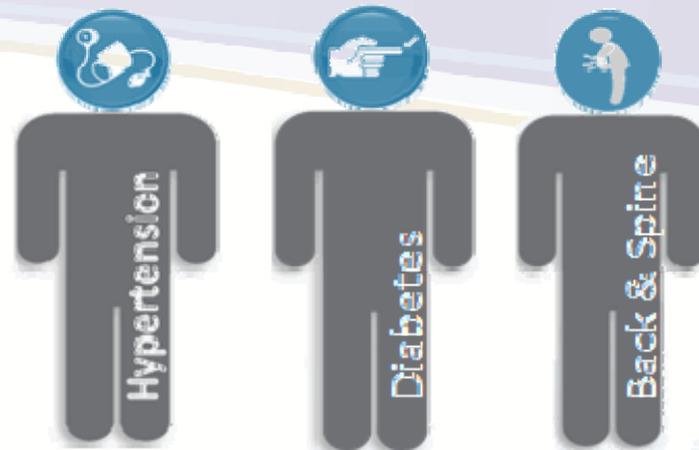
49% Male



51% Female

Average
AGE
39

Average
BMI
29.5



Wellness

18.5%
Engaged in
WELLNESS



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FINANCIAL

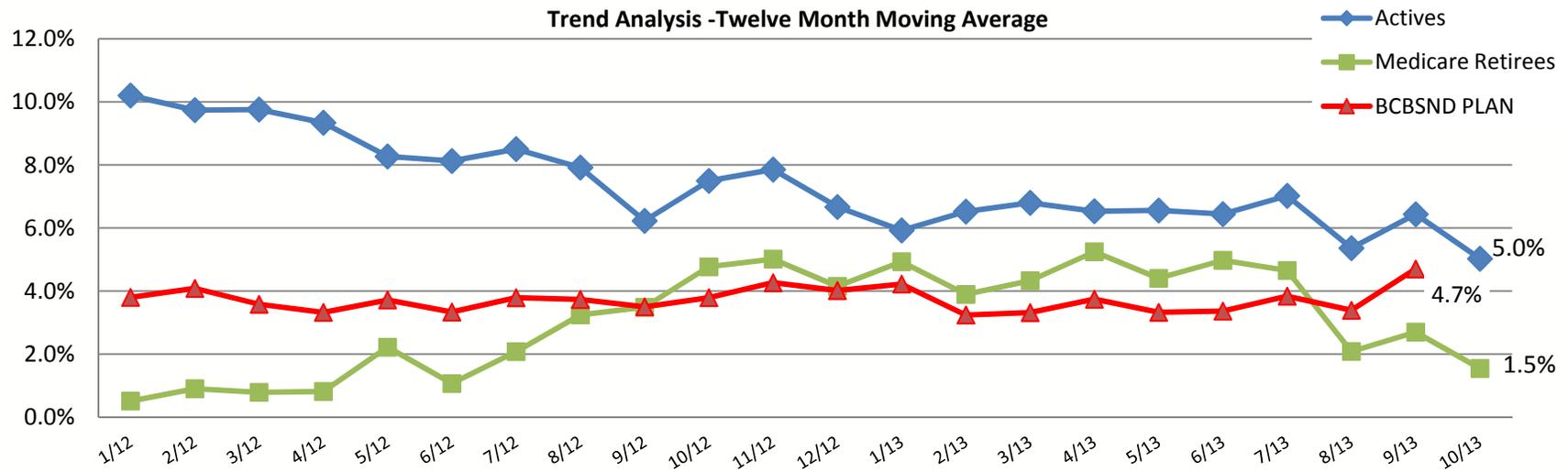
Annual Trend

PERS Biennium Comparison

Paid through December 31, 2013

	Premium	Admin Fee	Interest on Surplus	Estimated Incurred Claims	Gain(Loss)	Gain(Loss) as a % of Premium	Biennium Gain(loss)	% of Premium
July 09 - Oct 09	69,610	3,677	27	57,077	8,883	12.8%	38,094	9.0%
July 11 - Oct 11	75,914	4,023	6	67,956	3,941	5.2%	10,311	2.2%
July 13 - Oct 13	90,012	6,839	10	82,304	879	1.0%	N/A	N/A

Note: Reported in thousands

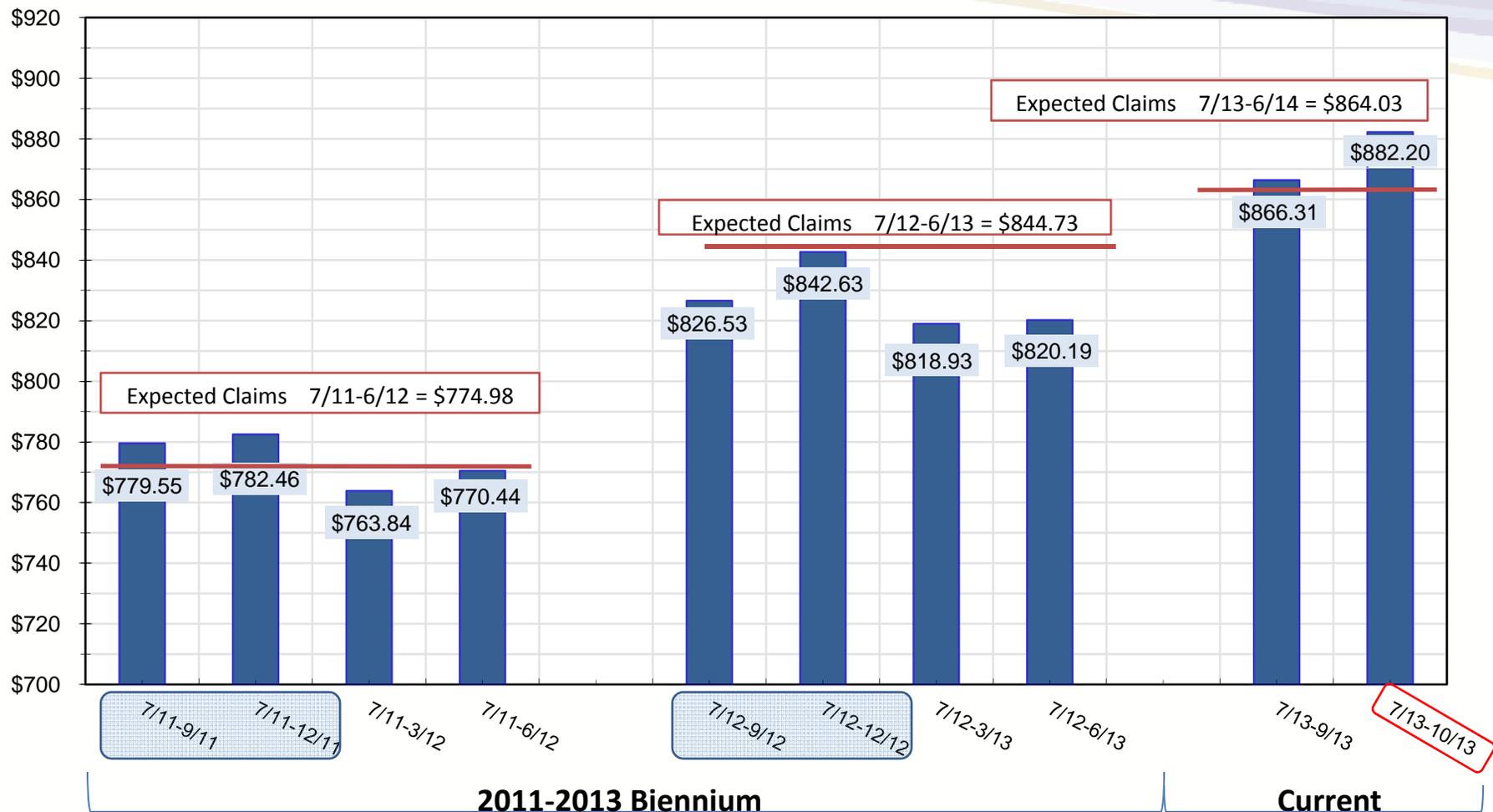


Year to Date Incurred Claims Per Contract

7

NDPERS - Actives

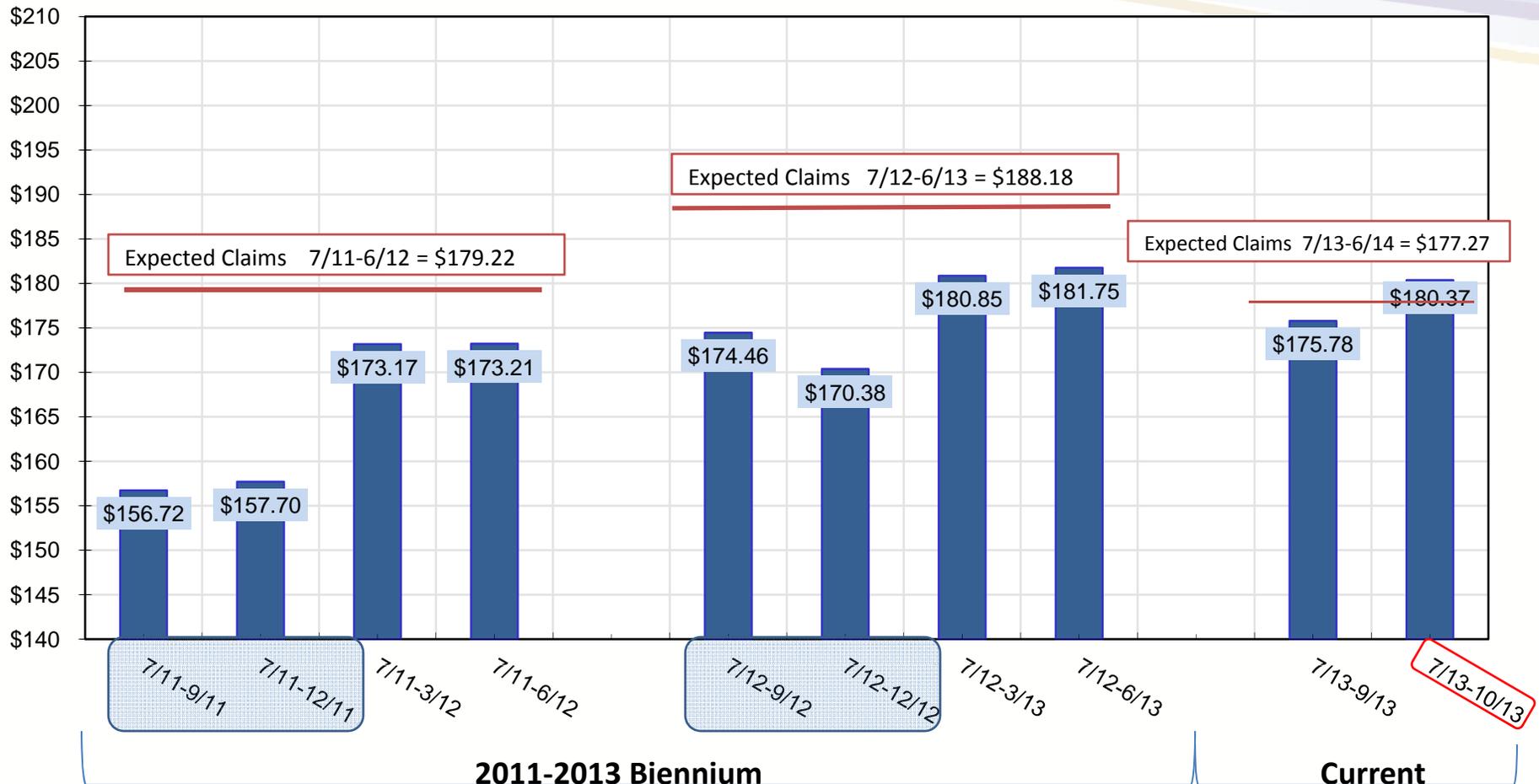
AVERAGE MONTHLY INCURRED CLAIMS PER CONTRACT



Year to Date Incurred Claims Per Contract

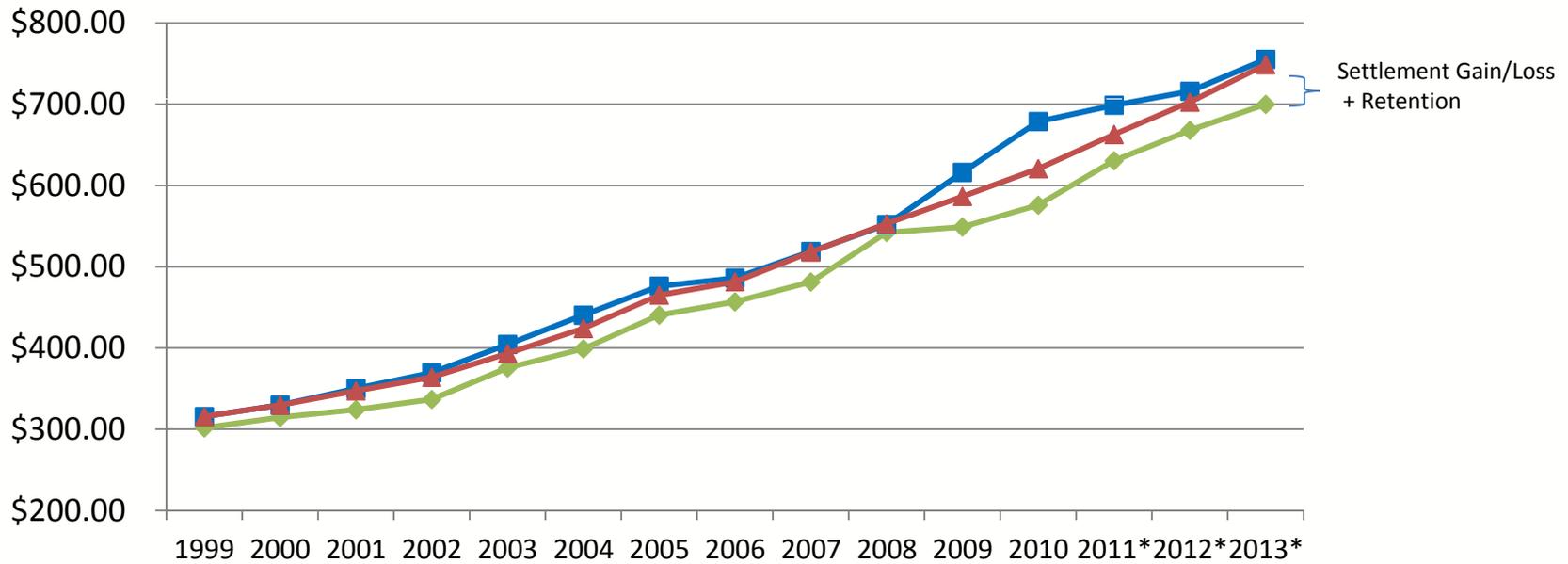
NDPERS - Medicare Retirees

AVERAGE MONTHLY INCURRED CLAIMS PER CONTRACT



Claims Trend

■ NDPERS average annual claims increase: 6.2%



*2011–13 biennium settlement is estimated

Includes all enrollment (Actives, Political Subs and retirees)

- ◆ Incurred Claims PCPM
- Premium PCPM
- ▲ Premium After Settlement PCPM

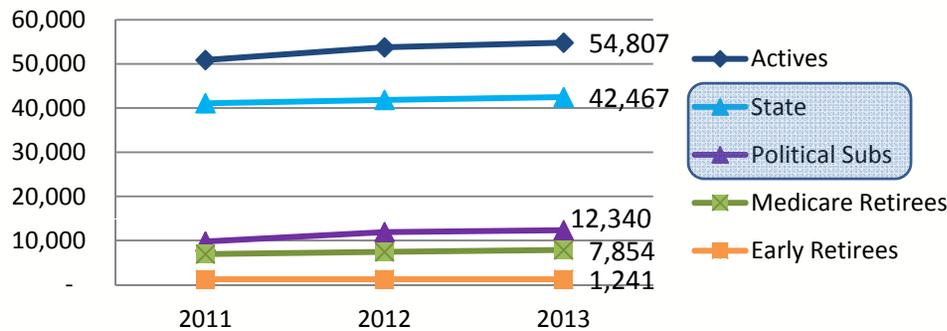


NDPERS SUMMARY

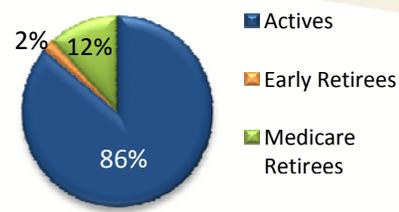
- Membership/Demographics
- Utilization
- High Dollar Cases
- Provider Discounts

Membership & Demographics

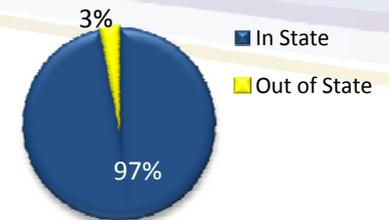
Avg. Members— Increased by 2% over 2012



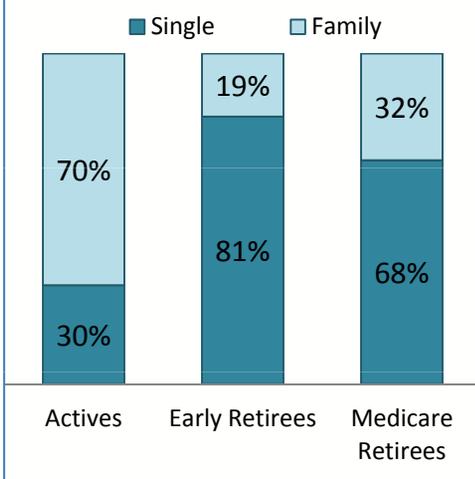
NDPERS Population



Actives

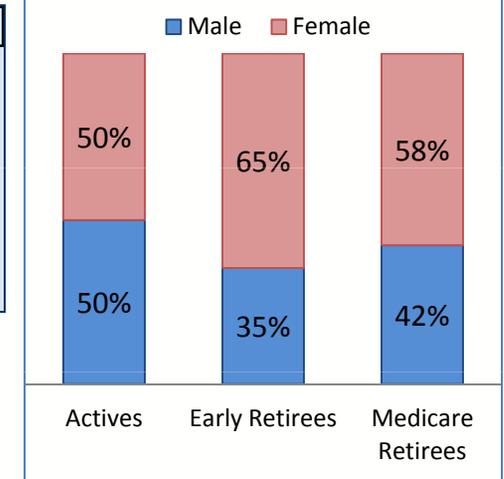


2013 Membership by Class of Coverage



	Actives	E. Retirees	M. Retirees	BCBSND BoB
Average Age	34.4	59.7	74.2	32.7
Demographic Risk Score	1.12		3.26	1.05
Future Risk Score	1.21		4.11	1.05

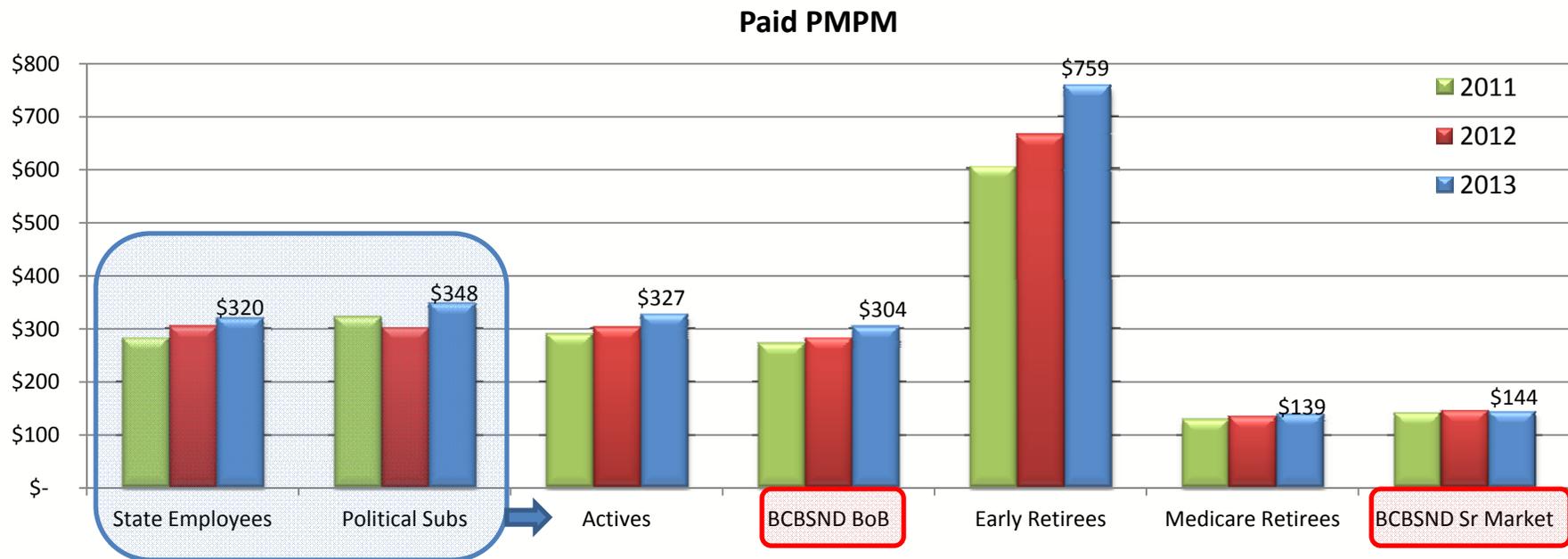
2013 Membership by Gender



*Actives = includes State Employees & Political Subs

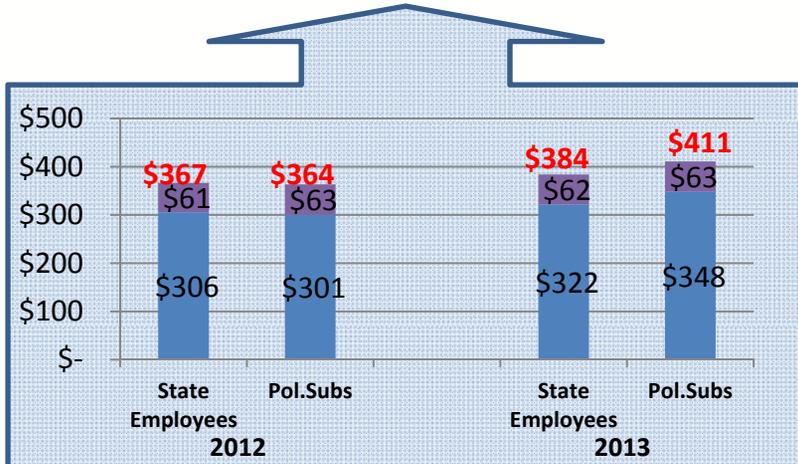
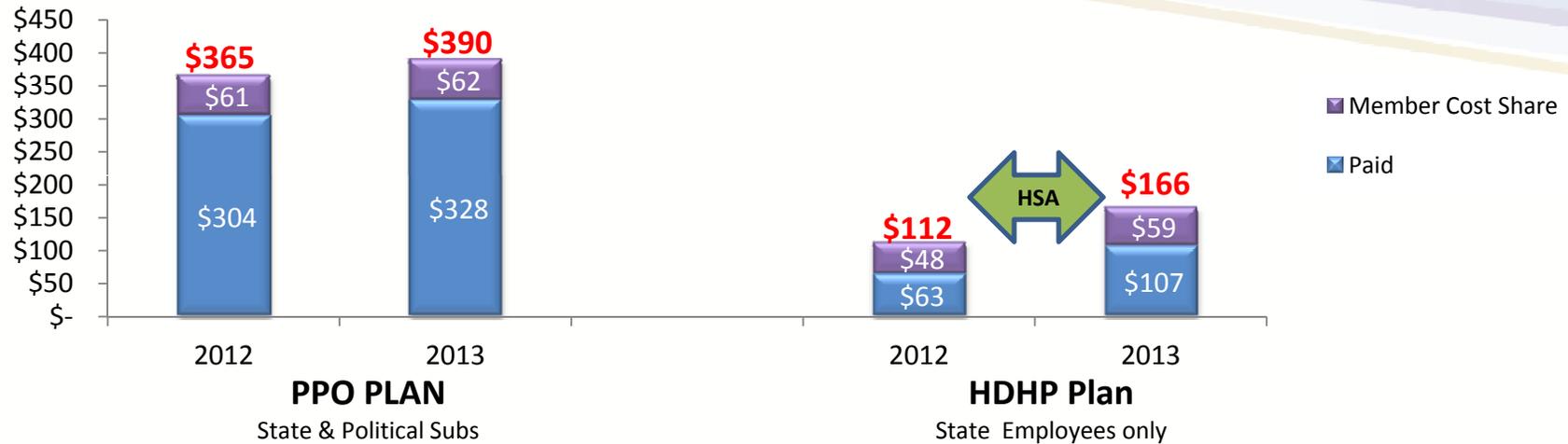
Total Payments

	2011	2012	2013	% Change 2012-2013
Actives	\$177,027,226	\$195,785,987	\$214,835,134	10%
Early Retirees	8,870,187	\$9,856,378	\$11,300,089	15%
Medicare Retirees	<u>10,747,502</u>	<u>\$11,861,408</u>	<u>\$13,079,475</u>	<u>10%</u>
TOTAL PAID	\$196,644,915	\$217,503,773	\$239,214,698	10%



2012 Allowed Amount by Product

Members	53,545	54,539	218	274
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- Both the PPO & HDHP Plans saw an increase to enrolled members
- HSA dollars contributed by NDPERS reduces the member's out of pocket but adds to the over-all costs for NDPERS

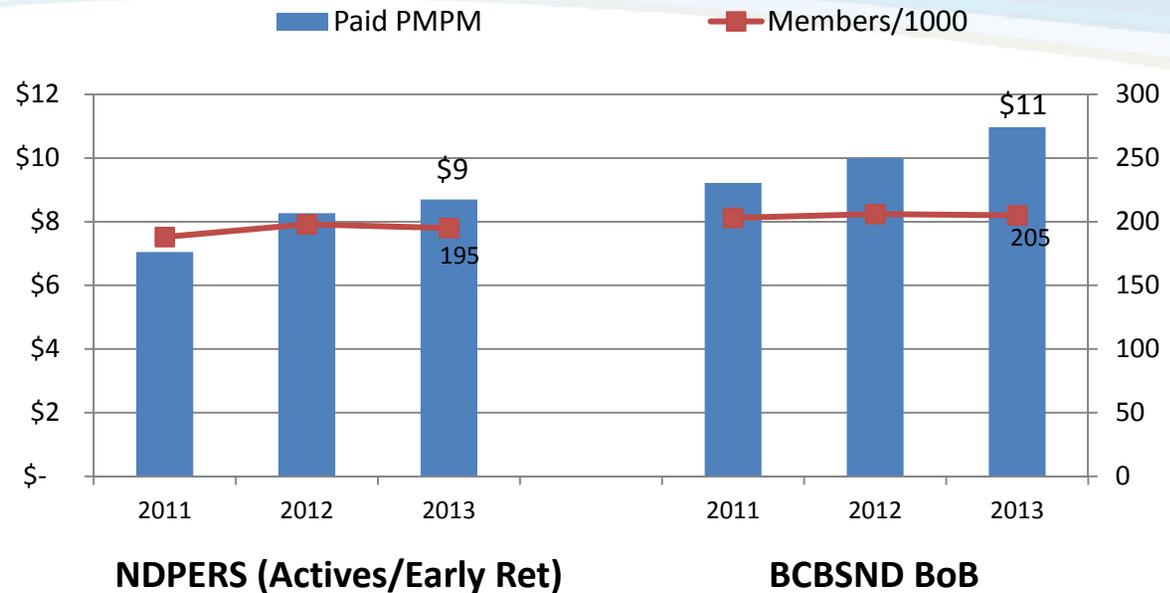
Outpatient ER Utilization

14

Consideration:

- Increase ER copay to \$60

Current copay of \$50 is lower than BCBSND standard copay - \$75



- NDPER PMPM is lower than BCBSND Plan average
- Small difference between ER copay (\$50) and office visit copay (\$25) may adversely affect utilization

High Dollar Cases

Actives & Early Retirees
High Dollar Cases over \$100,000/member

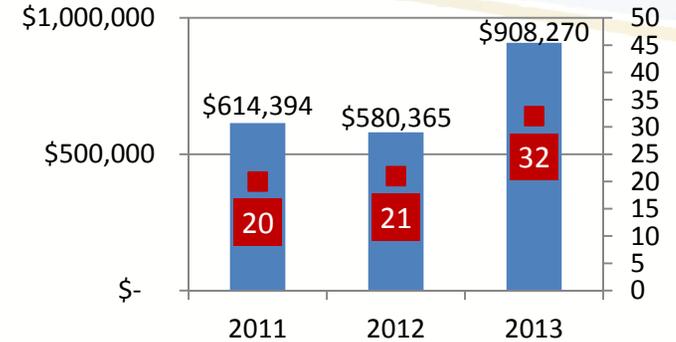
■ High Dollar Payments ■ Members



Avg. / Case \$198,813 \$190,129 \$213,099 \$181,916 \$235,754 \$237,265

Medicare Retirees
High Dollar Cases over \$20,000/member

■ High Dollar Payments ■ Members



Avg. / Case \$30,720 \$27,636 \$28,383

Paid Range	ACTIVES			EARLY RETIREES		
	2011	2012	2013	2011	2012	2013
\$1,000,000+	1	2	1			
\$300,000-999,999				1	2	3
\$200,000-299,999	18	16	30	3	2	2
\$100,000-199,999	31	35	33	7	6	7
	<u>114</u>	<u>141</u>	<u>131</u>	<u>7</u>	<u>6</u>	<u>7</u>
	164	194	195	11	10	12

Paid Range	MEDICARE RETIREES		
	2011	2012	2013
\$50,000-\$90,000	2	1	1
\$40,000-\$49,999	1	2	2
\$30,000-\$39,000	3	1	4
\$20,000-\$29,000	<u>14</u>	<u>17</u>	<u>25</u>
	20	21	32

2013 Provider Discounts

Performance Guarantees:

- BCBSND will maintain a PPO network: consisting of 92% or more of the in-state hospitals, MD's and DO's

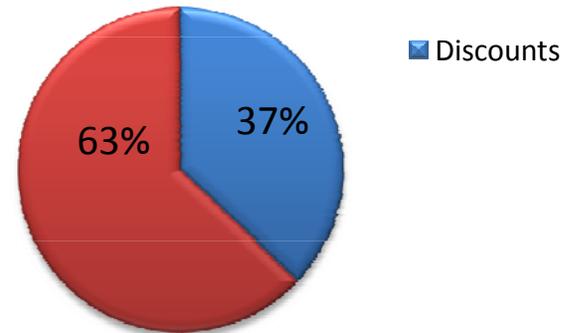
Currently above Goal - 99.7%

- BCBSND guarantees NDPERS a minimum provider discount of 30% for Non-Medicare contracts.

Currently above Goal – 52.5%

PPO Discounts	\$ 4,725,857
Other	<u>\$ 149,848,446</u>
Total In-State Discounts	\$154,574,303
BlueCard Discounts	<u>\$ 18,281,877</u>
Total Discounts	\$172,856,180

% Discounts off Total Charges*



*Medicare Retirees excluded

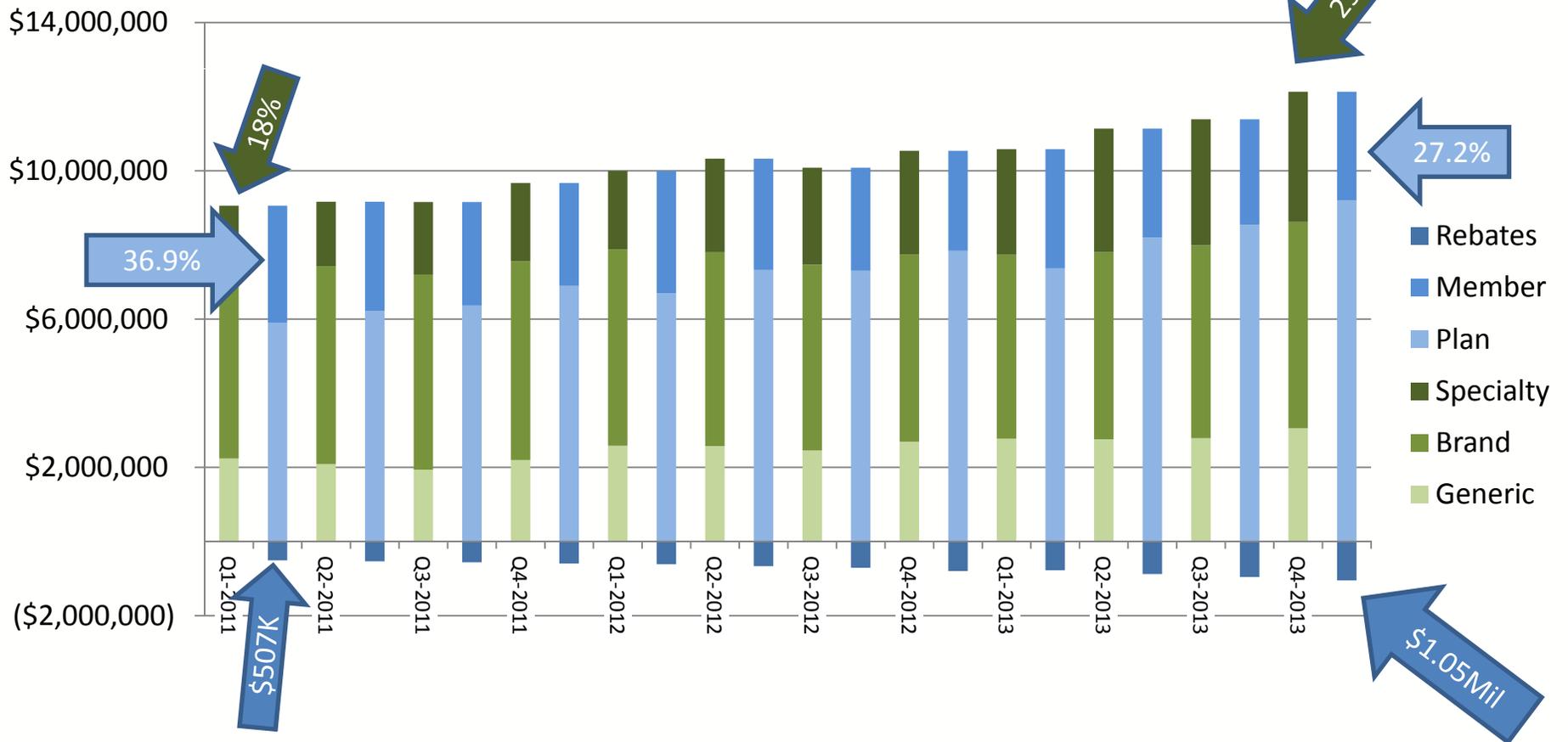


PHARMACY MANAGEMENT

Quarterly RX Spending

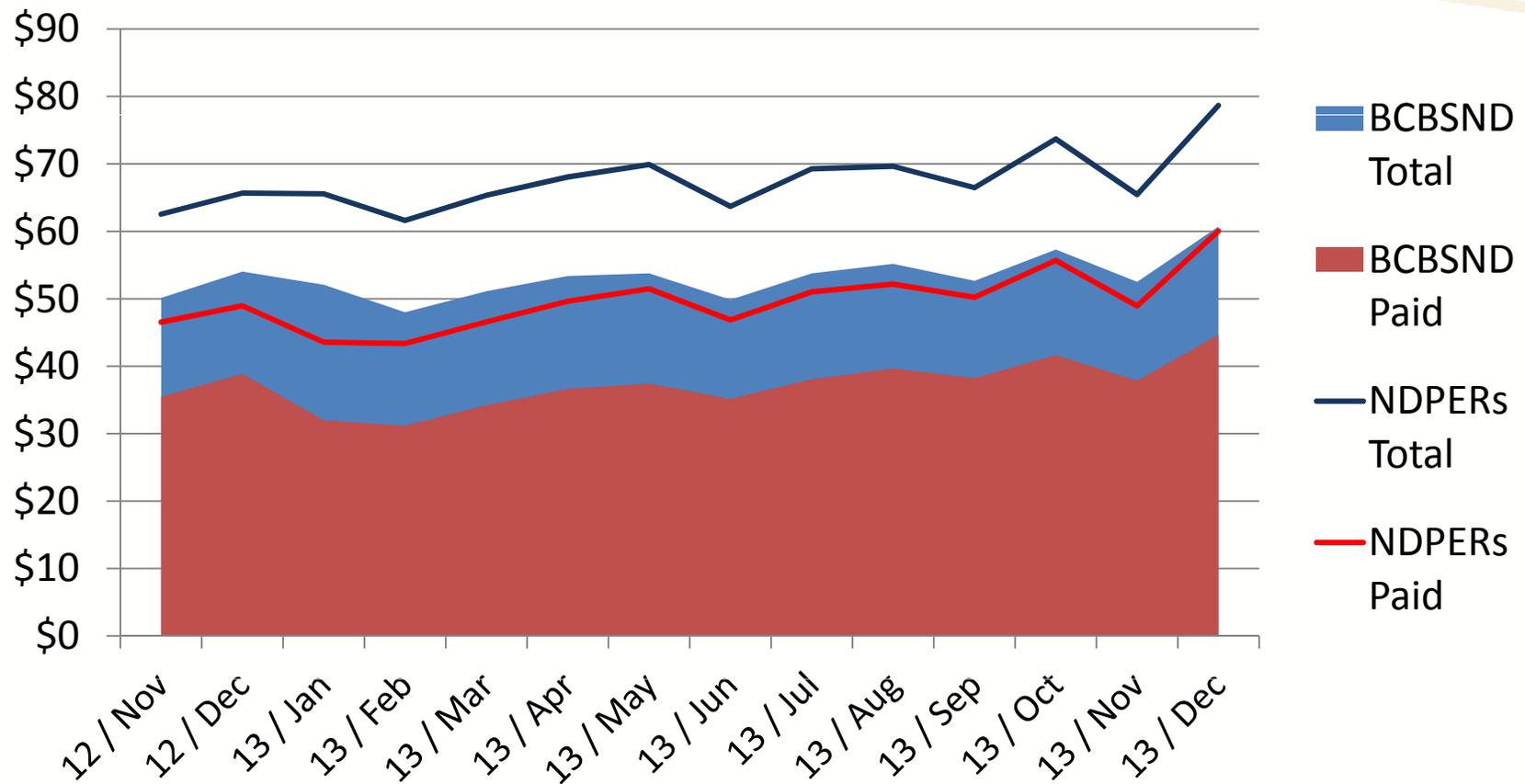
- Annual RX Spending Trends have been 5-9% quarter to quarter since 2010.
- Overall trend is driven by separate trends in generic, brand and specialty.

Quarterly Drug Spending and Payment Trend



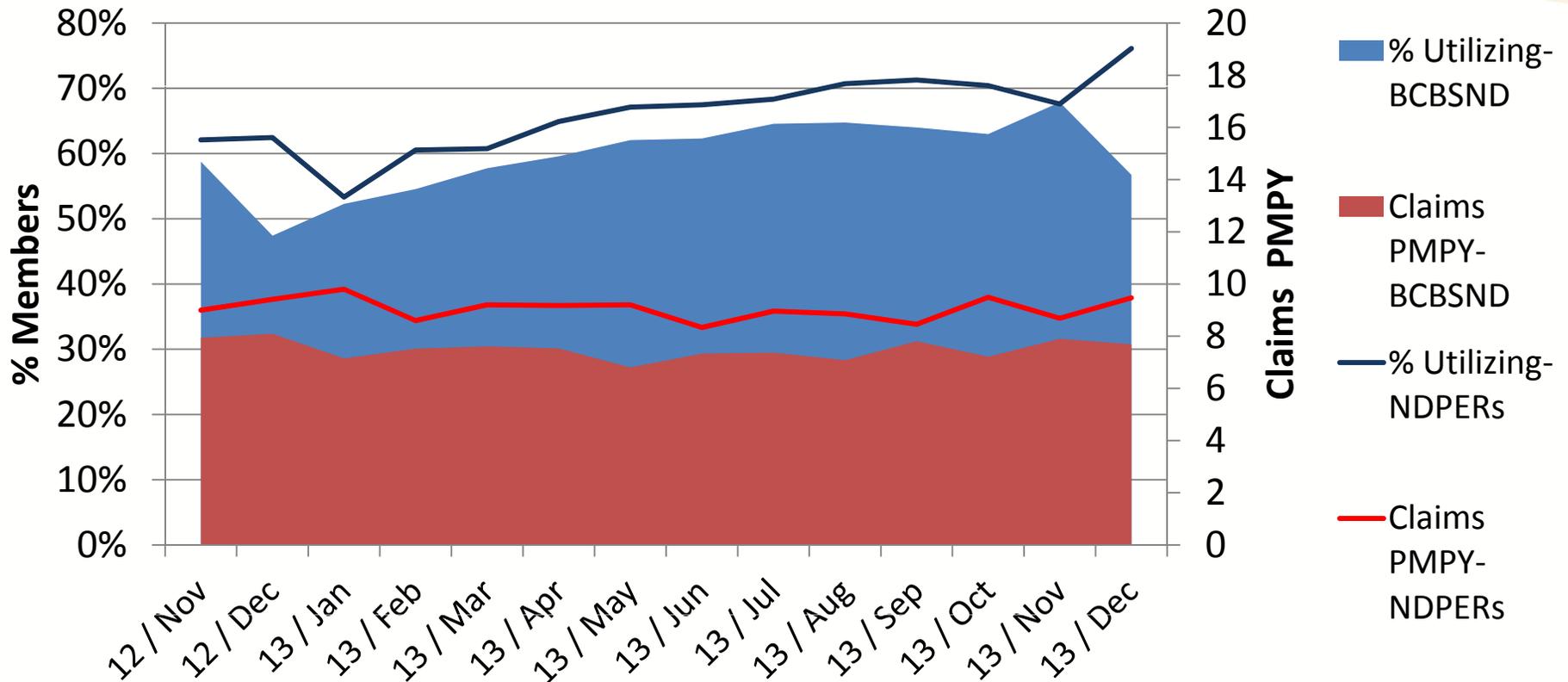
Monthly PMPM

PMPM Plan and total paid amounts average \$10-15 higher than monthly plan values



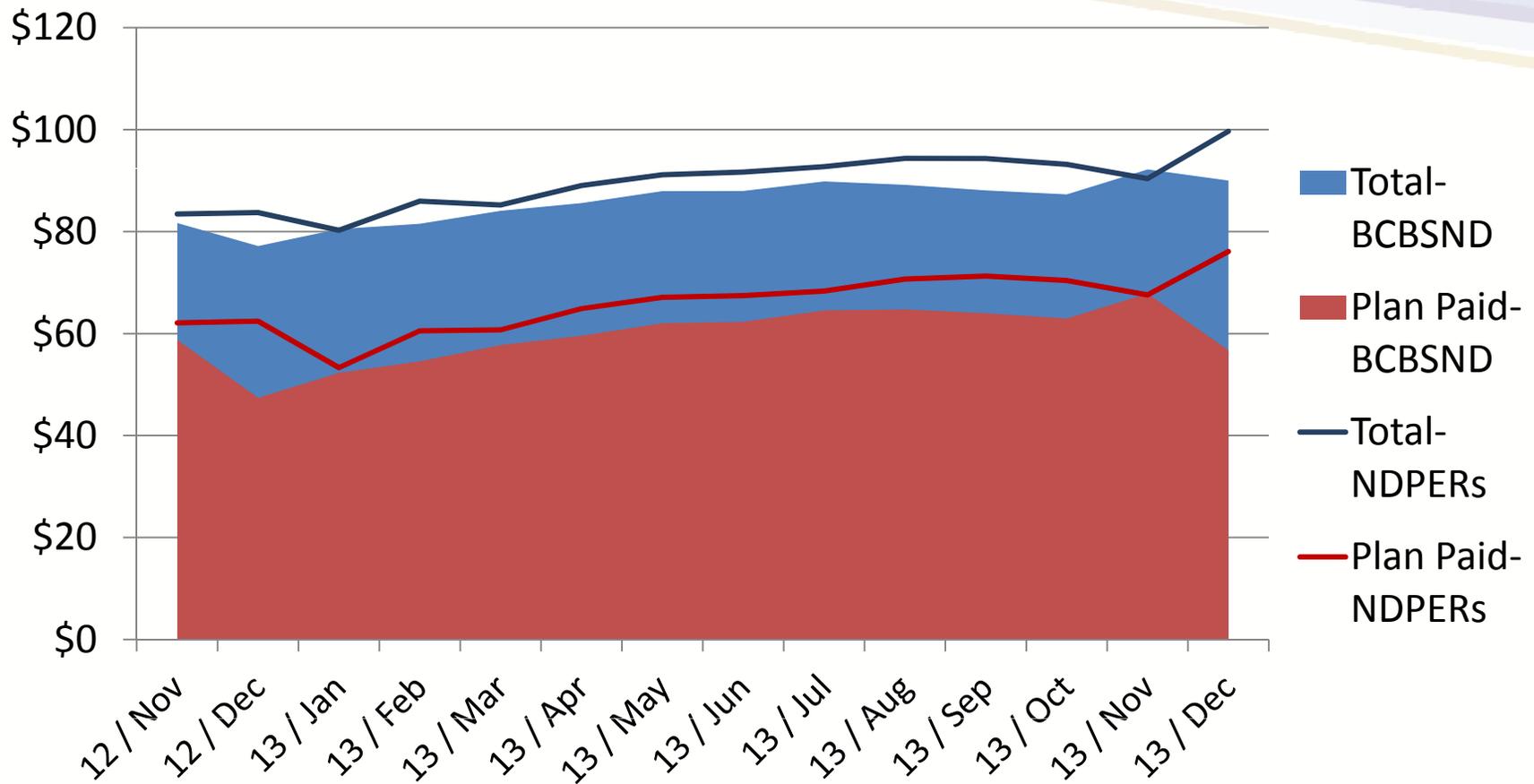
Monthly Utilization

Utilization outpaces BCBSND average in both % of members and claims per member measures



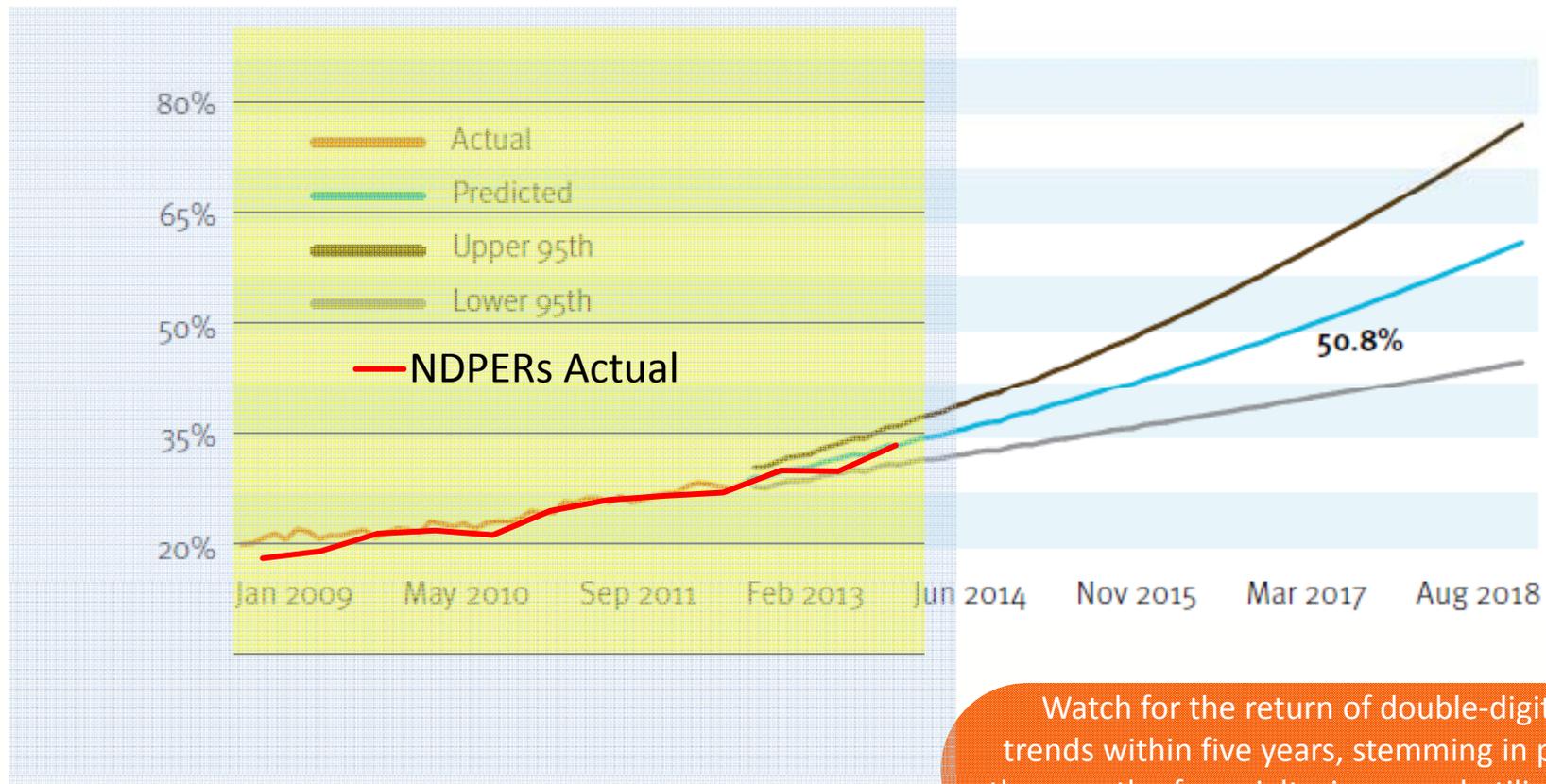
Monthly Claims Costs

Average claims costs are higher than plan average



By 2018, more than 50 percent of all drug spend will be specialty

Fig. 10 Specialty drug costs as a percentage of total drug spend



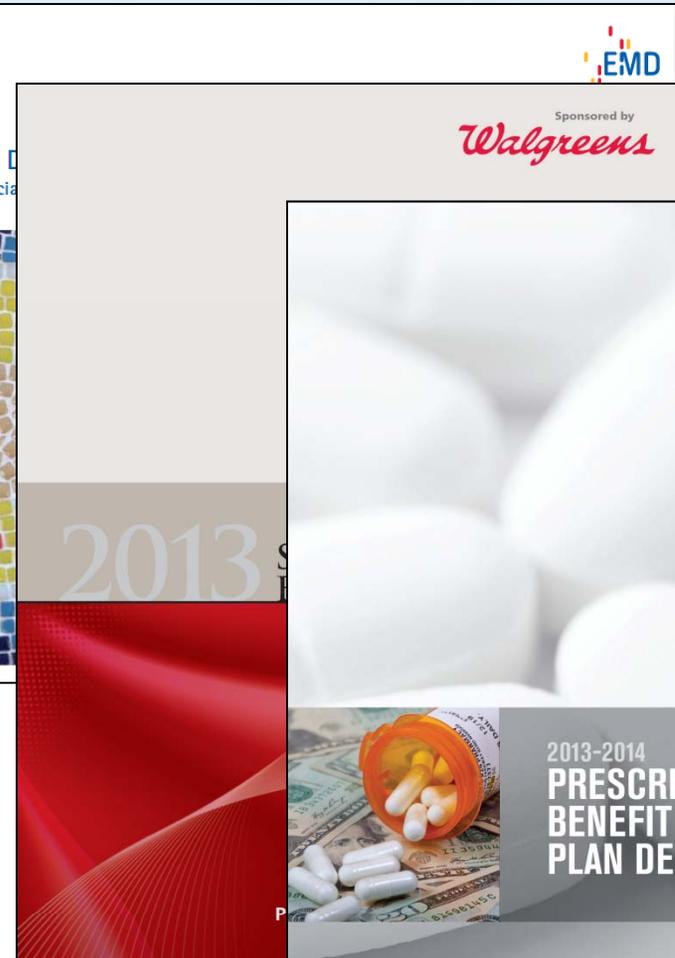
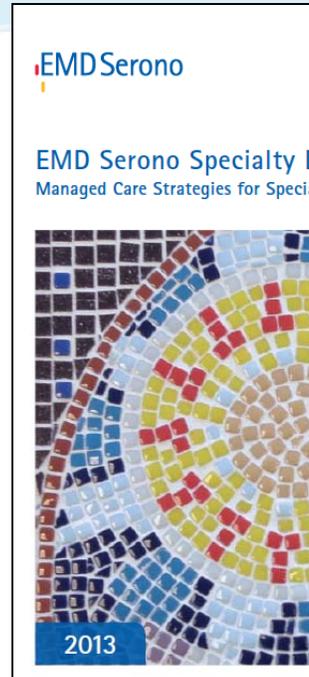
Watch for the return of double-digit drug trends within five years, stemming in part from the growth of specialty, increased utilization and aging baby boomers

Research on National Trends

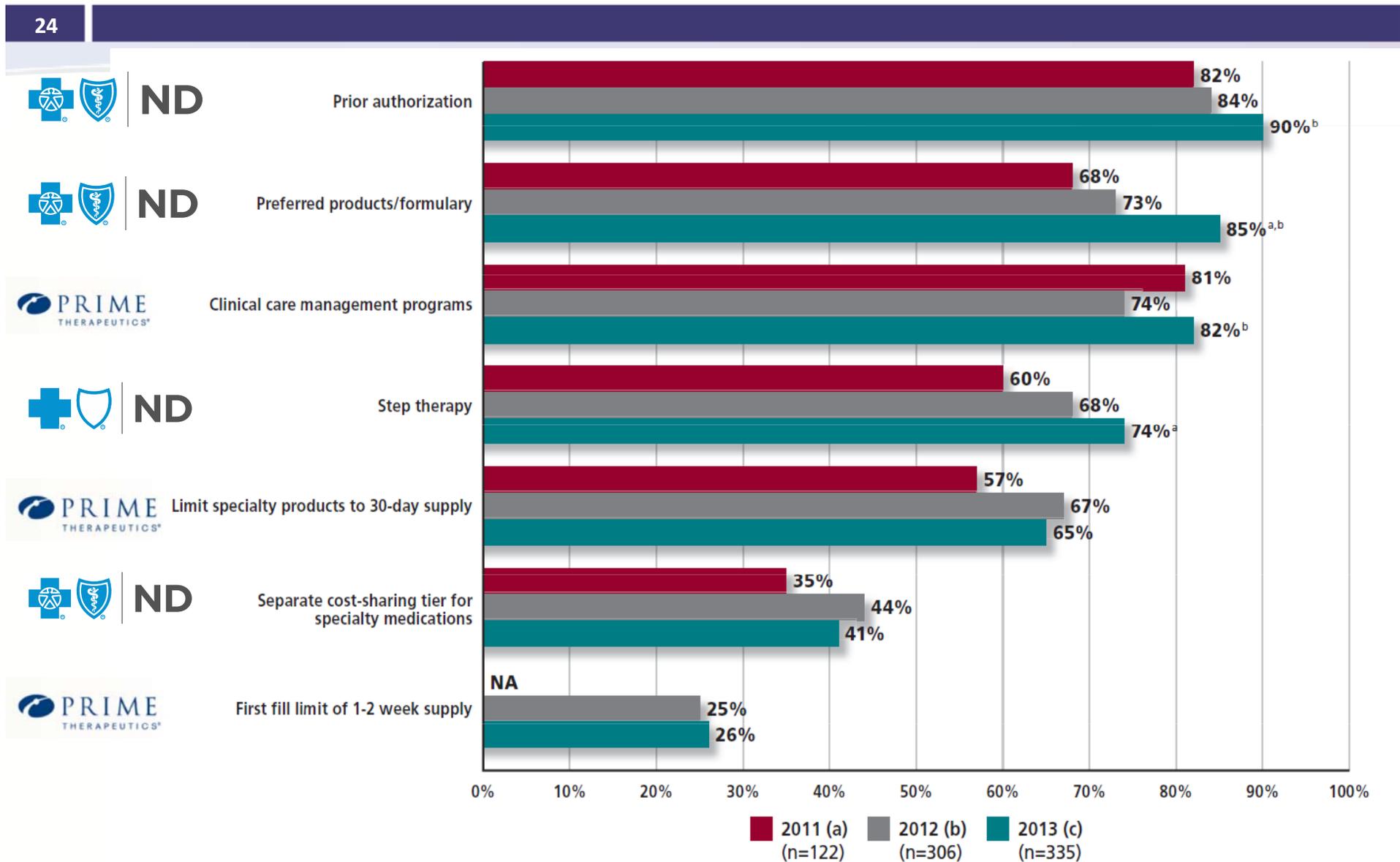
Web location available on request

Employer Surveys:

- EMD: 102 health Plans, 52% of commercial lives within geographical areas surveyed.
- Walgreens: 306 employers representing 17.6 million members, 62% in groups >5000.
- PBMI: 1st Published in 1995. 478 Plans, 22.5 million members.



Specialty Drug Management includes patient, acquisition, handling, delivery and monitoring considerations.

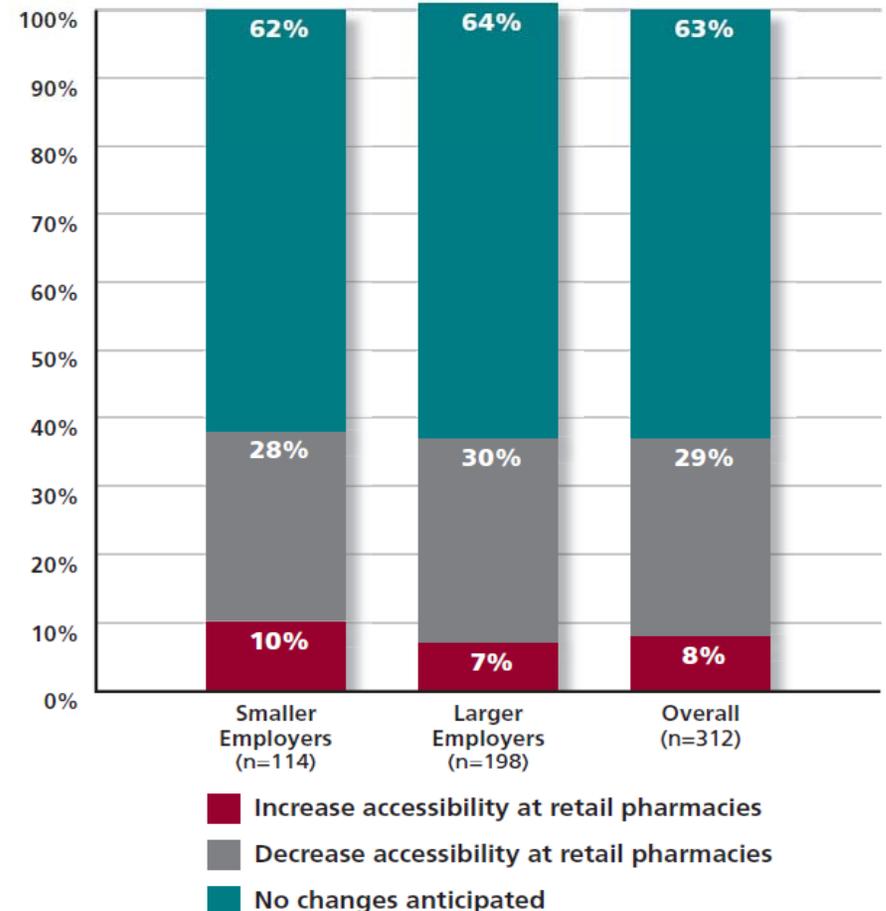
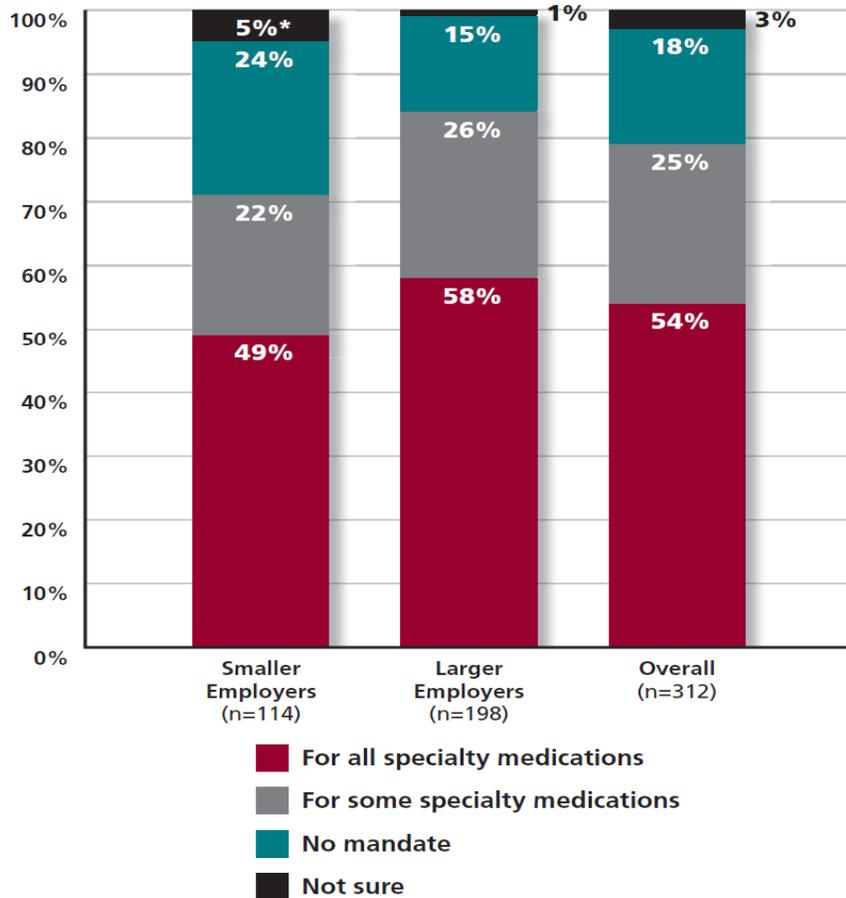


Managing Specialty

(2014 specialty Drug Report)

Approximately 80% of employer groups use **Channel Management**

Trends are to decrease access to retail channel



7 Pick the right partner

Top-performing plans know

They can't do it alone. Top performers select a trusted advisor with comprehensive capabilities and deep connections to help them anticipate and address specialty drug challenges.

Partnership is essential

The facts are clear: specialty drugs will soon become the main drivers of increased drug spending and the focus of pharmacy benefit management. How well plan sponsors deal with this challenge depends in large part on the steps they take today.

The good news is that plan sponsors don't have to do it alone. A pharmacy benefit manager's role is to inform, advise, and—most importantly—manage drug-related cost and care challenges. That's why the most critical step in successful specialty pharmacy management is finding the right partner.

Characteristics of a good partner

The right kind of partner possesses a comprehensive set of capabilities and connections and demonstrates proven expertise in drug cost management; will engage and be responsive in interactions with members and clients; and can be expected to tell the unvarnished truth about what's going on.

Most importantly, the right kind of partner places a priority on people and their health, always considering what is best for them in every decision.



Coordinated care, aligned incentives

All sorts of problems can arise when companies put revenues before people. Without careful consideration of health outcomes and total costs, some of the tactics used to create drug pricing advantages can actually end up adding costs to the health care system.

Prime's relationship with Blue Cross and Blue Shield Plans allows us to be different. Not only does this unique connection set us free to do what's right for our members and clients, it also allows us to do what's right for the industry. [Learn more.](#)

A closer
Utiliza
mana
progr

Prime's specialty utilization
in mind. Comprehensive
The results: More cost-ef

Quantity limits



have the highest prices, but they
ing treatments. Demand for the
pecialty costs.

more common, better-known
up to a newer, more expensive
e of preferred drugs.

number of new members starting
s allow lower prices to be
can drive significant savings.

not taken according to FDA
ple who do not respond to treatment.
limits in wasteful spending.

to meet certain criteria before
vent off-label drug use or to make
se who benefit from treatment.

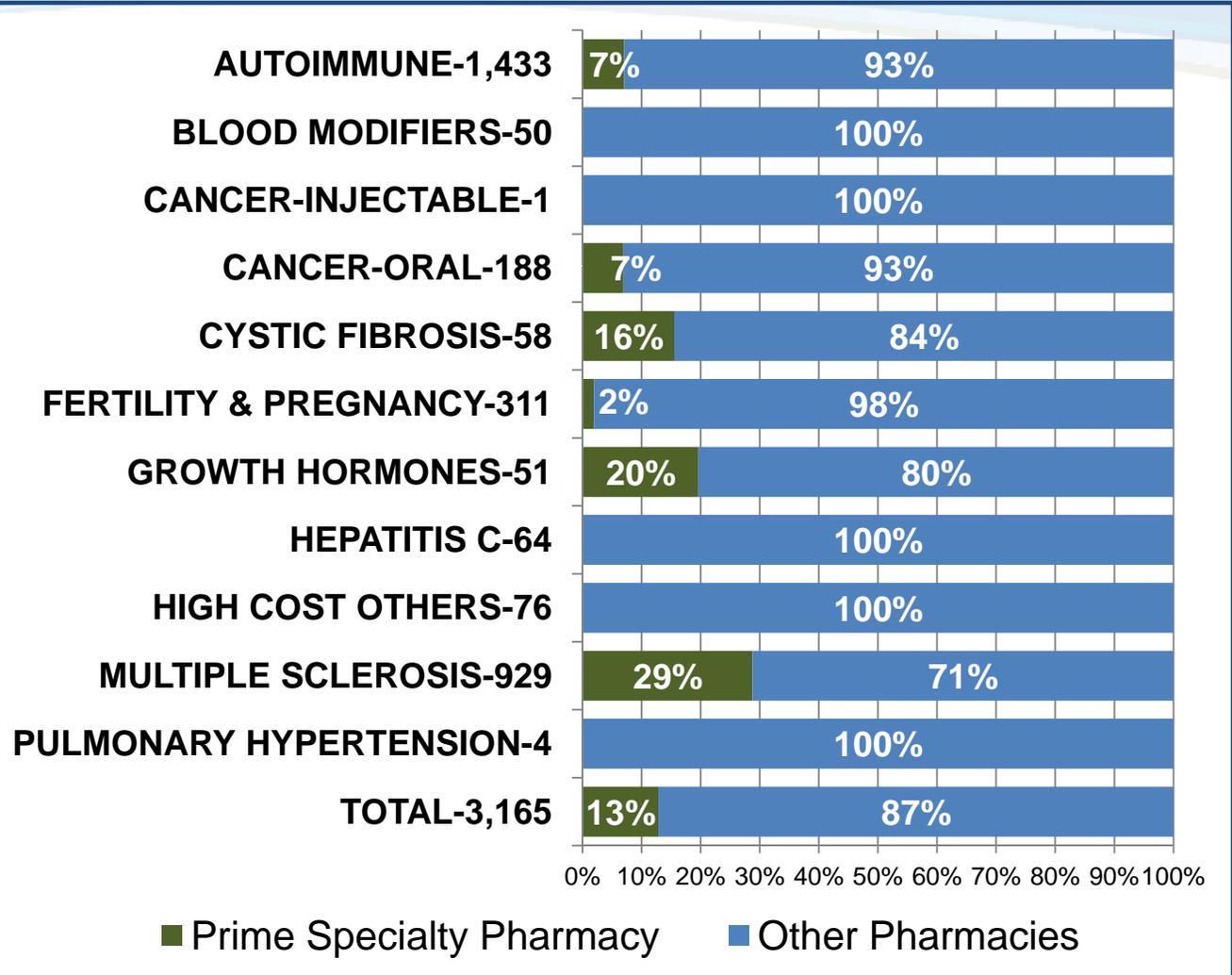
at multiple sclerosis, despite the
ss have proven equally effective.
cthar Gel costs by up to 88 percent.

Prime Specialty Campaign

PSP Campaign:

March 2013:

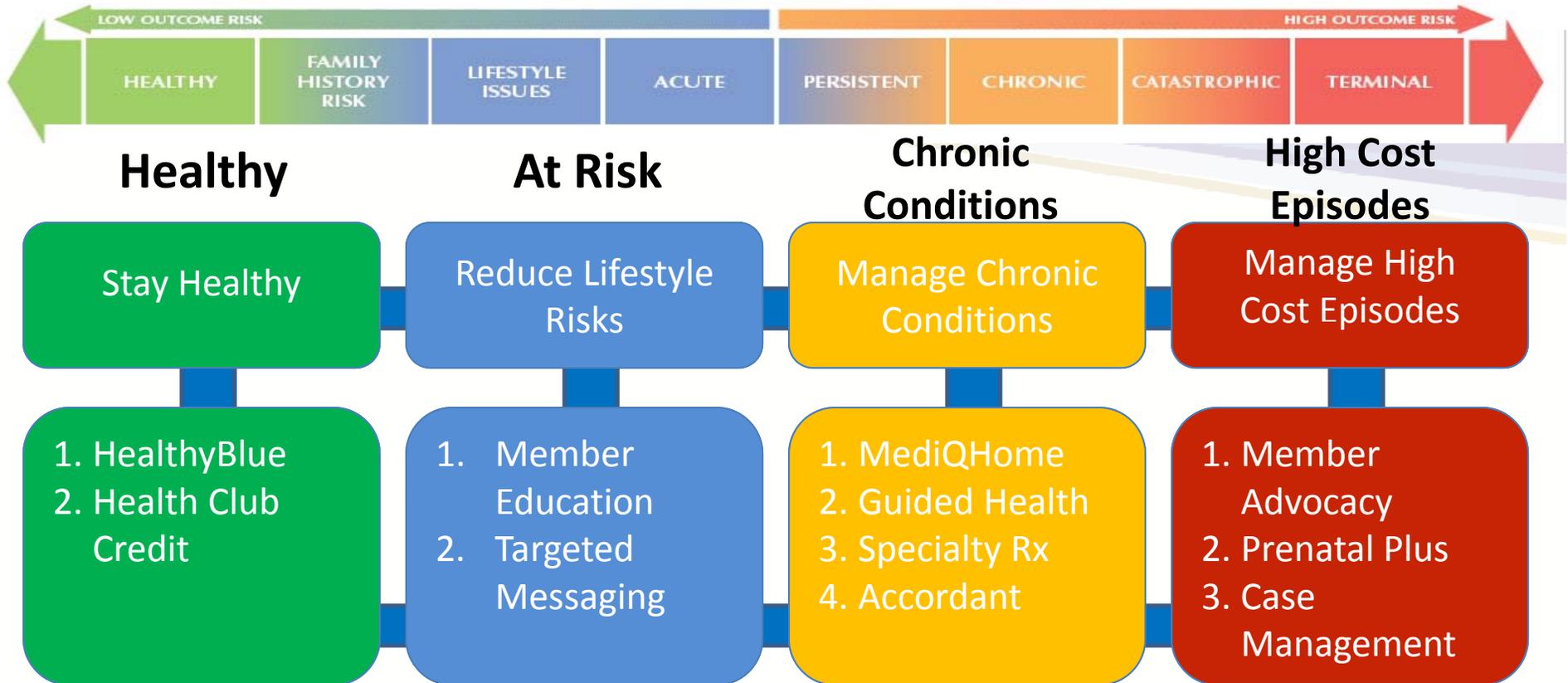
- 284 targeted NDPERs Specialty Utilizers.
- 33 new utilizers identified through close of 2013.
- PrimeSpecialty Pharmacy penetration remains low at 13% of claims.*





HEALTH MANAGEMENT

Well by Design



NDPERS Actives & Early Retirees



Health Improvement Programs

30



Member Advocacy Program

- Currently following 6 Cases



Tobacco Cessation Program

- 53 members enrolled with 53 start dates
- 35 members had claims totaling \$9,295
- Biennium Program Expenditures through 12/31: \$10,132



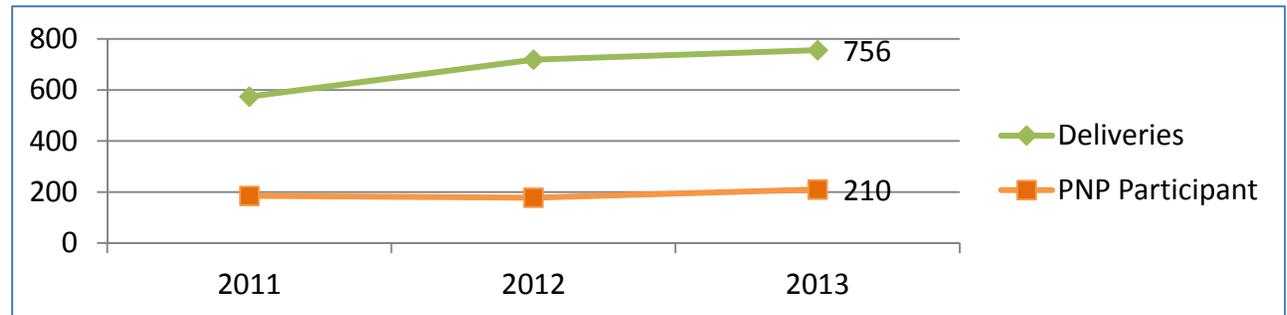
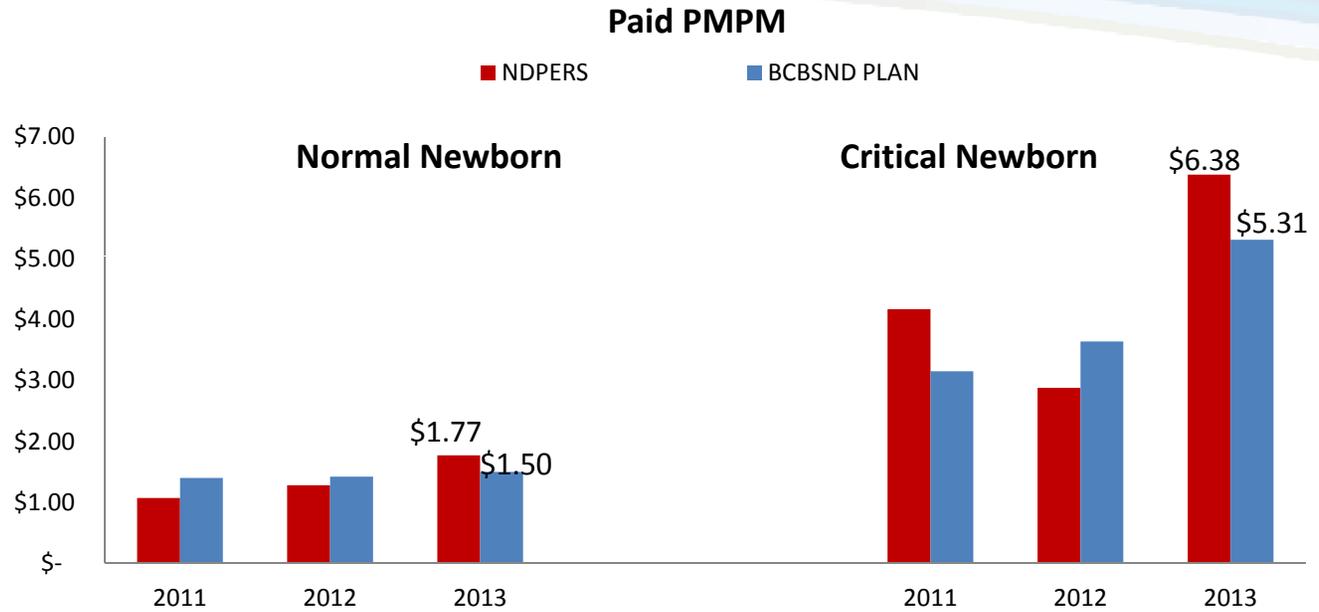
AIM Specialty Health

- April 1, 2014
- Educational
- BCBSND will require case review for selected outpatient non-emergency diagnostic imaging services. (CT, MRI, etc.)

Newborns

Opportunity:

- Prenatal Plus Program
- Average of 28% participation over last 3 years



Cancer Screening Measures

Performance Guarantees:

- Breast Cancer screening rates at 86%

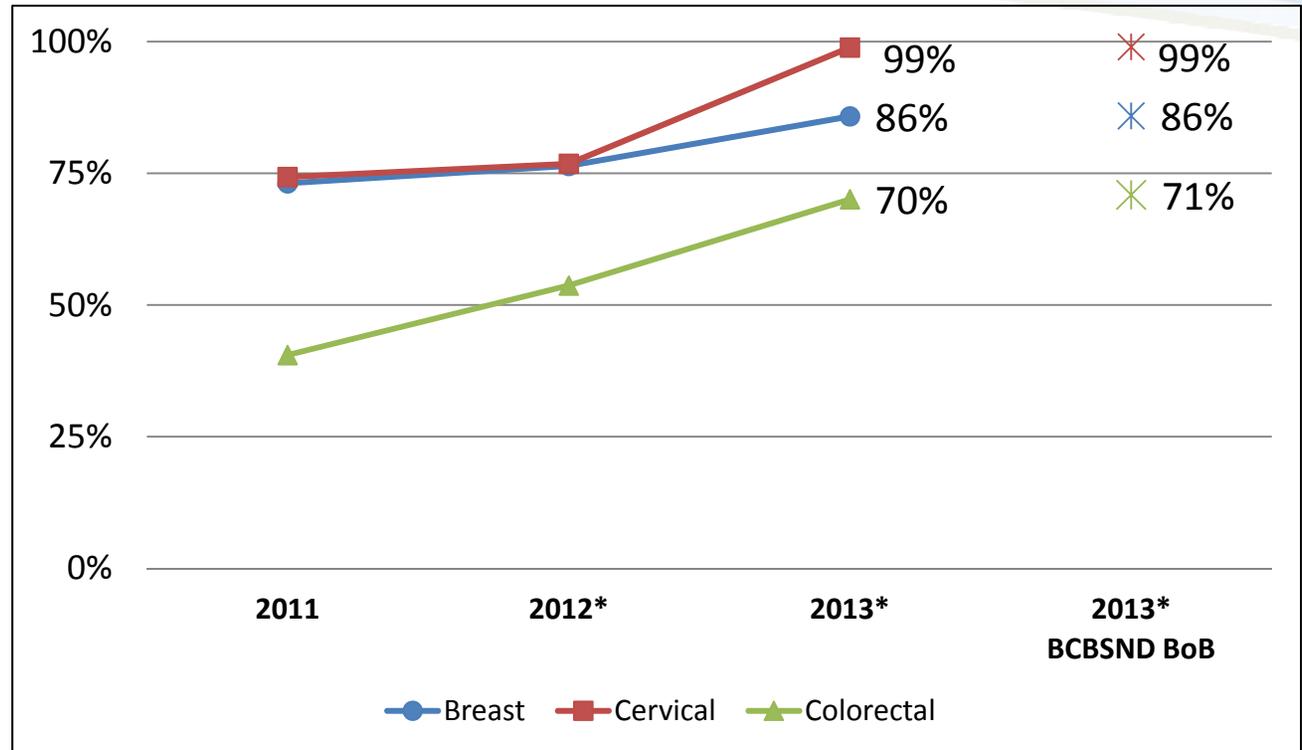
Goal = 80%

- Colorectal Cancer screening rates at 70%

Goal = 60%

- Cervical Cancer screening rates at 99%

Goal = 85%

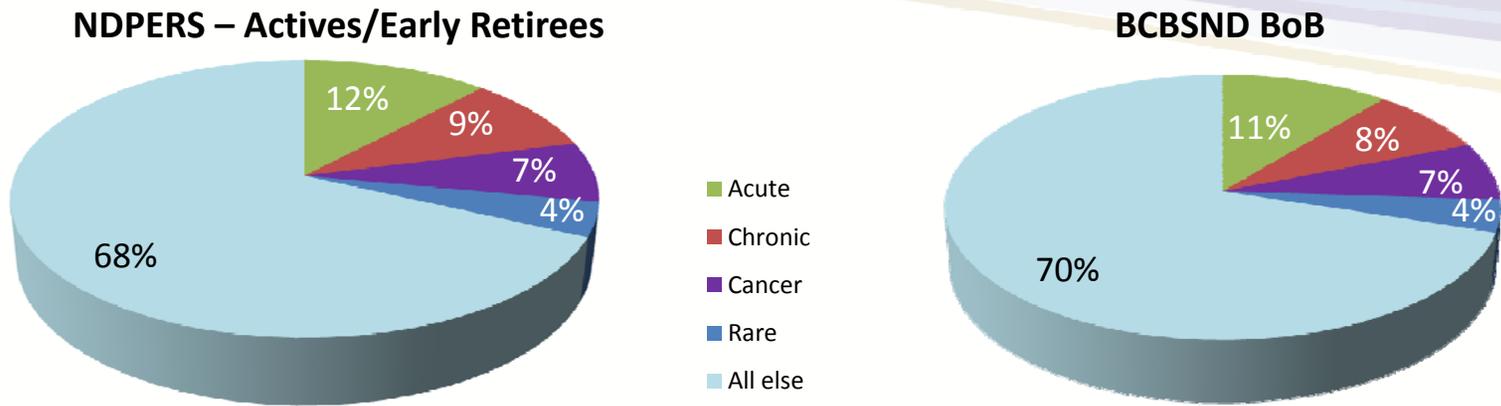


**Supplemented with MediQHome*

Includes all NDPERS members who were active on NDPERS plan as of January 2014

Top 10 Diseases

% of Total Spending by Disease Category



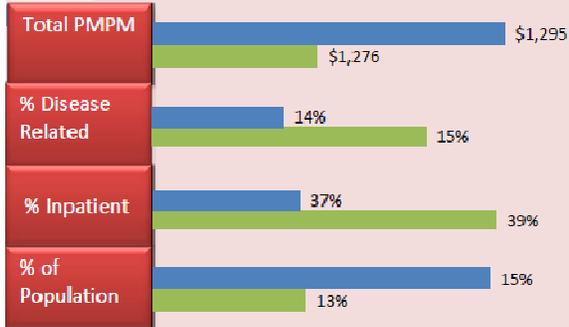
Rank	Disease	Disease Payment	Total Payment
1	Back and Spine, Pain or Condition	\$7,909,341	\$47,987,526
2	Osteoarthritis	\$6,752,286	\$18,570,630
3	Diabetes	\$6,547,363	\$34,165,186
4	Depression	\$5,828,776	\$54,695,307
5	Cancer, Breast	\$5,071,348	\$7,231,762
6	Multiple Sclerosis	\$3,026,423	\$4,568,316
7	CHF	\$2,666,840	\$7,051,448
8	Cancer, Leukemia	\$2,605,960	\$3,241,904
9	Hypertension	\$2,379,092	\$57,445,966
10	Rheumatoid Arthritis	\$2,318,455	\$5,042,309

Cost Distribution

NDPERS - Actives & Early Retirees

BCBSND - BoB

Chronic

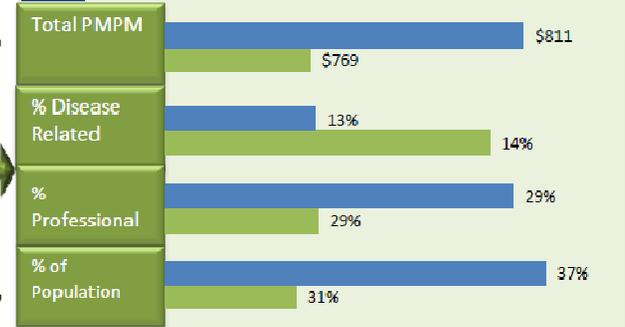


Top 5 in each Category

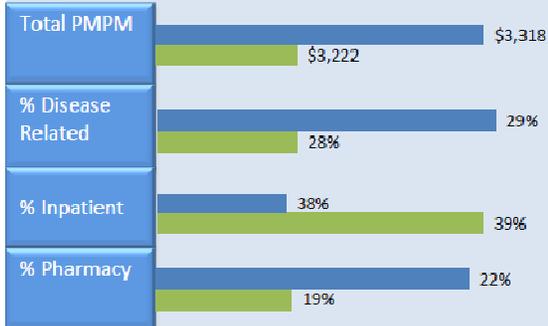
- 1) Diabetes
- 2) CAD
- 3) Hypertension
- 4) CHF
- 5) Asthma

- 1) Back/Spine, Pain or Condition
- 2) Osteoarthritis
- 3) Depression
- 4) Pneumonia
- 5) Otitis Media

Acute



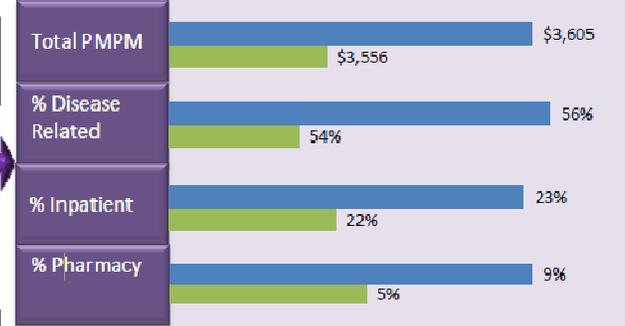
Rare



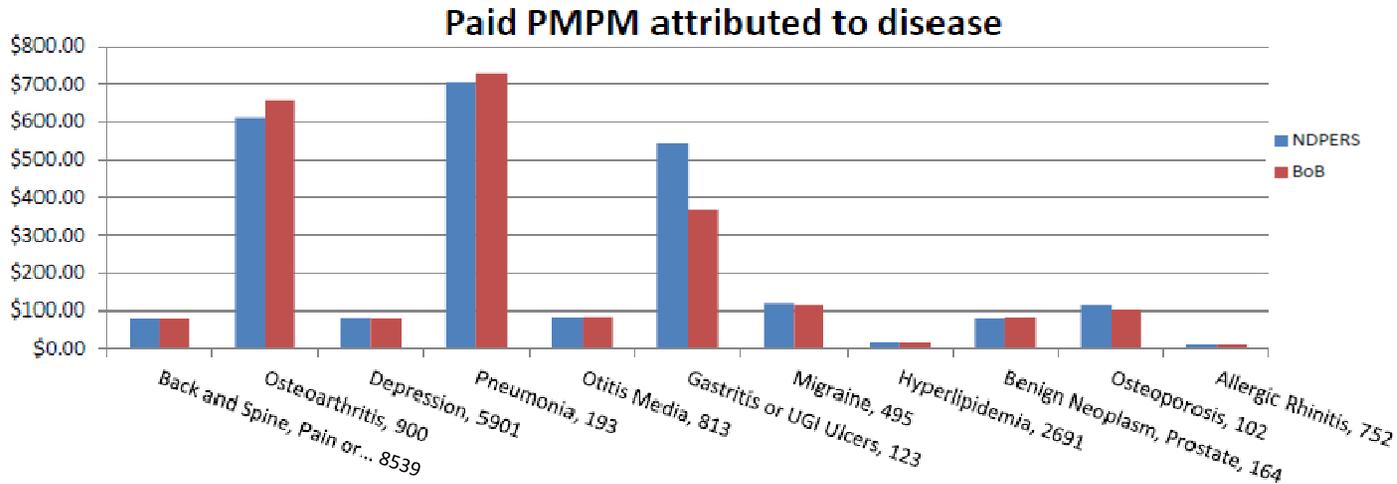
- 1) MS
- 2) Rheumatoid Arthritis
- 3) Chronic Renal Failure, ESRD
- 4) Cerebrovascular Disease
- 5) Parkinson's Disease

- 1) Breast
- 2) Leukemia
- 3) Colon, Rectum
- 4) Prostate
- 5) Skin Melanoma

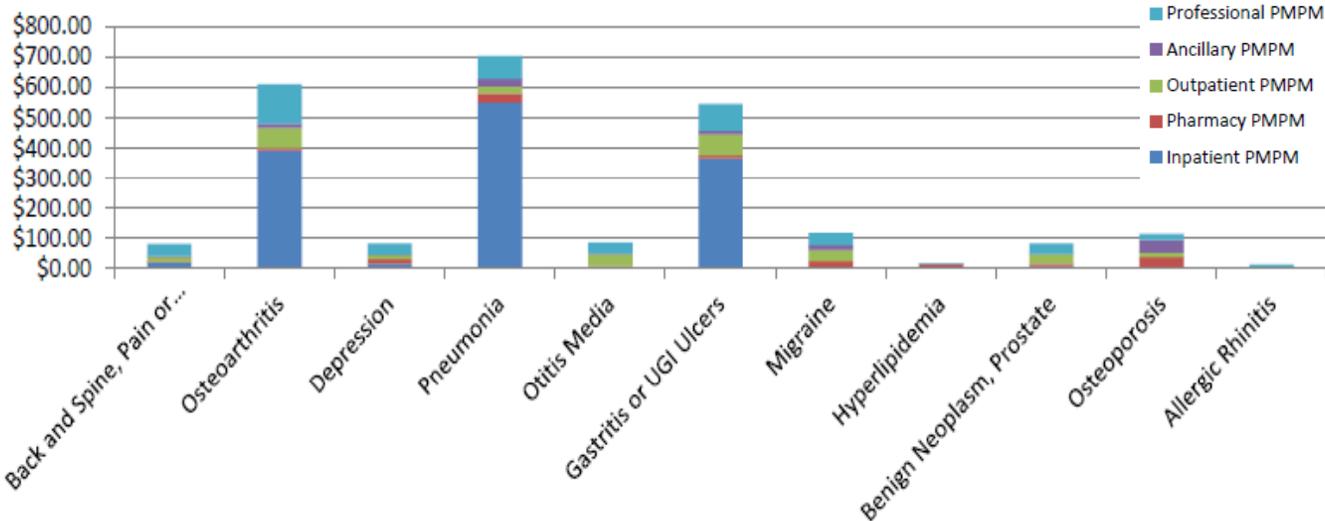
Cancer



Top Acute Conditions



Spending distribution by disease and TOS



Inpatient & OP Spend

- ✓ Pneumonia
- ✓ Osteoarthritis
- ✓ Gastritis/UGI Ulcers

Rx Spend

- ✓ Osteoporosis
- ✓ Pneumonia
- ✓ Migraine

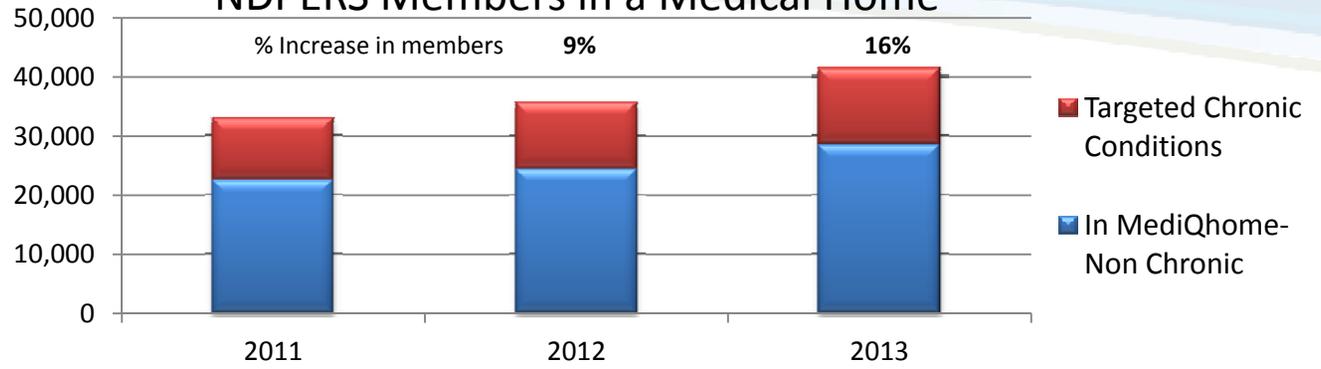
MediQHome

Performance Guarantee:

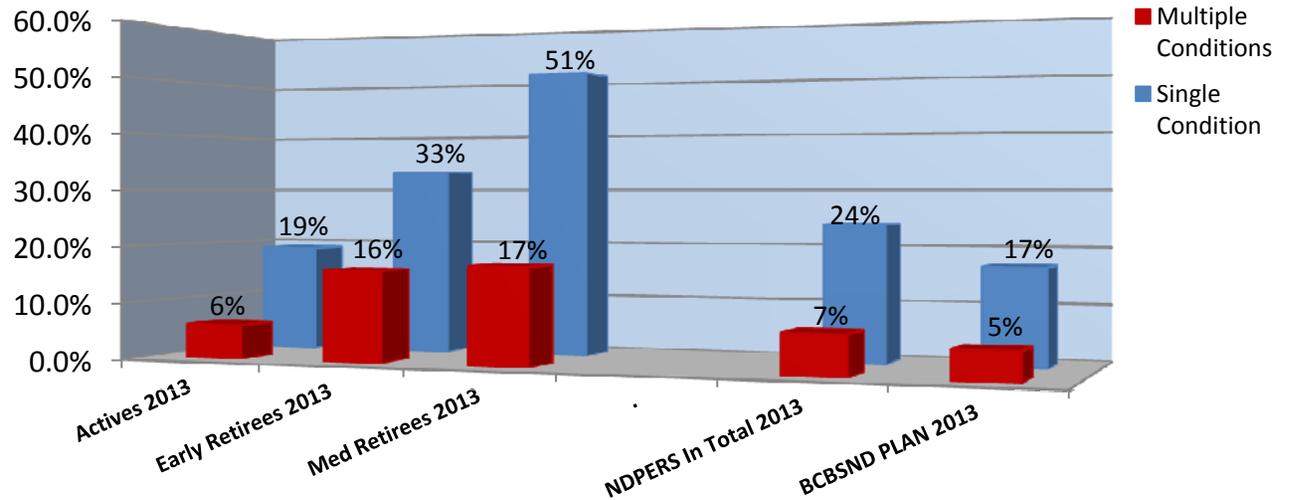
- 90% of NDPERS in state population identified in MQP

Goal = 80%

NDPERS Members in a Medical Home



Chronic Condition Members



MediQHome Findings

MediQHome Metrics	NDPERS	State Avg.	Target	% of Change
	2013	2013		From 2012
Hypertension Prevalence	23%	16%	<16%	-1%
% Overweight/Obese	73%	72%	<72%	-1%
Average BMI	29.5	29.2	<29.2	-0.1%
Optimal Diabetes Compliance	27%	24%	>24%	3%
Optimal CAD Compliance	37%	34%	>34%	6%
Hypertension Control	76%	75%	>75%	2%
<p>Green - Exceeding Target Goal</p> <p>Yellow - Exceeding State Baseline</p> <p>Red - Below State Baseline</p>				

AccordantCare

Rare and complex condition disease management

- 17 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 Gehrig's)	❖ Rheumatoid Arthritis
❖ Seizure Disorder	❖ Scleroderma
❖ Sickle Cell Disease	❖ Cystic Fibrosis
❖ Ulcerative Colitis	

	Active	Early Retiree	Medicare Retiree
Participation Rate	57% (266 members)	69% (20 members)	63% (27 members)

BCBSND BoB participation rate - 58%

Health Club Credit & HealthyBlue

39

Performance Guarantees:

Health Club Credit

- Members receiving credit will increase 10% - 2013 compared to 2014

Baseline: 1,979
Goal = 2,177

HealthyBlue

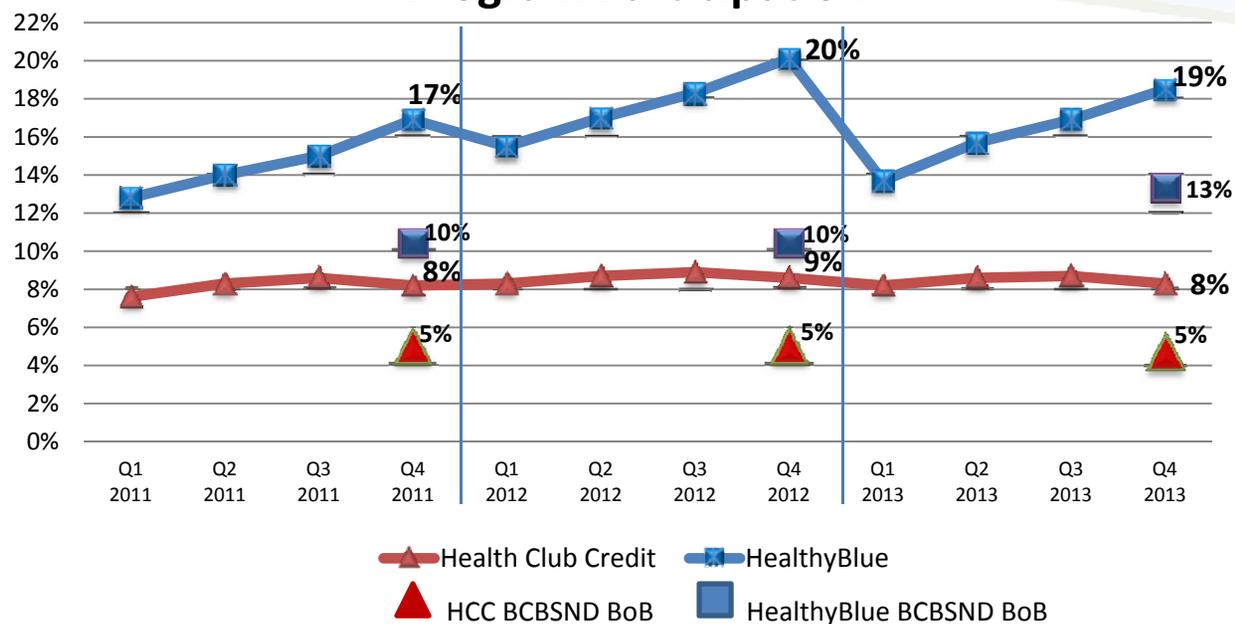
- Incentives paid will increase by 10% over 2013 rate

Baseline: \$528,907
Goal = \$581,798

- HRA Completions by 12/31/2014
Goal = 17%

- HRA score: 5% point increase by 12/31/2014
Baseline: 52
Goal = 55

Program Participation



Health Club Credit	2013
Credits Paid	\$492,294
Members receiving credit	1,979

HealthyBlue	2013
Redemptions	\$528,907
HRA Completions	8,087
HRA Score	52

HealthyBlue Program Results

40

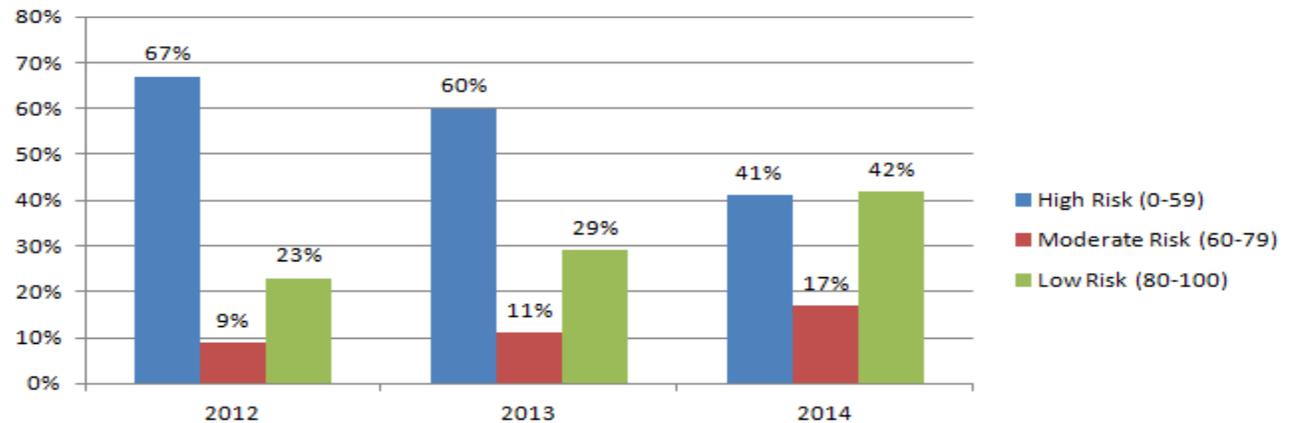
Key Points

- 43,682 eligible members
- 97% of users are satisfied with HealthyBlue

"I joined HealthyBlue because of the benefits of improving my health." –NDPERS Member

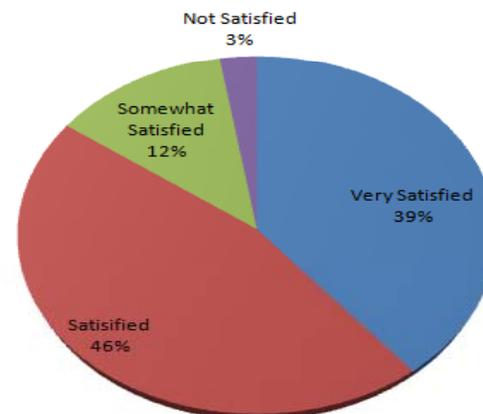
"The HealthyBlue website has reinvigorated our wellness program." –NDPERS Wellness Coordinator

Self Reported HealthyBlue Risks



*2014 includes HRA completions from 01/01/2014 - 02/28/14

2013 NDPERS HealthyBlue Satisfaction Survey

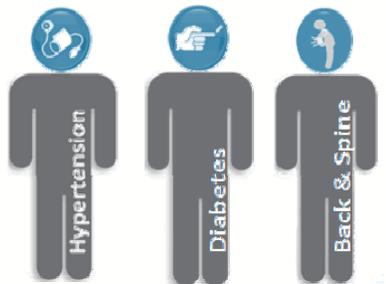




OPPORTUNITIES

2014 Focus Areas

42



- **Excite**
 - Promote mobile app functionality
 - Promote devices
 - Wellness Star of the Month
- **Engage**
 - Lt. Governor's Award
 - National Walk @ Lunch Day
- **Empower**
 - Targeted Messaging
 - Guided Tutorials

2014 Focus Areas

43



Restricted and/or Confidential

Performance Standards and Guarantees

44

Measure	Goal	12/31/2013
Cost Management (measurement period : by 12-31-14)		
HRA Completions	17%	19%
HRA Score	5% point increase in the 2013 NDPERS group aggregate HRA wellness score 55	52
HealthyBlue - incentives paid	10% increase over 2013 incentives paid \$581,798	\$528,907
Health Club Credit - members receiving credit	10% increase over 2013 members receiving credit 2,177	1,979
Health Outcomes:		
Members enrolled in a Medical Home	80%	90%
Breast Cancer Screening Rates*	80%	86%
Cervical Cancer Screening Rates*	85%	99%
Colorectal Cancer Screening Rates*	60%	70%
Operational Performance:		
Claims Financial Accuracy	99%	98%
Payment Incident Accuracy	97%	99%
Claim Timeliness	99%	99%
Average Speed of Answer (in seconds)	30 seconds or less	25
Call Abandonment Rate	5% or less	2%
Provider Network Management:		
NDPERS PPO network	92% (or more) participation	99.6%
Provider Discount for non-Medicare contracts	30% or more	53%

*Cancer screening rates are a culmination of MediQHome and Optum claims data

Restricted and/or Confidential

Green – meeting goal
Red – below goal
Purple – neither above nor below

Future Considerations

45

- Telehealth
- Gamification
- Specialty Pharmacy
- Cost sharing adjustments allowed within a Grandfathered plan
 - Office Visit Copay
 - Emergency Room Copay
 - Rx Copay & Coinsurance Maximum

A decorative wavy banner with a blue and yellow color scheme. The banner is composed of several horizontal stripes of varying shades of blue and yellow, creating a dynamic, flowing effect. The word "QUESTIONS?" is written in white, bold, uppercase letters across the center of the banner.

QUESTIONS?



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

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

FAX: (701) 328-3920 • EMAIL: NDPERS@state.nd.us • discovernd.com/NDPERS

Memorandum

TO: NDPERS Board

FROM: Sparb

DATE: March 11, 2014

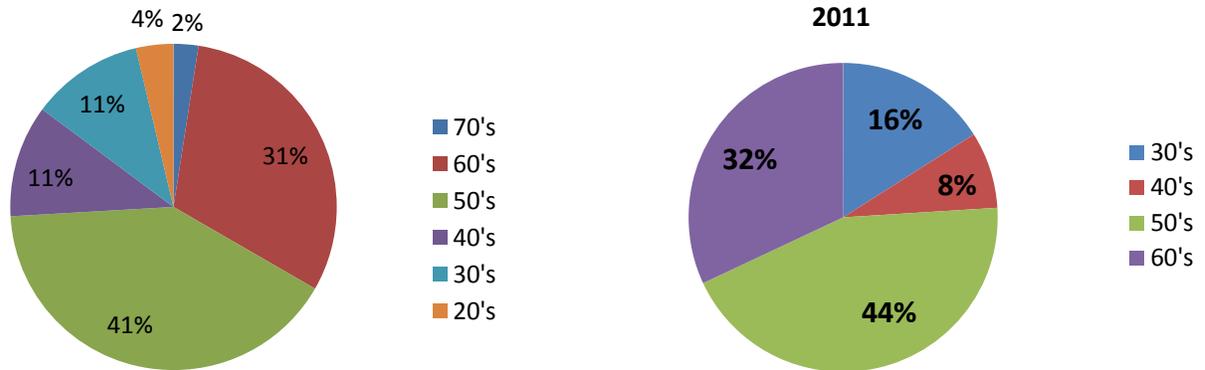
SUBJECT: About the Patient

Dr. Wendy Brown will be at the Board meeting to discuss the About the Patient Program (refer to attached information)

**NDPERS Diabetes Management Program
July 2013 – March 2014 Summary**

Demographic

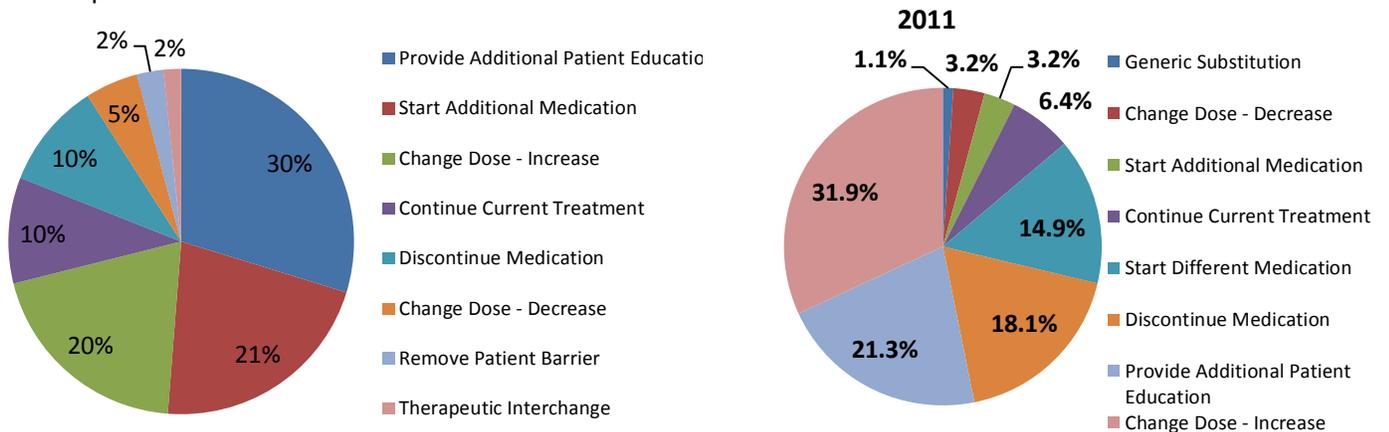
Within the 9 month reporting period, 52% of the actively participating patients are male. Age distribution is demonstrated below:



Marketing efforts have increased enrollment. Currently have 198 (5.6% of eligible population) with signed wellness forms.

Interventions

Within the 9 month reporting period there were 121 interventions made by the providers in collaboration with the patients in order to manage diabetes and prevent costly complication. Descriptions of intervention are listed below:



The most common reason for providing additional patient education was regarding insulin. The pharmacist was able to clarify how the patient should be taking their insulin especially the rapid acting formulations.

The most common recommendations for starting medication related to ACE inhibitor use for renal protection or untreated dyslipidemia. Most increase dose recommendations were for insulin where 50% were for basal insulin and 50% for rapid insulin.

Visit 1 group averages: Hgb A1C: 7.4% (Goal < 7%), Fasting Plasma Glucose: 133 (Goal 70-130mg/dL).

Patient Satisfaction with Program

Based on a 5 point Likert scale where 5 is excellent and 1 is poor.

	Current	2011
1.) Professional appearance of the provider	5.0	4.7
2.) Appearance of the meeting area	4.8	4.3
3.) System for scheduling your appointment	4.8	4.7
4.) The provider's interest in your health	4.9	4.7
5.) How well the provider helps you manage your medications	4.3	4.3
6.) How well the provider explains possible side effects	4.1	4.3
7.) The provider's efforts to solve problems that you have with your medications	4.3	4.3
8.) The responsibility that the provider assumes for your drug therapy	4.2	4.3
9.) Ability of the provider to answer your questions about your medications	4.4	4.3
10.) Ability of the provider to answer your questions about your health problems	4.4	4.3
11.) The provider's efforts to help you improve your health or stay healthy	4.9	4.7
12.) The program services overall	4.3	4.7
13.) Ability of the provider to see you at your scheduled time	4.8	4.3
14.) Courtesy and professionalism of the staff	5.0	4.7
15.) Follow-up after the appointment	4.8	4.3
16.) The educational materials provided	4.9	4.3

Satisfaction among participants in the program remains high.



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

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

Memorandum

TO: NDPERS Board

FROM: Kathy

DATE: March 10, 2014

SUBJECT: HealthyBlue Terms & Conditions

We have had a member express concerns about the waiver language contained in the 2014 Authorization for Release of Information on the HealthyBlue web site wellness program. The language at issue has to do with a waiver of rights concerning the disclosure of protected health information.

The member will be in attendance to present their concerns about this provision as outlined in the attached memorandum. Representatives of BCBS will also be in attendance to discuss this issue.

Memorandum

TO: Sparb Collins, NDPERS

FROM: Kevin Schoenborn, BCBSND

DATE: November 7, 2011

SUBJECT: Discussion on *Authorization for Release of Information – Wellness Programs* language on the HealthyBlue portal.

Mike Carlson, BCBSND Manager of Wellness Services and Rebecca Nichol, Associate General Counsel & Privacy Officer, will be at the March 20th Board meeting to answer questions derived from NDPERS members with concerns on the *Authorization* language contained on the HealthyBlue portal. The language intends to inform members that certain data elements are passed on to BCBSND partners for the administration of wellness program.

Recommendations to change the *Authorization for Release of Information – Wellness Programs* language have been received from NDPERS members and this information will be discussed.

**TO: NDPERs Board
Kathy Allen**

FROM:

DATE: January 16, 2014

SUBJECT: Healthy Blue Wellness Program Terms and Conditions

The North Dakota Public Employees Retirement System is in support of promoting the Healthy Blue Wellness Program offered through Blue Cross Blue Shield of North Dakota. This recommendation is to make a change in the terms and conditions of this program by deleting a portion of the waiver requirements.

Currently the Health Blue program has a two-prong set of terms and conditions that cover release of health information. One portion covers information that employees willingly disclose on the Healthy Blue website. If an employee discloses that they are concerned or have issues with high blood pressure, diet, cancer, or diabetes, etc, then specific information in these areas is provided to the employee to assist with their wellness. Having access to this information and encouragement of healthy habits is beneficial.

However, the information from the Healthy Blue program is only available under condition that the employee also agrees to an additional set of conditions. The second set of conditions requires state employees to authorize BCBSND to disclose employee's protected health information within their system. The definition of protected health information in the waiver includes all data and information in the BCBSND systems including claims, treatments, diagnostic tests, screenings, and prescriptions. There is no distinction in the waiver concerning information protected by HIPPA. I have expressed concern with the broad nature of this waiver and in addition concern with NDPERS supporting and recommending employee involvement in a program that requires acceptance of an extremely broad disclosure of any protected health information in BCBSND records.

Recently BCBSND, in discussion with NDPERS staff, have indicated the NDPERS portion of the Healthy Blue program could remove the second set of conditions if requested by the NDPERS Board.

I recommend the NDPERS Board approve removal of language in the Healthy Blue Wellness Program that requires employees to allow disclosure of any protected health information within the BCBSND system as a condition of enrollment in the program. The specific language is highlighted in the attached copy of the Terms and Conditions.

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Language
to be
removed

2014 Authorization for Release of Information – Wellness Programs

Instruction to Members:

I authorize Blue Cross Blue Shield of North Dakota (BCBSND) to disclose my protected health information, or personal information if I am not a BCBSND member, to my employer (if my health plan is self-funded) and to designated wellness vendors, to be used for administration of my wellness programs or incentives program(s). If my contract number changes during 2014, this Authorization will transfer to your new BCBSND contract number.

I understand that this Authorization is voluntary. My refusal to authorize disclosure of information to wellness vendors and my employer (if my health plan is self-funded) and will have no effect on my enrollment in BCBSND health plans.

I understand that my protected health information includes, but is not limited to, all data and information in the BCBSND systems, including claims, as a result of medical encounters, treatments, diagnostic tests, screenings, prescriptions, and/or case management activities.

I understand that if the recipient of this information is not a health care provider or health plan covered by federal privacy regulations, this information may be re-disclosed and no longer protected by these federal regulations. My BCBSND health plan is subject to federal privacy regulations and will not re-disclose this information except as allowed by law.

I understand that I have the right to revoke or end this Authorization at any time. I understand that in order to revoke this Authorization I must do so in writing to my BCBSND health plan. I understand that my revocation of this Authorization will not affect any action that has been taken, or any information that has already been used or disclosed, based upon this Authorization before my BCBSND health plan actually received my revocation.

This authorization will remain in effect until 12/31/2014.

I have had full opportunity to read and consider the contents of this authorization.

I am authorizing the use and/or disclosure of information as described above.

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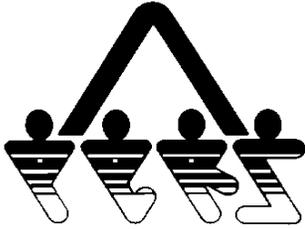
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12. Credits and Attributions

Credits and Attributions



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

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

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

Memorandum

TO: PERS Board
FROM: Sparb
DATE: February 13, 2014
SUBJECT: Health Consultant

At the last meeting we discussed if we should continue with Deloitte as our group insurance consultant for the next two years. It was decided that we should get an offer from them. Attached is a letter from Pat with Deloitte. Unlike our retirement consultant which has certain specific projects during the course of the contract, our health consultant is an advisor based upon specific questions that arise during the course of the contract. The only exception to this is the health bid. You will note that Pat included the estimated cost of that effort in the Health Plan placement memo. Consequently, for the other efforts their costs are billed on an hourly basis. Reflected on the attached memo is the hourly rates for Deloitte.

Areas that we need general consulting help include:

1. Implementation of the shared responsibility rules
2. Implementation of other parts of the ACA
3. HIPPA
4. COBRA
5. Part D Renewals
6. Other group insurance areas such as dental, vision and life

Staff would recommend continuing with Deloitte for the next two years to maintain the continuity for implementation of the ACA.



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50 South Sixth Street
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February 10, 2014

Mr. Sparb Collins
North Dakota Public Employees Retirement System (NDPERS)
400 East Broadway, Suite 505
Box 1214
Bismarck, ND 58502

**Subject: North Dakota Public Employees Retirement System (NDPERS)
2014 – 2015 Consulting Services**

Dear Sparb:

Deloitte Consulting was asked to provide our hourly billing rates for providing our consulting services over the next two years. The billing rates were not increased for 2013, so the proposed rates do reflect a small increase from 2012.

Consulting Title	2014 Hourly Billing Rate	2015 Hourly Billing Rate
Director	\$480	\$495
Senior Manager/Specialist Leader	\$430	\$450
Manager	\$400	\$420
Analyst/Consultant	\$235	\$250

Our billing rates include expenses for overhead, but exclude travel expenses, which are subject to approval in advance by you.

We look forward to continuing to work with you and the PERS Board.

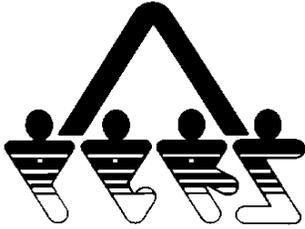
If you have any questions, please contact me at 612.397.4033 or at ppechacek@deloitte.com.

Sincerely,

Deloitte Consulting LLP

By: 
Patrick L. Pechacek
Director

cc: Josh Johnson



**North Dakota
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Memorandum

TO: PERS Board
FROM: Sparb
DATE: February 13, 2014
SUBJECT: Health Plan Placement

Attached is a memo from Deloitte concerning the upcoming bid for the group health plan.

The primary question we need to address is how to move forward with the plan. A final decision does not need to be made at this meeting, but should be made by the March meeting especially if we elect to do a 6 year bid for both a fully insured and self insured plan.

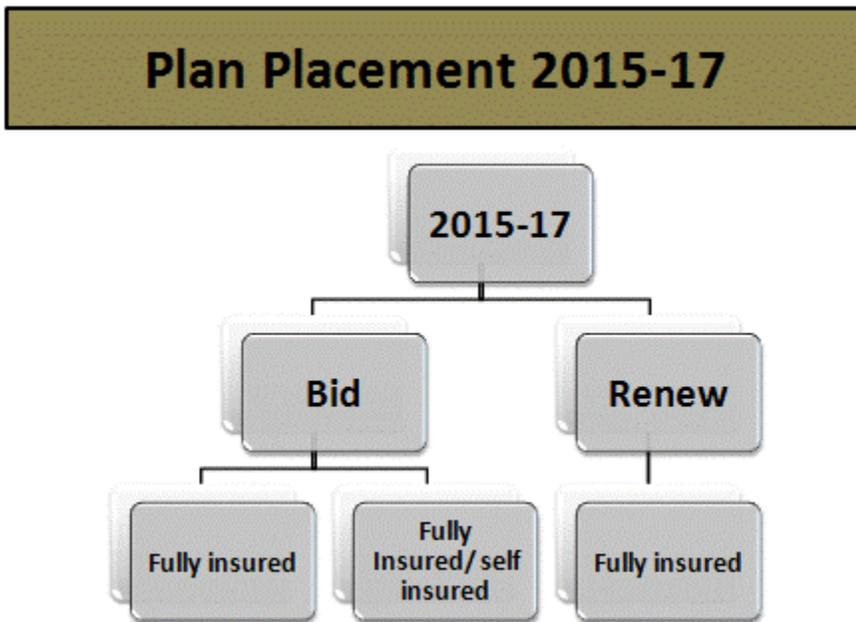
The existing contract with BCBS expires June 2015. It has been our past practice to issue RFP's for both fully insured and self insured bids for a six year period. In 2011 and 2013 we elected to issue the bid for two years and for fully insured for the following reasons:

1. At that time it was understood that changing carriers would have resulted in the plan losing its "Grandfathered" status under the health reform bill.
2. Due to the evolving nature of the health care marketplace because of health care reform, it was felt it would be difficult for PERS to fully consider a self insured product since we would not be able to clearly understand the extent of the financial and actuarial risks to the plan. More specifically, health care reform and its implications could cause a plan to face new risks that could not be fully understood or quantified

that would limit our ability to fully understand the implications of self insurance. In addition, given the time, effort and resources required to submit and review a bid, it was felt it would not be fair to vendors to ask for a bid that we could not fully consider given the above.

3. We also noted some NDCC statutory provisions that limited our ability to fully consider self insurance. Legislation was submitted and approved relating to these concerns

We are now in 2014 and have the same set of decisions before us and some of the same uncertainties.



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The first set of decisions is do we bid for a fully insured plan only or fully insured and self insured. The following are some considerations:

Plan Placement 2015-17	
Fully insured only	Fully insured/self insured
<ul style="list-style-type: none"> • The demographics of our group could change in the next 2 years <ul style="list-style-type: none"> – the continued implitation of the employer requirements may motivate some employer to stop offer coverage – Small employers are required to leave the PERS plan – The state is studying changing its premiums policy • The full scope of ACA on the marketplace is not yet certain • Under statute if we select self insured it must be a 4 year commitment (54-52.1-04.1) which may be difficult in today' environment. • If we are not able to fully consider self insured we are putting a lot of firms through a lot of work which could effect their willingness to submit latter when we can give it full consideration 	<ul style="list-style-type: none"> • The consultant cost is higher • Even if we are not able to accept self insured we could get a picture of what the market has to offer

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Due to ACA, our changing demographics and longer contractual commitment required to self insure, **staff is recommending fully insuring for the 2015-17 period.**

The second set of decisions is to bid or renew with BCBS. The following are some considerations:

Plan Placement 2015-17	
Bid	Renewal
<ul style="list-style-type: none"> • Check the marketplace to insure best pricing • If we are not prepared to accept self insured we would likely get one maybe two bids • If we are prepared to accept self insured then we would get more bids but risk would be transferred to state 	<ul style="list-style-type: none"> • Maybe the safest in the unsure environment of ACA <ul style="list-style-type: none"> – Losing political subdivisions – Implementing employer requirements • State study of having state members pay part of premium

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In addition to the above, please note that in our last RFP we stated:

Term of Contract

The North Dakota Public Employees Retirement System is governed by North Dakota State statutes, which includes a requirement to solicit bids for medical benefits coverage for a specified term for a fully-insured arrangement and every other biennium for an Administrative Services arrangement. NDPERS has determined that the specified term for providing such hospital and medical benefits under a fully-insured arrangement shall be two years however NDPERS reserves the right to extend the agreement subject to negotiation with the successful vendor for another two years if the Board deems it necessary. (underlining added)

Staff would suggest that we invite BCBS and Deloitte to the next meeting to discuss the possibility of renewing the contract for two years. After that discussion we can decide how to proceed.

Also, note in the Deloitte memo their estimated cost for the different efforts. **Staff is recommending that we continue with them for the effort selected.**

February 7, 2014

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CONFIDENTIAL

Mr. Sparb Collins
400 East Broadway, Suite 505
Box 1214
Bismarck, ND 58502

Subject: Upcoming Biennial Health Plan Strategy

Dear Sparb:

Deloitte Consulting was asked to provide recommendations regarding the upcoming two-year health plan rating cycle. Essentially, there are two avenues open to PERS at this time. The first is to seek competitive proposals through a procurement process for either fully or self-insured arrangements. The other option is to request a renewal proposal from BCBS. We were also asked to provide a fee estimate to assist PERS with either of these activities.

Fully Insured vs. Self-Insured

Several environmental factors need to be considered as part of this consideration:

- There continues to be some uncertainty around the Affordable Care Act and how it will continue to be implemented and modified. However, it is less of an issue than when PERS was faced with the same set of decisions two years ago.
- Due to changes in North Dakota legislation, the size of the PERS pool may begin to shrink in size due to the loss of smaller non-grandfathered plan groups. Again, on its own, this should not present a significant issue.
- It is our understanding that the legislature is giving serious consideration to requiring employee contributions. If that were to occur, some employees would likely opt out of the program. Those opting out would likely be less costly than those that remain in the program.

Taking several of the environmental factors into consideration would seem to argue that PERS should take less risk. Given that to be the case, it would be prudent to continue the existing funding arrangement for the plan.

Competitive Bids vs. Renewal

Assuming that there is a competitive marketplace, PERS could expect to receive the most aggressive proposals by bidding the health plan. In the last bid process that was the case when Sanford provided a competing proposal.

However, Sanford appeared to have underestimated the financial pricing as well as the operational challenges in providing PERS with the required services. At this point, we don't have any reason to believe that Sanford would be any better prepared than during the last bid. We would suspect that the cost proposal would be less aggressive as well. Neither we, nor PERS staff, have had any discussions with Sanford since the last bid process.

The underlying question then is whether BCBS would view Sanford as a viable threat to winning the bid at this time. If they do, then they may be much more aggressive in making their proposal. If not, then the proposal would not be any different than what PERS would expect to see through the renewal process. We suspect that BCBS would not likely view Sanford as a viable threat at this time. However, that might easily change two years out, when this decision is being revisited again.

PERS also needs to consider the cost and staff time to be expended in conducting a competitive bidding process rather than negotiating a renewal. Unless Sanford is well positioned to compete, we believe PERS should pursue a renewal strategy.

Estimated Fees

Our estimate for fees (not including travel expenses) for assisting PERS are as follows:

Project Assistance	Estimated Fees
Competitive Bidding including Self-Insurance Options	\$100,000 - \$150,000
Competitive Bidding Fully Insured Only (two proposals received)	\$75,000 - \$100,000
Competitive Bidding Fully Insured Only (one proposal received)	\$40,000 - \$60,000
Two-year Renewal with BCBS	\$20,000 - \$40,000

If you have any questions, please contact me at 612.397.4033 or at ppechacek@deloitte.com.

Sincerely,

Patrick L. Pechacek
Director

cc: Josh Johnson



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

Sparb Collins
Executive Director
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1-800-803-7377

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

Memorandum

TO: PERS Board
FROM: Sparb
DATE: March 13, 2014
SUBJECT: OPEB Bid

At the December meeting you reviewed the following:

The Government Accounting Standards Board (GASB) released Statement No. 43 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (GASB 43) in April 2004 and Statement No. 45 – Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans (GASB 45) in June 2004. These two statements establish uniform accounting and financial reporting standards for state and local governments related to post-employment benefits other than pensions (OPEB). This requires an actuarial valuation for the implicit subsidy applicable to our pre-Medicare retirees who are participating in our health plan.

This requires:

- 1. Calculate the implicit subsidy for the fiscal year*
- 2. Prepare an actuarial valuation following GASB 43 and GASB 45 standards*
- 3. Prepare the necessary material for the Comprehensive Annual Financial Report to comply with GASB OPEB reporting and disclosure requirements*
- 4. Provide general consulting on GASB 43 and GASB 45 compliance*

Van Iwaarden did our previous valuation.

It was decided at that time to bid out this effort. Attached is the RFP that was issued. We received 5 responses to the RFP from:

- Arthur Gallagher & Co
- Van Iwaarden (the incumbent)

- Cavanaugh Macdonald
- Nyhart
- Lewis & Ellis (L&E)

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

Request For Proposals - Retiree Health Valuation (OPEB) 2014					
	TOTAL				
	Cavanaugh	Gallagher	L & E	Nyhart	Vanlwaai
General					
<i>Required Format</i>	10	10	10	10	10
Restating the request followed by the vendors response. Ten copies					
<i>Signed Agreement Included?</i>	0	0	10	0	10
<i>Technical Understanding & Timelines</i>	27.25	26.5	28.25	27.5	29.25
<i>a. Understanding of work effort</i>					
<i>b. Understanding of project timeline</i>					
<i>c. Copy of similar report by firm</i>					
<i>Qualification & Staffing</i>	26.75	21.25	23.75	24.5	27.75
a. Firm contact information					
b. Approach and timeline					
c. Firm description					
d. Experience and qualifications					
e. Computer equipment description					
f. Staff availability & location					
g. Unique qualifications					
h. Service offices					
i. Copy of previous valuation					
j. Public sector work experience					
k. Public sector clients					
l. Resume & hours for each actuary					
m. Resume & hours of other staff					
n. Identify any subcontractors					
Other Information					
Price \$ - Fixed Fee	\$25,000	\$17,400	\$9,500	\$9,000	\$11,500
Hours	80	80	43	55	75
Fee/Hour	\$313	\$218	\$221	\$164	\$153
<i>Price Points</i>	14.4	20.7	37.9	40.0	31.3
TOTAL POINTS	78.4	78.4	109.9	102.0	108.3
GRAND TOTAL - Rank	5	4	1	3	2

You will note that the difference in total points between the L&E proposal and Nyhart is the points for including a signed contract. If those points were not considered, Nyhart would have been #1. To follow-up on this, staff is arranging a conference with Nyhart. We are also having a call with L&E. We will have that information to share with you at the next meeting.

REQUEST FOR PROPOSAL

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

Prepared by:

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

**Request for Proposals
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Section I. Introduction

Request:

This Request for Proposal is soliciting offers to do the actuarial valuation of the North Dakota Public Employees Retirement System (NDPERS) other post employment benefit plan (OPEB) to satisfy the requirement for the Governmental Standards Board statement 43 and 45 for fiscal years ending June 30, 2014 and June 30, 2015.

The following is a sequence of activities for this RFP:

January 27, 2014	RFP for consultant services issued
February 7, 2014	Questions to RFP due
February 14, 2014	Responses to questions posted
February 28, 2014	Consultant proposals due at NDPERS office no later than 5:00 p.m. Central Standard Time.
March 20, 2014	NDPERS Board selects consultant no later than this date

The due dates for deliverables on this project are:

May 20, 2014	Draft of OPEB valuation report to NDPERS
June 19, 2014	Present draft OPEB valuation report to NDPERS Board
July 1, 2014	Final OPEB valuation report due

NDPERS:

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

NDPERS is managed by a Board comprised of seven members:

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

SECTION II. Retiree Health Plan Valuation

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

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

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

NDPERS needs to have an actuarial valuation completed that will fulfill the requirements for the Governmental Accounting Standards Board (GASB) Statement No. 43 and Statement No. 45.

In addition to the above, NDPERS administers an actuarially funded retiree health insurance credit plan which provides a monthly retiree health credit equal to \$5 times the years of service they have in the retirement plan which is applied towards their NDPERS health insurance coverage.

The liability for this retiree health credit program is actuarially determined each year along with the retirement plan valuations done by the Segal Company.

The valuation for the retiree health plan implicit subsidy is to be completed by May 20, 2014 and presented to the NDPERS Board on June 19, 2014.

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

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

SECTION III – Information Requests

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

A. Technical Understanding, Timelines and Report.

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

B. Firm, Qualifications and Staffing:

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

- j. Discuss your work experience with public sector retirement boards.
 - k. Provide a listing of state public sector clients of similar nature and size for whom your organization provides similar services. References should identify the appropriate contact person(s), addresses and telephone numbers.
 - l. Identify and provide a resume for each actuary that will be assigned to the project and the estimated number of hours they will work on the project.
 - m. Provide a resume for each non-actuary professional assigned to this work effort and the number of hours they are assigned.
 - n. Identify any subcontractors to be used.
- C. Other Information:**
In this section you may supply any other information about your firm, approach to the work effort, staff, etc., that you feel appropriate.

SECTION IV – Fees/Hours

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

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

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

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

COST PROPOSAL

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

DETAILS FOR SERVICE:

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

Retiree Health Valuation

<u>Type of Consultant</u>	<u>Rate</u>	<u># of Hours</u>
----------------------------------	--------------------	--------------------------

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

SECTION V - Submission and Acceptance of Proposals

- A. Proposals should be prepared in a straightforward manner to satisfy the requirements of this RFP. Emphasis should be on completeness and clarity of content. Costs for developing proposals are entirely the responsibility of the proposer and shall not be chargeable to NDPERS.
- B. Offer, must be signed by a partner or principal of the firm and included with your proposal.
- C. Address or deliver the proposal to: Mr. Sparb Collins, Executive Director
North Dakota Public Employees Retirement System
400 E. Broadway, Suite 505
Bismarck, ND 58501
(701) 328-3900
- D. Ten (10) written copies and ten (10) electronic copies of the technical and price proposals must be received at the above listed location by **5:00 p.m. Central Standard Time on February 28, 2014**. The package the proposal is delivered in must be plainly marked "**PROPOSAL TO PROVIDE RETIREE HEALTH VALUATION SERVICES**". A proposal shall be considered late and will be rejected if received at any time after the exact time specified for return of proposals.
- E. The policy of the NDPERS Board is to solicit proposals with a bona fide intention to award a contract. This policy will not affect the right of the NDPERS Board to reject any, or all, proposals.
- F. The NDPERS Board may request representatives of your organization to appear for interviewing purposes. Travel expenses and costs related to the interview will be the responsibility of the bidder.
- G. The NDPERS Board will award the contract for services no later than April 11, 2014 and no earlier than March 20, 2014.
- H. In evaluating the proposals, price will not be the sole factor. The Board may consider any factors it deems necessary and proper, including but not limited to, price; quality of service; response to this request; experience; staffing; and general reputation.
- I. The failure to meet all procurement policy requirements shall not automatically invalidate a proposal or procurement. The final decision rests with the Board.
- J. Questions concerning the RFP shall be directed by e-mail to both Mr. Reinhardt at breinhar@nd.gov and Ms. Stockert at cstocker@nd.gov by February 7, 2014. Responses will be posted on the NDPERS website no later than 5:00 p.m. Central Standard Time on February 14, 2014 under "Request for Proposals" at <http://www.nd.gov/ndpers/providers-consultants/consultants/rfp-index.html> If you would like a copy e-mailed to you, please notify Cheryl Stockert at cstocker@nd.gov

SECTION VI - AGREEMENT FOR SERVICES

Contractor's proposal constitutes a formal offer to provide services to the State of North Dakota acting through its Public Employees Retirement System (NDPERS). The terms of this Contract, the RFP and the proposal shall constitute the consulting services agreement ("Agreement").

Contractor and NDPERS agree to the following:

- 1) **SCOPE OF SERVICES:** Contractor agrees to provide the retiree health valuation services as specified in the RFP and proposal. The terms and conditions of the RFP and the proposal are hereby incorporated as part of the Contract.
- 2) **TERM:** The term of this contract shall commence on the date of award and continue until the completion of the services identified under this Agreement, with an expected date of completion of all services by July 1, 2014 pursuant to the terms of the RFP.
- 3) **FEES:** NDPERS shall only pay pursuant to the terms in the proposal and RFP.
- 4) **BILLINGS:** The Contractor shall receive payment from NDPERS upon the completion of the services identified under this Agreement.
- 5) **TERMINATION:**
 - a. Either party may terminate this agreement with respect to tasks yet to be performed with thirty (30) days written notice mailed to the other party.
 - b. Termination for lack of funding or authority. NDPERS by written notice of default to CONTRACTOR, may terminate the whole or any part of this contract, under any of the following conditions:
 - (1) If funding from federal, state, or other sources is not obtained and continued at levels sufficient to allow for purchase of the services or supplies in the indicated quantities or term.
 - (2) If federal or state laws or rules are modified or interpreted in a way that the services are no longer allowable or appropriate for purchase under this contract or are no longer eligible for the funding proposed for payments authorized by this contract.
 - (3) If any license, permit, or certificate required by law or rule, or by the terms of this contract, is for any reason denied, revoked, suspended, or not renewed. Termination of this contract under this subsection is without prejudice to any obligations or liabilities of either party already accrued prior to termination.
 - c. Termination for cause. NDPERS may terminate this contract effective upon delivery of written notice to CONTRACTOR, or any later date stated in the notice:
 - 1) If CONTRACTOR fails to provide services required by this contract within the time specified or any extension agreed to by NDPERS; or
 - 2) If CONTRACTOR fails to perform any of the other provisions of this contract, or so fails to pursue the work as to endanger performance of this contract in accordance with its terms.
- 6) **EMPLOYMENT STATUS:** CONTRACTOR is an independent entity under this contract and is not a STATE employee for any purpose, including the application of the Social

Security Act, the Fair Labor Standards Act, the Federal Insurance Contribution Act, the North Dakota Unemployment Compensation Law and the North Dakota Workforce Safety and Insurance Act. CONTRACTOR retains sole and absolute discretion in the manner and means of carrying out CONTRACTOR'S activities and responsibilities under this contract, except to the extent specified in this contract.

- 7) **SUBCONTRACTS:** CONTRACTOR may not assign or otherwise transfer or delegate any right or duty without STATE'S express written consent. However, CONTRACTOR may enter into subcontracts provided that any subcontract acknowledges the binding nature of this contract and incorporates this contract, including any attachments. CONTRACTOR is solely responsible for the performance of any subcontractor. CONTRACTOR does not have authority to contract for or incur obligations on behalf of STATE.

- 8) **ACCESS TO RECORDS:** All participation by NDPERS members and their dependents in programs hereunder is confidential under North Dakota state law. The Contractor shall not disclose any individual employee or dependent information to the covered agency or its' representatives without the prior written consent of the employee or family member. The Contractor will have exclusive control over the direction and guidance of the persons rendering services under this agreement. The Contractor agrees to keep confidential all NDPERS information obtained in the course of delivering services. CONTRACTOR shall not use or disclose any information it receives from NDPERS under this contract that NDPERS has previously identified as confidential or exempt from mandatory public disclosure except as necessary to carry out the purposes of this contract or as authorized in advance by NDPERS or specified under this contract. NDPERS shall not disclose any information it receives from CONTRACTOR that CONTRACTOR has previously identified as confidential and that STATE determines in its sole discretion is protected from mandatory public disclosure under a specific exception to the North Dakota open records law, N.D.C.C. ch. 44-04. The duty of STATE and CONTRACTOR to maintain confidentiality of information under this section continues beyond the term of this contract.

CONTRACTOR understands that, except for disclosures prohibited in this contract, STATE must disclose to the public upon request any records it receives from CONTRACTOR. CONTRACTOR further understands that any records that are obtained or generated by CONTRACTOR under this contract, except for records that are confidential under this contract, may, under certain circumstances, be open to the public upon request under the North Dakota open records law. STATE retains ownership of all work product, equipment or materials created or purchased under this contract. CONTRACTOR agrees to contact STATE immediately upon receiving a request for information under the open records law and to comply with STATE'S instructions on how to respond to the request.

- 9) **OWNERSHIP OF WORK PRODUCT:** All work product, equipment or materials created or purchased under this contract belong to STATE and must be delivered to STATE at STATE'S request upon termination of this contract. CONTRACTOR agrees that all materials prepared under this contract are "works for hire" within the meaning of the copyright laws of the United States and assigns to STATE all rights and interests CONTRACTOR may have in the materials it prepares under this contract, including any right to derivative use of the material. CONTRACTOR shall execute all necessary

documents to enable STATE to protect its rights under this section.

- 10) **APPLICABLE LAW AND VENUE:** This agreement shall be governed by and construed in accordance with the laws of the State of North Dakota. Any action to enforce this contract must be brought in the District Court of Burleigh County, North Dakota.
- 11) **MERGER AND MODIFICATION:** This contract, the RFP and the proposal shall constitute the entire agreement between the parties. In the event of any inconsistency or conflict among the documents making up this agreement, the documents must control in this order of precedence: First – the terms of this Contract, as may be amended and Second - the state’s Request for Proposal and Third – Contractor’s Proposal. No waiver, consent, modification or change of terms of this agreement shall bind either party unless in writing and signed by both parties. Such waiver, consent, modification or change, if made, shall be effective only in the specific instances and for the specific purpose given. There are no understandings, agreements, or representations, oral or written, not specified herein regarding this agreement.
- 12) **INDEMNITY:** Contractor agrees to defend, indemnify, and hold harmless the state of North Dakota, its agencies, officers and employees (State), from and against claims based on the vicarious liability of the State or its agents, but not against claims based on the State’s contributory negligence, comparative and/or contributory negligence or fault, sole negligence, or intentional misconduct. This obligation to defend, indemnify, and hold harmless does not extend to professional liability claims arising from professional errors and omissions. The legal defense provided by Contractor to the State under this provision must be free of any conflicts of interest, even if retention of separate legal counsel for the State is necessary. Any attorney appointed to represent the State must first qualify as and be appointed by the North Dakota Attorney General as a Special Assistant Attorney General as required under N.D.C.C. § 54-12-08. Contractor also agrees to defend, indemnify, and hold the State harmless for all costs, expenses and attorneys’ fees incurred if the State prevails in an action against Contractor in establishing and litigating the indemnification coverage provided herein. This obligation shall continue after the termination of this agreement.
- 13) **INSURANCE:** Contractor shall secure and keep in force during the term of this agreement,
and Contractor shall require all subcontractors, prior to commencement of an agreement between Contractor and the subcontractor, to secure and keep in force during the term of this agreement, from insurance companies, government self-insurance pools or government self-retention funds, authorized to do business in North Dakota, the following insurance coverages:
 - 1) Commercial general liability, including premises or operations, contractual, and products or completed operations coverages (if applicable), with minimum liability limits of \$250,000 per person and \$1,000,000 per occurrence.
 - 2) Professional errors and omissions with minimum limits of \$1,000,000 per occurrence and in the aggregate, Contractor shall continuously maintain such coverage during the contact period and for three years thereafter. In the event of a change or cancellation of coverage, Contractor shall purchase an extended reporting period to meet the time periods required in this section.
 - 3) Automobile liability, including Owned (if any), Hired, and Non-Owned automobiles, with minimum liability limits of \$250,000 per person and \$1,000,000 per occurrence.

- 4) Workers compensation coverage meeting all statutory requirements. The policy shall provide coverage for all states of operation that apply to the performance of this contract.
- 5) Employer's liability or "stop gap" insurance of not less than \$1,000,000 as an endorsement on the workers compensation or commercial general liability insurance.

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

- 1) Any deductible or self-insured retention amount or other similar obligation under the policies shall be the sole responsibility of the Contractor.
 - 2) This insurance may be in policy or policies of insurance, primary and excess, including the so-called umbrella or catastrophe form and must be placed with insurers rated "A-" or better by A.M. Best Company, Inc., provided any excess policy follows form for coverage. Less than an "A-" rating must be approved by the State. The policies shall be in form and terms approved by the State.
 - 3) The duty to defend, indemnify, and hold harmless the State under this agreement shall not be limited by the insurance required in this agreement.
 - 4) The state of North Dakota and its agencies, officers, and employees (State) shall be endorsed on the commercial general liability policy, including any excess policies (to the extent applicable), as additional insured. The State shall have all the benefits, rights and coverages of an additional insured under these policies that shall not be limited to the minimum limits of insurance required by this agreement or by the contractual indemnity obligations of the Contractor.
 - 5) The insurance required in this agreement, through a policy or endorsement, shall include:
 - a) "Waiver of Subrogation" waiving any right to recovery the insurance company may have against the State;
 - b) a provision that Contractor's insurance coverage shall be primary (i.e. pay first) as respects any insurance, self-insurance or self-retention maintained by the State and that any insurance, self-insurance or self-retention maintained by the State shall be in excess of the Contractor's insurance and shall not contribute with it;
 - c) cross liability/severability of interest for all policies and endorsements;
 - d) The legal defense provided to the State under the policy and any endorsements must be free of any conflicts of interest, even if retention of separate legal counsel for the State is necessary;
 - e) The insolvency or bankruptcy of the insured Contractor shall not release the insurer from payment under the policy, even when such insolvency or bankruptcy prevents the insured Contractor from meeting the retention limit under the policy.
 - 6) Contractor shall provide at least 30 day notice of any cancellation or material change to the policies or endorsements.
 - 7) The Contractor shall furnish a certificate of insurance to the undersigned State representative prior to commencement of this agreement.
 - 8) Failure to provide insurance as required in this agreement is a material breach of contract entitling State to terminate this agreement immediately.
- 14) **SEVERABILITY:** If any term in this contract is declared by a court having jurisdiction to be illegal or unenforceable, the validity of the remaining terms must not be affected, and, if possible, the rights and obligations of the parties are to be construed and enforced as if the contract did not contain that term.

15) **FORCE MAJEURE**
CONTRACTOR shall not be held responsible for delay or default caused by fire, flood, riot, acts of God or war if the event is beyond CONTRACTOR'S reasonable control and CONTRACTOR gives notice to STATE immediately upon occurrence of the event causing the delay or default or that is reasonably expected to cause a delay or default.

16) **NOTICE**
All notices or other communications required under this contract must be given by registered or certified mail and are complete on the date mailed when addressed to the parties at the following addresses:

Sparb Collins, Executive Director
ND Public Employees Retirement System
400 East Broadway, Suite 505
PO Box 1657
Bismarck, ND 58502-1657

With a copy to:

Sharon Schiermeister
Chief Operating Officer
ND Public Employees Retirement System
400 East Broadway, Suite 505
PO Box 1657
Bismarck, ND 58502-1657

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

17) **ATTORNEY FEES**
In the event a lawsuit is instituted by STATE to obtain performance due under this contract, and STATE is the prevailing party, CONTRACTOR shall, except when prohibited by N.D.C.C. § 28-26-04, pay STATE'S reasonable attorney fees and costs in connection with the lawsuit.

18) **NONDISCRIMINATION AND COMPLIANCE WITH LAWS**
CONTRACTOR agrees to comply with all laws, rules, and policies, including those relating to nondiscrimination, accessibility and civil rights. CONTRACTOR agrees to timely file all required reports, make required payroll deductions, and timely pay all taxes and premiums owed, including sales and use taxes and unemployment compensation and workers' compensation premiums. CONTRACTOR shall have and keep current at all times during the term of this contract all licenses and permits required by law.

19) **STATE AUDIT**
All records, regardless of physical form, and the accounting practices and procedures of CONTRACTOR relevant to this contract are subject to examination by the North Dakota State Auditor or the Auditor's designee. CONTRACTOR shall maintain all such records for at least three years following completion of this contract.

20) **TAXPAYER ID**
CONTRACTOR'S federal employer ID number is: _____.

21) **PAYMENT OF TAXES BY STATE**
State is not responsible for and will not pay local, state, or federal taxes. State sales tax exemption number is E-2001, and certificates will be furnished upon request by the purchasing agency.

22) **EFFECTIVENESS OF CONTRACT**
This contract is not effective until fully executed by both parties.

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

**NORTH DAKOTA PUBLIC
EMPLOYEES RETIREMENT SYSTEM**

CONTRACTOR

By: Sparb Collins _____

By: _____

Title: Executive Director _____

Title: _____

Date: _____

Date: _____

SECTION VII - Business Associate Agreement

(Revised 10-2013)

This Business Associate Agreement, which is an addendum to the underlying contract, is entered into by and between, the North Dakota Public Employees Retirement System ("NDPERS") and the **ENTER BUSINESS ASSOCIATE NAME, ADDRESS OF ASSOCIATE.**

1. Definitions

- a. Terms used, but not otherwise defined, in this Agreement have the same meaning as those terms in the HIPAA Privacy Rule, 45 C.F.R. Part 160 and Part 164, Subparts A and E, and the HIPAA Security rule, 45 C.F.R., pt. 164, subpart C.
- b. Business Associate. "Business Associate" means the **ENTER BUSINESS ASSOCIATE NAME.**
- c. Covered Entity. "Covered Entity" means the **North Dakota Public Employees Retirement System Health Plans.**
- d. PHI and ePHI. "PHI" means Protected Health Information; "ePHI" means Electronic Protected Health Information.

2. Obligations of Business Associate.

2.1. The Business Associate agrees:

- a. To use or disclose PHI and ePHI only as permitted or required by this Agreement or as Required by Law.
- b. To use appropriate safeguards and security measures to prevent use or disclosure of the PHI and ePHI other than as provided for by this Agreement, and to comply with all security requirements of the HIPAA Security rule.
- c. To implement administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of ePHI that it creates, receives, maintains or transmits on behalf of the Covered Entity as required by the HIPAA Security rule.
- d. To mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a use or disclosure of PHI or ePHI by Business Associate in violation of the requirements of this Agreement.
- e. To report to Covered Entity (1) any use or disclosure of the PHI not provided for by this Agreement, and (2) any "security incident" as defined in 45 C.F.R. § 164.304 involving ePHI, of which it becomes aware without unreasonable delay and in any case within thirty (30) days from the date after discovery and provide the Covered Entity with a written notification that complies with 45 C.F.R. § 164.410 which shall include the following information:
 - i. to the extent possible, the identification of each individual whose Unsecured Protected Health Information has been, or is reasonably believed by the Business Associate to have been, accessed, acquired or disclosed during the breach;
 - ii. a brief description of what happened;
 - iii. the date of discovery of the breach and date of the breach;
 - iv. the nature of the Protected Health Information that was involved;

- v. identify of any person who received the non-permitted Protected Health Information;
 - vi. any steps individuals should take to protect themselves from potential harm resulting from the breach;
 - vii. a brief description of what the Business Associate is doing to investigate the breach, to mitigate harm to individuals, and to protect against any further breaches; and
 - viii. any other available information that the Covered Entity is required to include in notification to an individual under 45 C.F.R. § 164.404(c) at the time of the notification to the State required by this subsection or promptly thereafter as information becomes available.
- f. With respect to any use or disclosure of Unsecured Protected Health Information not permitted by the Privacy Rule that is caused by the Business Associate's failure to comply with one or more of its obligations under this Agreement, the Business Associate agrees to pay its reasonable share of cost-based fees associated with activities the Covered Entity must undertake to meet its notification obligations under the HIPAA Rules and any other security breach notification laws;
 - g. Ensure that any agent or subcontractor that creates, receives, maintains, or transmits electronic PHI on behalf of the Business Associate agree to comply with the same restrictions and conditions that apply through this Agreement to the Business Associate.
 - h. To make available to the Secretary of Health and Human Services the Business Associate's internal practices, books, and records, including policies and procedures relating to the use and disclosure of PHI and ePHI received from, or created or received by Business Associate on behalf of Covered Entity, for the purpose of determining the Covered Entity's compliance with the HIPAA Privacy Rule, subject to any applicable legal privileges.
 - i. To document the disclosure of PHI related to any disclosure of PHI as would be required for Covered Entity to respond to a request by an Individual for an accounting of disclosures of PHI in accordance with 45 C.F.R. § 164.528.
 - j. To provide to Covered Entity within 15 days of a written notice from Covered Entity, information necessary to permit the Covered Entity to respond to a request by an Individual for an accounting of disclosures of PHI in accordance with 45 C.F.R. § 164.528.
 - k. To provide, within 10 days of receiving a written request, information necessary for the Covered Entity to respond to an Individual's request for access to PHI about himself or herself, in the event that PHI in the Business Associate's possession constitutes a Designated Record Set.
 - l. Make amendments(s) to PHI in a designated record set as directed or agreed by by the Covered Entity pursuant to 45 C.F.R. § 164.526 or take other measures as necessary to satisfy the covered entity's obligations under that section of law.

3. Permitted Uses and Disclosures by Business Associate

3.1. General Use and Disclosure Provisions

Except as otherwise limited in this Agreement, Business Associate may Use or Disclose PHI and ePHI to perform functions, activities, or services for, or on behalf of, Covered Entity, specifically **retiree health plan valuation services** – provided that such use or disclosure would not violate the Privacy Rule or the Security Rule if done by Covered Entity or the minimum necessary policies and procedures of the Covered Entity.

3.2. Specific Use and Disclosure Provisions

Except as otherwise limited in this Agreement, Business Associate may use PHI and ePHI:

- a. For the proper management and administration of the Business Associate, provided that disclosures are Required By Law, or Business Associate obtains reasonable assurances from the person to whom the information is disclosed that it will remain confidential and used or further disclosed only as Required By Law or for the purpose for which it was disclosed to the person, and the person notifies the Business Associate of any instances of which it is aware in which the confidentiality of the information has been breached.
- b. To provide Data Aggregation services to Covered Entity as permitted by 45 C.F.R. § 164.504(e)(2)(i)(B), but Business Associate may not disclose the PHI or ePHI of the Covered Entity to any other client of the Business Associate without the written authorization of the covered entity Covered Entity.
- c. To report violations of law to appropriate Federal and State authorities, consistent with 45 C.F.R. §§ 164.304 and 164.502(j)(1).

4. Obligations of Covered Entity

4.1. Provisions for Covered Entity to Inform Business Associate of Privacy Practices and Restrictions

Covered Entity shall notify Business Associate of:

- a. Any limitation(s) in its notice of privacy practices of Covered Entity in accordance with 45 C.F.R. § 164.520, to the extent that any such limitation may affect Business Associate's use or disclosure of PHI.
- b. Any changes in, or revocation of, permission by an Individual to use or disclose PHI, to the extent that any such changes may affect Business Associate's use or disclosure of PHI.
- c. Any restriction to the use or disclosure of PHI that Covered Entity has agreed to in accordance with 45 C.F.R. § 164.522, to the extent that any such restriction may affect Business Associate's use or disclosure of PHI.

4.2. Additional Obligations of Covered Entity. Covered Entity agrees that it:

- a. Has included, and will include, in the Covered Entity's Notice of Privacy Practices required by the Privacy Rule that the Covered Entity may disclose PHI for Health Care Operations purposes.
- b. Has obtained, and will obtain, from Individuals any consents, authorizations and other permissions necessary or required by laws applicable to the Covered Entity for Business Associate and the Covered Entity to fulfill their obligations under the Underlying Agreement and this Agreement.
- c. Will promptly notify Business Associate in writing of any restrictions on the Use and Disclosure of PHI about Individuals that the Covered Entity has agreed to that may affect Business Associate's ability to perform its obligations under the Underlying Agreement or this Agreement.

- d. Will promptly notify Business Associate in writing of any change in, or revocation of, permission by an Individual to Use or Disclose PHI, if the change or revocation may affect Business Associate's ability to perform its obligations under the Underlying Agreement or this Agreement.

4.2. Permissible Requests by Covered Entity

Covered Entity may not request Business Associate to use or disclose PHI in any manner that would not be permissible under the Privacy Rule or the Security Rule if done by Covered Entity, except that the Business Associate may use or disclose PHI and ePHI for management and administrative activities of Business Associate.

5. Term and Termination

- a. Term. The Term of this Agreement shall be effective as of the date of contract award for the retiree health valuation, and shall terminate when all of the PHI and ePHI provided by Covered Entity to Business Associate, or created or received by Business Associate on behalf of Covered Entity, is destroyed or returned to Covered Entity, or, if it is infeasible to return or destroy PHI and ePHI, protections are extended to any such information, in accordance with the termination provisions in this Section.
- b. Automatic Termination. This Agreement will automatically terminate upon the termination or expiration of the Underlying Agreement.
- c. Termination for Cause. Upon Covered Entity's knowledge of a material breach by Business Associate, Covered Entity shall either:
 - 1. Provide an opportunity for Business Associate to cure the breach or end the violation and terminate this Agreement and the Underlying Agreement if Business Associate does not cure the breach or end the violation within the time specified by Covered Entity;
 - 2. Immediately terminate this Agreement and the Underlying Agreement if Business Associate has breached a material term of this Agreement and cure is not possible; or
 - 3. If neither termination nor cure is feasible, Covered Entity shall report the violation to the Secretary.
- d. Effect of Termination.
 - 1. Except as provided in paragraph (2) of this subsection, upon termination of this Agreement, for any reason, Business Associate shall return or destroy all PHI received from Covered Entity, or created or received by Business Associate on behalf of Covered Entity. This provision shall apply to PHI and ePHI that is in the possession of subcontractors or agents of Business Associate. Business Associate shall retain no copies of the PHI or ePHI.
 - 2. In the event that Business Associate determines that returning or destroying the PHI or ePHI is not feasible, Business Associate shall provide to Covered Entity notification of the conditions that make return or destruction infeasible. Upon explicit written agreement of Covered Entity that return or destruction of PHI or ePHI is not feasible, Business Associate shall extend the protections of this Agreement to that PHI and ePHI and limit further uses and disclosures of any such PHI and ePHI to those purposes that make the return or destruction infeasible, for so long as Business Associate maintains that PHI or ePHI.

6. Miscellaneous

- a. Regulatory References. A reference in this Agreement to a section in the HIPAA Privacy or Security Rule means the section as in effect or as amended.
- b. Amendment. The Parties agree to take such action as is necessary to amend this Agreement from time to time as is necessary for Covered Entity to comply with the requirements of the Privacy Rule, the Security Rule, and the Health Insurance Portability and Accountability Act of 1996, Pub. L. No. 104-191.
- c. Survival. The respective rights and obligations of Business Associate under Section 5.c, related to “Effect of Termination,” of this Agreement shall survive the termination of this Agreement.
- d. Interpretation. Any ambiguity in this Agreement shall be resolved to permit Covered Entity to comply with the Privacy and Security Rules.
- e. No Third Party Beneficiaries. Nothing express or implied in this Agreement is intended to confer, nor shall anything this Agreement confer, upon any person other than the parties and their respective successors or assigns, any rights, remedies, obligations or liabilities whatsoever.
- f. Applicable Law and Venue. This Business Associate Agreement is governed by and construed in accordance with the laws of the State of North Dakota. Any action commenced to enforce this Contract must be brought in the District Court of Burleigh County, North Dakota.
- g. Business Associate agrees to comply with all the requirements imposed on a business associate under Title XIII of the American Recovery and Reinvestment Act of 2009, the Health Information Technology for Economic and Clinical Health (HI-TECH) Act, and, at the request of NDPERS, to agree to any reasonable modification of this agreement required to conform the agreement to any Model Business Associate Agreement published by the Department of Health and Human Services.

7. Entire Agreement

This Agreement contains all of the agreements and understandings between the parties with respect to the subject matter of this Agreement. No agreement or other understanding in any way modifying the terms of this Agreement will be binding unless made in writing as a modification or amendment to this Agreement and executed by both parties.

IN WITNESS OF THIS, **NDPERS** [CE] and **ENTER BUSINESS ASSOCIATE NAME** [BA] agree to and intend to be legally bound by all terms and conditions set forth above and hereby execute this Agreement as of the effective date set forth above.

For Covered Entity:

For Business Associate:

Sparb Collins, Executive Director
ND Public Employees Retirement System

Signature

Printed Name

Title

Date

Date

SECTION VIII - Review Procedures

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

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

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

GENERAL	Points
Did Consultant follow required format?	10 Points
Is a signed "Agreement for Services" included?	10 Points

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

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

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



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

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

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

Memorandum

TO: NDPERS Board

FROM: Kathy & Sparb

DATE: March 11, 2014

SUBJECT: Group Life Plan Renewal Options

Effective July 1, 2011 ING was awarded the bid for the group life insurance plan. In its proposal, ING provided us with a three year rate guarantee which expires June 30, 2014. ING has proposed a premium neutral renewal for the next two year period which means no change to our current rates through June 30, 2016. To provide some background on why ING was awarded the bid in 2011, the following is provided for your information:

- They increased the active Basic Life benefit by 269% from \$1,300 to \$3,500 without an increase in the state-paid premium.
- They reduced the employee and spouse supplemental rates an average of 18% to 26.5%.
- They introduced one step supplemental life upgrades with guarantee issue of \$5,000 at each annual enrollment.
- They included funeral planning and concierge service, travel assistance, and beneficiary support services at no extra cost.

Staff recommends that we accept ING's proposal for the period July 1, 2014 to July 1, 2016.

Board Action Requested

Approve staff's recommendation to accept ING's renewal proposal.

GROUP POLICY
North Dakota Public Employees Retirement System
 Group Benefit Plan: 0067389-7

PREMIUM RATE NOTIFICATION

The premium rates contained in the Group Policy are amended as outlined below.

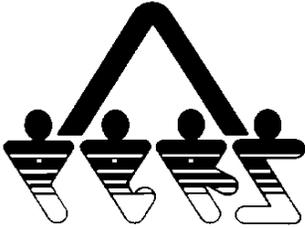
MODE OF PAYMENT		NEW PREMIUM RATES EFFECTIVE	
Monthly		07/01/2014 *	
COVERAGE	CURRENT		NEW
	PREMIUM RATES		PREMIUM RATES
Life Basic Employee			
Active	\$	0.245	\$ 0.245
Retired		4.30	4.30
Accidental Death & Dismemberment Basic Employee			
Active		0.035	0.035
Retired		0.02	0.02
Life Supplemental Employee, per \$1,000			
Under 25		0.02	0.02
25 - 29		0.02	0.02
30 - 34		0.03	0.03
35 - 39		0.05	0.05
40 - 44		0.08	0.08
45 - 49		0.10	0.10
50 - 54		0.16	0.16
55 - 59		0.33	0.33
60 - 64		0.51	0.51
65 - 69		0.98	0.98
70 +		1.61	1.61
Accidental Death & Dismemberment Supplemental Employee, per \$1,000			
		0.01	0.01
Life Supplemental Dependent Spouse, per \$1,000			
Under 25		0.03	0.03
25 - 29		0.03	0.03
30 - 34		0.04	0.04
35 - 39		0.06	0.06
40 - 44		0.09	0.09
45 - 49		0.11	0.11
50 - 54		0.17	0.17
55 - 59		0.34	0.34
60 - 64		0.52	0.52
65 - 69		0.99	0.99
70 +		1.62	1.62
Life Supplemental Dependent Family			
2,000		0.20	0.20
5,000		0.50	0.50

* Premium Rate Notification due to policy renewal.
 All Premium Rates are Guaranteed from 07/01/2011 to 07/01/2016.

Dallas Office/7

Produced on: 02/18/2014

Page 1 of 1



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

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

FAX: (701) 328-3920 • EMAIL: ndpers@state.nd.us • discovernd.com/ndpers

Memorandum

TO: NDPERS Board

FROM: Kathy

DATE: February 25, 2014

SUBJECT: Heart of America Health Plan

Since last year, Sanford Health has purchased Heart of American Health Plan. Attached is the request from Sanford Heart of America Health Plan to continue to offer its health plan to state and participating political subdivision employees in its Rugby service area. The term of this renewal is from July 1, 2014 through June 30, 2015. The new rates are included in the materials provided by Sanford Heart of America. The premiums for all levels of coverage and plan options for the upcoming contract period have increased by approximately 14% over the current year. All other required information is attached and appears to be in order. The State Insurance Department has indicated that there have been no complaints or appeals filed against Sanford Heart of America over the past year.

The following outlines the current number of contracts for those employers in the Rugby service area:

Rolette County	2
Game & Fish	1
Pierce County	8
City of Rugby	1

Since we last reported, participation in the Sanford HOA plan has increased by 1 contract.

BOARD ACTION REQUESTED

Accept or reject the Sanford Heart of America request to continue to offer its health plan to PERS membership in the Rugby service area.

NORTH DAKOTA INSURANCE DEPARTMENT



Certificate of Authority

This is to certify that pursuant to the Insurance Code of the State of North Dakota, Sanford Heart of America Health Plan organized under the laws of North Dakota subject to its Articles of Incorporation or other fundamental organizational documents is authorized to transact within the State of North Dakota, subject to provisions of this certificate, the following lines of insurance:

Accident & Health

as these lines are now or may be defined in Title 26.1, the Insurance laws of the State of North Dakota.

This certificate is expressly conditioned upon the holder being in full compliance with all of the applicable laws and lawful requirements made under authority of the laws of the State of North Dakota as long as such laws or requirements are in effect and applicable, and as such laws and requirements now are or may be changed or amended.

This certificate is at all times the property of the State of North Dakota and shall continue in force as long as the Insurer is entitled to it under the laws of the State of North Dakota and until suspended or revoked or otherwise terminated, at which time the Insurer shall promptly deliver this Certificate to the Insurance Commissioner of the State of North Dakota.

IN WITNESS WHEREOF, I have hereunto set my hand at the City of Bismarck, on July 1, 2013.

Adam Hamm

A handwritten signature in black ink, appearing to read "Adam Hamm", written over a horizontal line.

Insurance Commissioner



U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
Public Health Service

This is to certify that
**Heart of America
Health Maintenance Organization**
has been found to be a qualified
Health Maintenance Organization
under the provisions of Title XIII of the
Public Health Service Act.

James S. Sublett

Director, Office of Health Maintenance Organizations

July 28, 1983

Date



Independent Auditor's Report

The Board of Directors
Heart of America Health Plan
Rugby, North Dakota

Report on the Financial Statements

We have audited the accompanying statutory financial statements of Heart of America Health Plan, which comprise the statutory statements of admitted assets, liabilities, and surplus as of December 31, 2012 and 2011, and the related statutory statements of income, changes in surplus, and cash flows for the years then ended, and the related notes to the statutory financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting practices prescribed or permitted by the North Dakota Insurance Department. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 to the financial statements, the financial statements are prepared using accounting practices prescribed or permitted by the North Dakota Insurance Department, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the statutory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Heart of America Health Plan as of December 31, 2012 and 2011, or the results of its operations or its cash flows for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, and surplus of Heart of America Health Plan as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended, on the basis of accounting described in Note 1.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Boise, Idaho
May 31, 2013

Heart of America Health Plan
Statutory Statements of Admitted Assets, Liabilities, and Surplus
December 31, 2012 and 2011

	2012	2011
Assets		
Cash and Invested Assets		
Bonds	\$ 783,616	\$ 978,471
Preferred stock	41,790	41,300
Common stock	178,211	201,410
Cash	273,411	363,380
Total cash and invested assets	1,277,028	1,584,561
Receivables		
Estimated third-party payor settlements	134,730	133,200
Reinsurance recoverable on paid losses	38,573	41,003
Premium	2,322	1,373
Accrued investment income	8,454	8,770
Other receivable	-	9,348
Total receivables	184,079	193,694
Electronic data processing equipment	853	339
Total assets	\$ 1,461,960	\$ 1,778,594
Liabilities and Surplus		
Claims Payable		
Accrued claims	\$ 384,666	\$ 264,638
Estimated incomplete and unreported claims	169,139	276,173
Total claims payable	553,805	540,811
Unpaid claims adjustment expenses	22,152	21,632
Premiums received in advance	3,182	8,179
General expenses due and accrued	29,277	22,054
Total liabilities	608,416	592,676
Surplus		
Unassigned funds	533,544	865,918
Surplus notes	320,000	320,000
Total surplus	853,544	1,185,918
Total liabilities and surplus	\$ 1,461,960	\$ 1,778,594

Heart of America Health Plan
Statutory Statements of Income
Years Ended December 31, 2012 and 2011

	2012	2011
Premium income (net of \$303,351 and \$271,715 reinsurance premiums ceded in 2012 and 2011)	\$ 2,928,736	\$ 3,134,825
Underwriting Deductions		
Hospital and medical claims	4,282,606	4,598,378
Medicare reimbursement	(1,213,247)	(1,384,484)
Net reinsurance recoveries	(209,991)	(359,831)
Net hospital and medical claims	2,859,368	2,854,063
Administrative expenses		
Salaries	168,017	186,925
Professional fees	42,449	42,341
Premium tax	63,082	66,122
Employee benefits	56,615	69,288
Advertising	7,891	7,573
Printing and postage	6,996	10,638
Insurance	21,961	21,976
Rent	26,417	26,417
Depreciation	3,684	3,326
Quality assurance and patient education	260	88
Other	28,879	11,985
Total administrative expenses	426,251	446,679
Total underwriting deductions	3,285,619	3,300,742
Underwriting Loss	(356,883)	(165,917)
Investment Income	46,830	51,858
Loss Before Income Taxes	(310,053)	(114,059)
Income Tax Benefit	10,305	3,799
Net Loss	\$ (299,748)	\$ (110,260)

Heart of America Health Plan
Statutory Statements of Changes in Surplus
Years Ended December 31, 2012 and 2011

	Unassigned Funds	Surplus Notes	Total Surplus
Balance, December 31, 2010	\$ 1,021,375	\$ 320,000	\$ 1,341,375
Net loss	(110,260)	-	(110,260)
Change in net unrealized capital losses	(48,511)	-	(48,511)
Change in nonadmitted assets	3,314	-	3,314
Balance, December 31, 2011	865,918	320,000	1,185,918
Net loss	(299,748)	-	(299,748)
Change in net unrealized capital gains	30,467	-	30,467
Change in nonadmitted assets	(63,093)	-	(63,093)
Balance, December 31, 2012	\$ 533,544	\$ 320,000	\$ 853,544

Heart of America Health Plan
Statutory Statements of Cash Flows
Years Ended December 31, 2012 and 2011

	2012	2011
Operating Activities		
Premiums collected net of reinsurance and Medicare Reimbursement	\$ 4,134,507	\$ 4,515,700
Investment income received	7,807	9,826
Miscellaneous income	212,421	388,033
Total income	4,354,735	4,913,559
Benefit and loss related payments	(4,260,267)	(4,798,522)
Commissions and expenses paid	(418,504)	(448,080)
Income taxes recovered	10,305	3,799
Net Cash Used For Operating Activities	(313,731)	(329,244)
Investing Activity		
Proceeds from investments sold, matured or repaid Bonds	221,451	98,793
Financing and Miscellaneous Activity		
Other cash provided	2,311	3,517
Net Change in Cash	(89,969)	(226,934)
Cash, Beginning of Year	363,380	590,314
Cash, End of Year	\$ 273,411	\$ 363,380



SANFORD[®]
HEALTH PLAN

Rugby 2014 Rates

	High Option	Low Option	Share Option
Employee	\$ 613.70	\$ 562.50	\$ 458.30
Employee and Child(ren)	\$ 1,053.00	\$ 969.10	\$ 789.90
Family	\$ 1,438.20	\$ 1,333.50	\$ 1,087.70

**Rates for ND Pers are effective July 1, 2014.*

Minot 2014 Rates

	Elite Option	Assurance Option	Preferred Option
Employee	\$ 618.10	\$ 584.50	\$ 440.10
Employee + Spouse	\$ 1,466.10	\$ 1,386.10	\$ 1,045.10
Employee and Child(ren)	\$ 1,091.70	\$ 1,031.30	\$ 778.10
Family	\$ 1,548.20	\$ 1,463.80	\$ 1,103.90

Heart of America Health Plan Network Providers

Rugby Primary Care Locations and Physicians

Heart of America Johnson Clinic Locations:

Rugby 800 3 rd Ave. SW, Rugby, ND 58368	776-5235
Dunseith 215 Main Street SE, Dunseith, ND 58329	244-5694
Maddock 301 Roosevelt, Maddock, ND 58348	438-2555

Heart of America Johnson Clinic Physicians:

Family Practice Physicians: Physician Assistants: Nurse Practitioners:

Oscar Fernandez MD	Gail Danielson	David Costner
Hubert Seiler MD	Dustin Hager	Cammy Townsend
Steven Schoneberg MD	Tammie Harder	Bobbi Trana
	Keri Weick	

Urology

Alan Lim MD

Heart of America Medical Center Physicians:

800 So. Main Avenue, Rugby, ND 58368 776-5261

Surgery

Ronald Skipper MD

Emergency Medicine

Oscar Fernandez MD

Bobbie Trana FNP

Cammy Townsend FNP

Ronald Beare CRNA



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

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

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

Memorandum

TO: NDPERS Board

FROM: Sparb

DATE: March 12, 2014

SUBJECT: Political Subdivision Participation

BCBS will be at the Board meeting to provide additional information and clarification relating to our discussion of small political subdivisions in the health plan as it relates to the Affordable Care Act (ACA).



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

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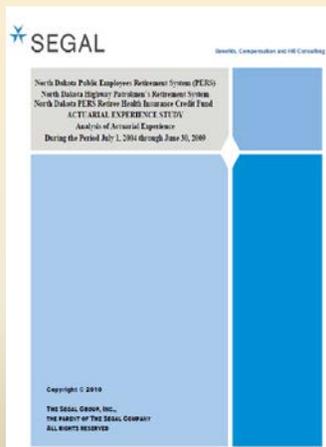
Memorandum

TO: PERS Board
FROM: Sparb
DATE: February 12, 2014
SUBJECT: Retirement Consultant (Segal)

At the January 2014 meeting it was decided to seek a renewal offer from Segal for two more years since they have been extensively involved in developing our recovery plan, doing all the requested projections and working on the DC option.

In addition to the attached work efforts, we discussed the Experience Study:

Experience study



- **NDCC section 54-52-04 states:**

The board shall arrange for actuarial and medical advisers for the system. The board shall cause a qualified, competent actuary to be retained on a consulting basis. The actuary shall make an annual valuation of the liabilities and reserves of the system and a determination of the contributions required by the system to discharge its liabilities and pay the administrative costs under this chapter, and to recommend to the board rates of employer and employee contributions required, based upon the entry age normal cost method, to maintain the system on an actuarial reserve basis; **once every five years make a general investigation of the actuarial experience under the system including mortality, retirement, employment turnover, and other items required by the board, and recommend actuarial tables for use in valuations and in calculating actuarial equivalent values based on such investigation;** and perform other duties as may be assigned by the board. (Emphasis added)

- Last one for 2004-2009

If you elect to extend the Segal contract for the next two years, I will follow-up with them to get a quote on the experience study.

Staff would recommend extending the Segal contract due to:

1. Experience with the recovery plan.
2. Experience with the DC option.
3. The ability to coordinate with the TFFR in the next two years on the GASB implementation.

BOARD ACTION REQUESTED

Determine if the Segal contract should be extended.



5990 Greenwood Plaza Boulevard Suite 118 Greenwood Village, CO 80111-4708
T 303.714.9900 www.segalco.com

February 7, 2014

Mr. Sparb Collins
Executive Director
North Dakota Public Employees' Retirement System
400 East Broadway, Suite 505
Bismarck, ND 58502

Re: Proposed Contract Extension

Dear Sparb:

The current consulting services contract extension expires on June 30, 2014. Based upon your request, we are proposing our fees for the next two years of the current contract. Due to the increasing costs of providing actuarial and consulting services, we are requesting an approximate 3% increase in our fixed fee in both years of the extension period.

Segal values our over 20-year relationship with the System and has made every effort to provide increases that support the ever increasing level of diligence and care required for all public employee retirement systems. Our knowledge of the System's plans and provisions enhances assessing the impact of proposed changes and identifying future challenges. We will continue to work closely with the Board and staff through increased communications utilizing team calls to assure concurrence on and the outcome of core services and special projects.

The following tables set forth the proposed fees for consideration.

Fixed Fee Rates	Existing Fee 7/1/13-6/30/14	Proposed Fee Year One 7/1/14-6/30/15	Proposed Fee Year Two 7/1/15-6/30/16
Actuarial Valuation and Consulting Services			
<ul style="list-style-type: none"> Plans: General, Judges, Law Enforcement with prior service. Law Enforcement without prior service. Highway Patrol, National Guard, et.al. 	\$71,000	\$73,100	\$75,300
<ul style="list-style-type: none"> Retiree Health Insurance Credit Fund 	\$13,100	\$13,500	\$13,900
<ul style="list-style-type: none"> Job Service North Dakota 	\$19,000	\$19,600	\$20,200
Total Fixed Fee Matters	\$103,100	\$106,200	\$109,400

Time Charge Rates		
QDRO, Compliance Consulting, General Consulting and Special Projects	Time Charges per schedule	Time Charges per schedule
Flexible Compensation	Time Charges per schedule	Time Charges per schedule
Legislative Analysis	Time Charges per schedule	Time Charges per schedule
401(a) Defined Contribution Plans	Time Charges per schedule	Time Charges per schedule
457 Plan	Time Charges per schedule	Time Charges per schedule

The overall fixed fee covers the valuations listed above and two onsite meetings, one with the Board and one before the Legislative Committee. Other special projects or consulting will be charged on an hourly rate basis as listed below with prior approval from the System.

Hourly Rates	Existing Fee 7/1/13-6/30/14	Proposed Fee Year One 7/1/14 - 6/30/15	Proposed Fee Year Two 7/1/15 - 6/30/16
Blended Rate	\$280	\$290	\$300

We respectfully submit this proposal for an extension. Please do not hesitate to call if I can answer any questions.

Sincerely,



Brad Ramirez, FSA, MAAA, FCA, EA
Consulting Actuary

/cz

cc: John Coyle
Cathie Eitelberg
Tammy Dixon
Steve Ohanian



**North Dakota
Public Employees Retirement System**
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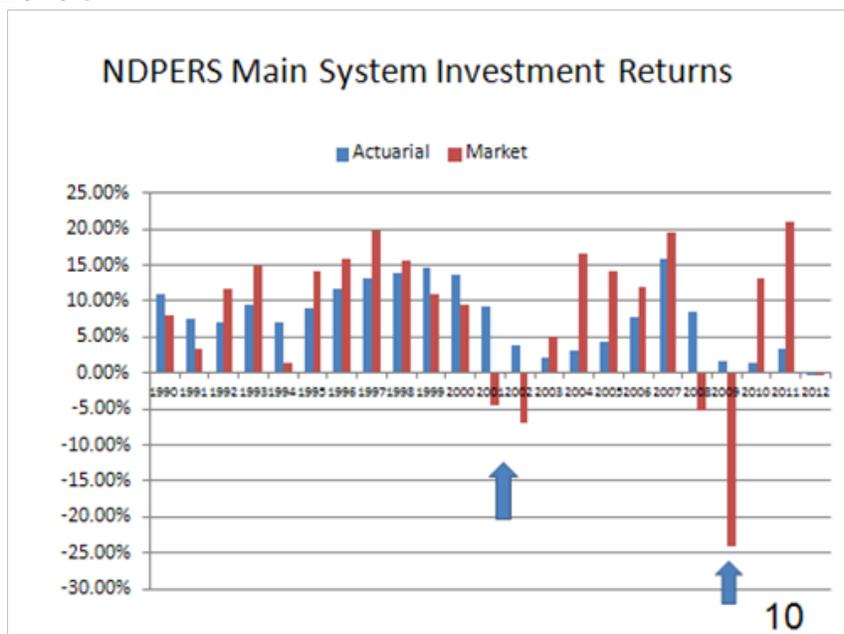
Memorandum

TO: PERS Board
FROM: Sparb
DATE: February 13, 2014
SUBJECT: Retirement Legislation

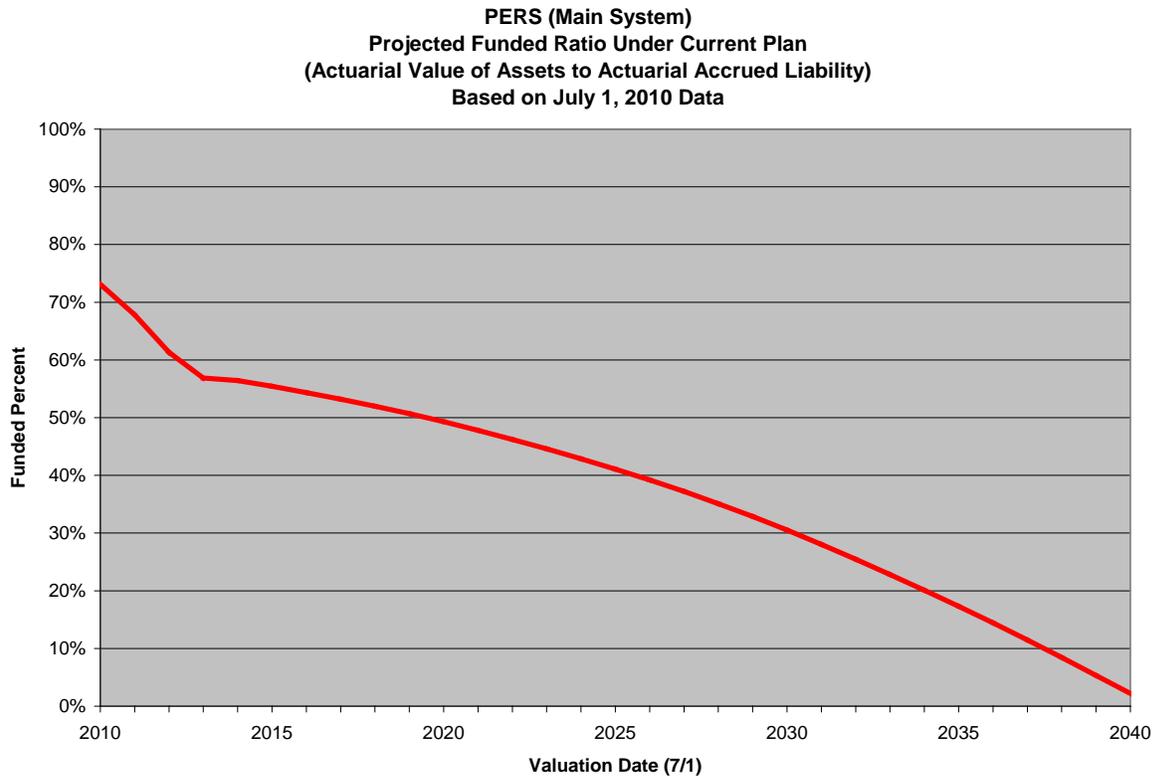
We need to finalize our proposed legislation for the 2015 session by March and submit it to the Legislative Employee Benefits Committee. This memo will provide some background on the issues faced by our retirement plans, review the status of each, provide options for going forward and a staff recommendation.

BACKGROUND

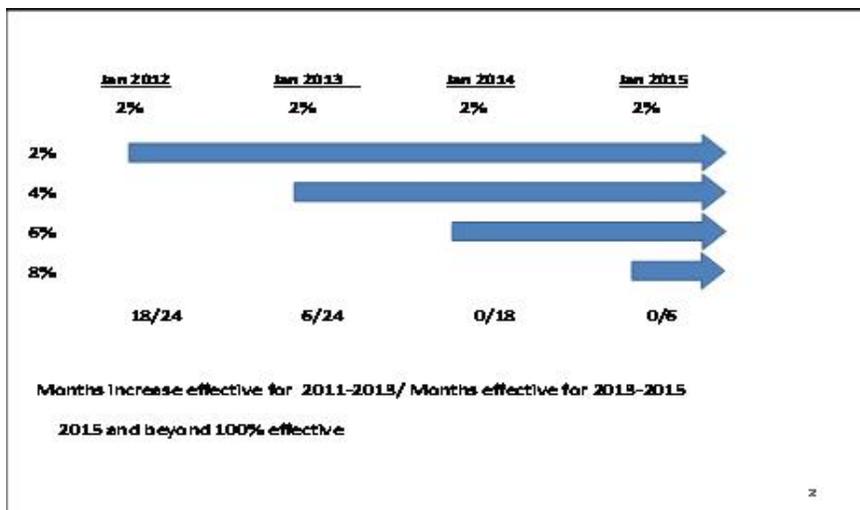
As a result of the dramatic downturn in the financial markets(see graph below) in 2001 and 2008/2009, the long term funding status of all the retirement plans under PERS was projected to deteriorate over time and in some cases go to a "0" funded status by the mid 2040's.



The Main retirement plan was one of the plans whose funded status was projected to go to “0” which is shown on the following:



As a result of this challenge the Board developed a proposed recovery plan to return all plans back to 100%. That plan was based upon a shared recovery between both the employer and employee. The plan that emerged was to increase contributions by 8% over four years with employees paying 4% and the employers paying 4%. The following table shows the proposed timetable for the increases:



This plan was based upon three goals the Board had set for the plans:

- Stop the downward trend
- Stabilize the plans
- Put them on a track back to 100% funded

The initial recovery plan was submitted to the 2011 legislative session and the 2012 and 2013 increases were approved. Consideration of the 2014 and 2015 increase was deferred to the 2013 session.

In 2013 the Board submitted the final two years of the recovery plan. The following is the process of considerations:

- *Recommended by:*
 - *Legislative Employee Benefits Committee*
 - *In the Executive Recommendation*
- *Submitted as SB 2059*
 - *Passed the Senate (35-12)*
 - *Defeated in the House (32 -59)*
- *Provisions put in HB 1452 (defined contribution bill for state employees)*
 - *Passed the Senate*
 - *Not concurred by the House*
- *Conference Committee*
 - *Amended to provide third year of recovery but not the fourth year & add a DC option for state employees to 2017*

As the above highlights, the third year of the recovery was approved, but a DC plan option for all state employees was added until 2017 with no funding for this new option. Also, please note that the funding for SB 2059 was taken out by the House's Appropriations Committee at the very beginning of the session before the hearings on SB 2059.

The 2011 Session and the 2013 session accomplished much for the retirement plans. For all the plans the first two goals were achieved:

- The downward trend had been stopped
- The plans have been stabilized

The third goal was not quite as clear and, therefore, the need to consider our course of action for the 2015 session.

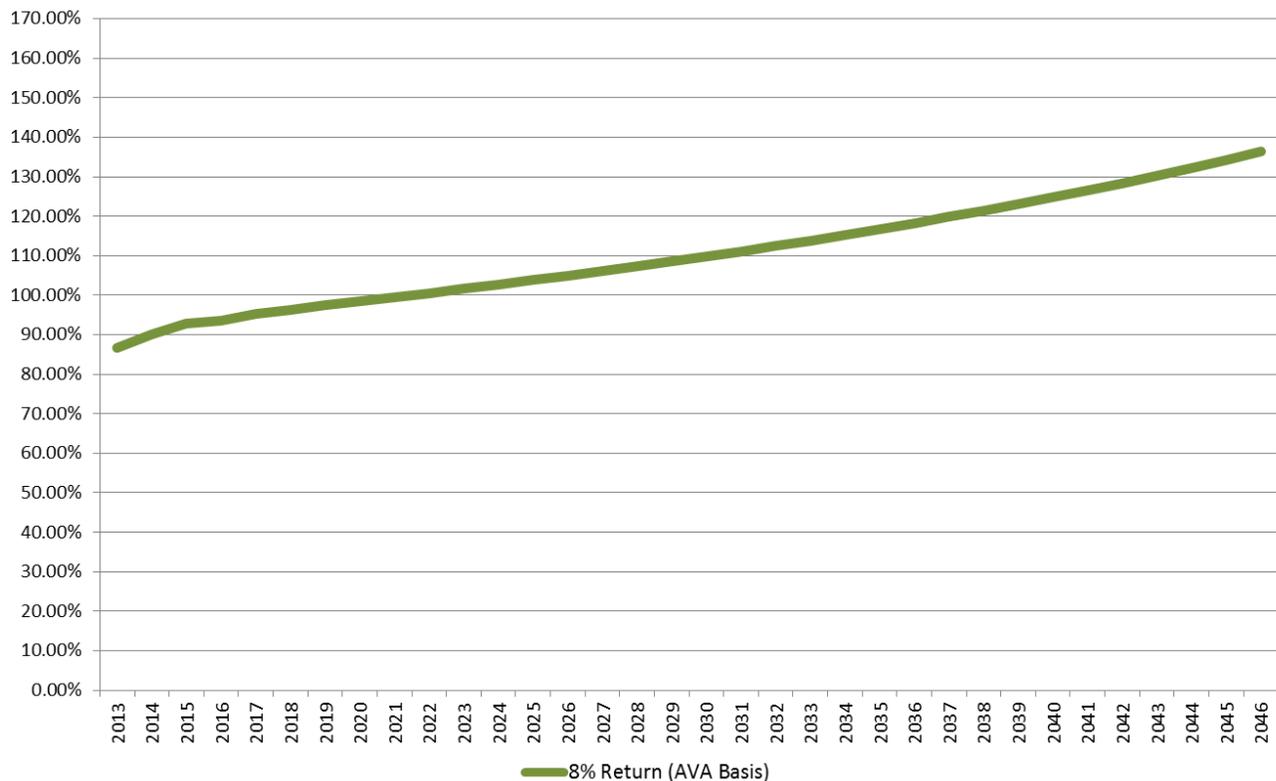
2015 RETIREMENT LEGISLATION

The question at this point is whether or not additional actions need to be taken to accomplish the third goal of our recovery “to put the plan on track to 100%”. The following will assess this in two subsections. The first subsection will look at the Judges, Law Enforcement Plans, National Guard and Highway Patrol plans. The second will examine the Main Retirement Plan.

1. Judges, Law Enforcement Plans, National Guard and Highway Patrol Plans

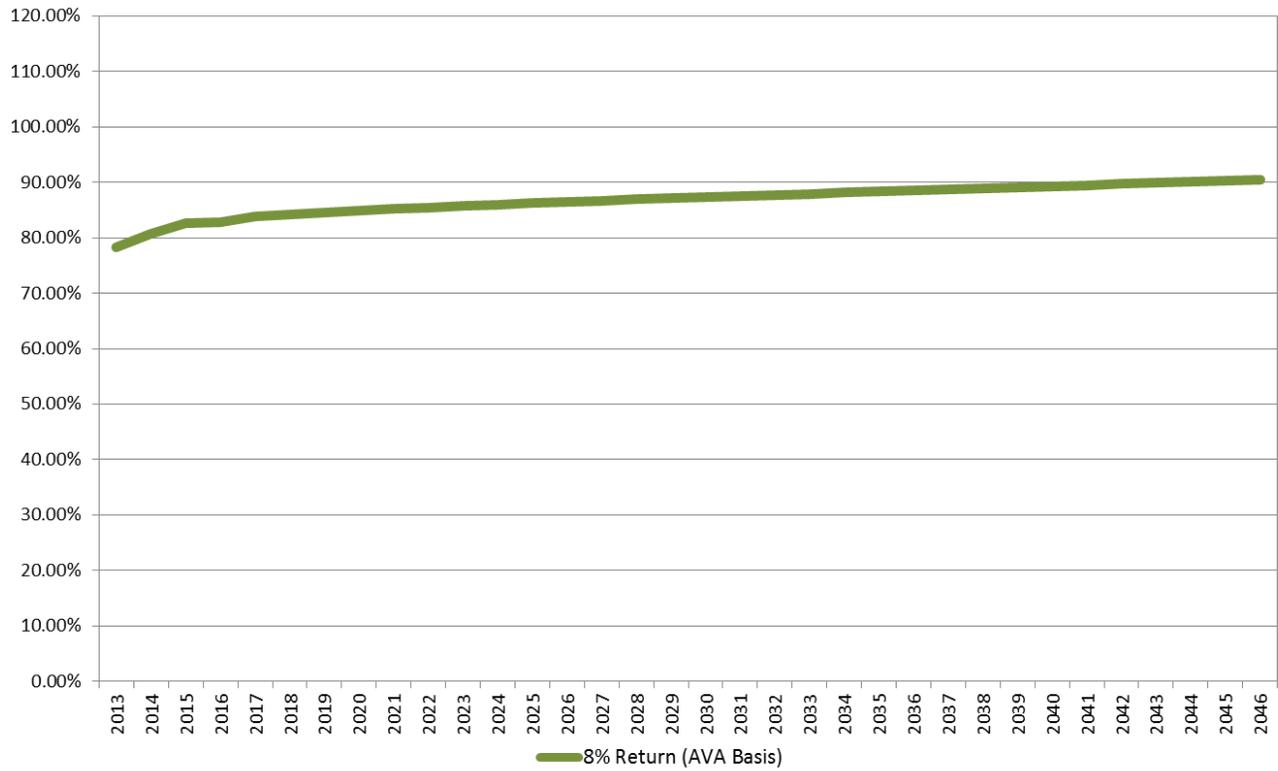
The adoption of the third year of the recovery plan and recent investment returns have resulted in the following projections for the Judges, Law Enforcement with Prior Service, Law Enforcement without Prior Service, the National Guard and the Highway Patrol Plans.

For the Judges retirement plan the following is the most recent projection based upon the increases passed to date:



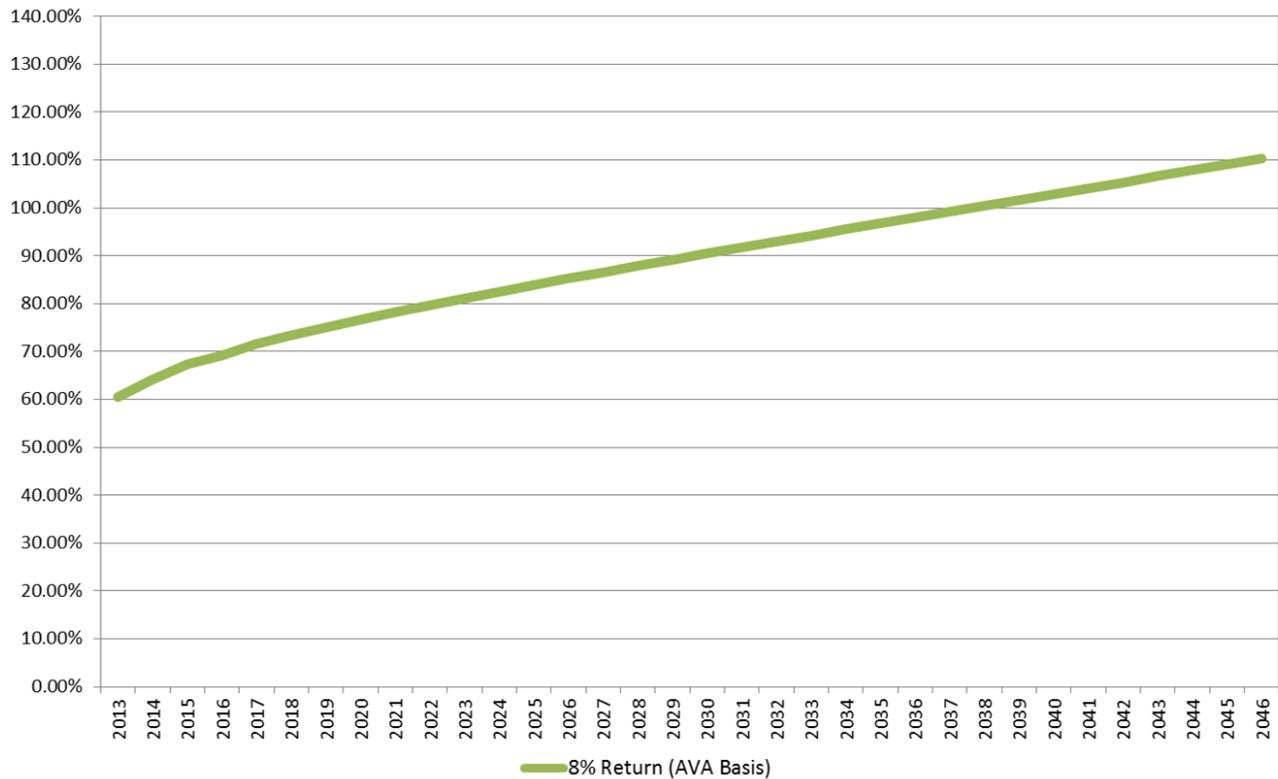
The above show shows this plan is on track to get to 100% by about 2020 with no additional increases. Clearly all three goals have been accomplished for this plan.

For the National Guard retirement plan the following is the most recent projection based upon the increases passed to date:



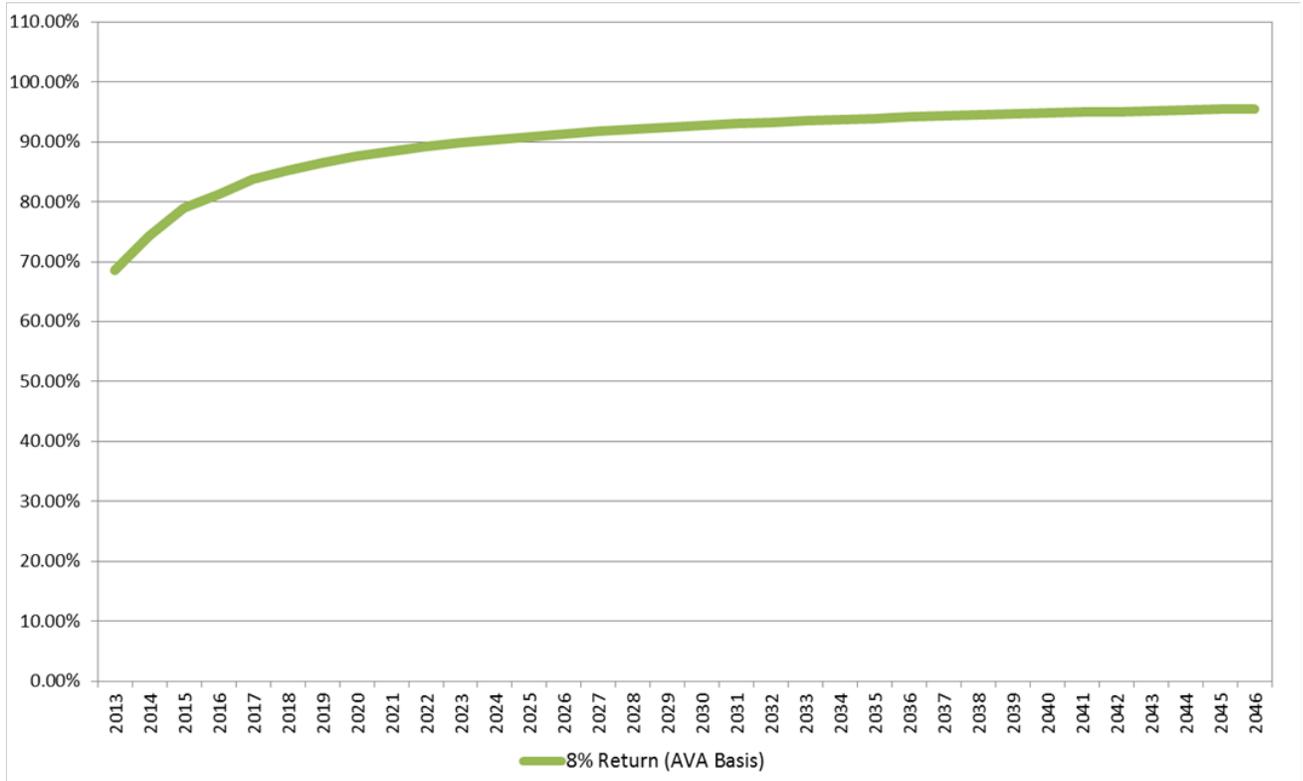
This plan is on track to get back to 90% at this point. We are working with the National Guard at this time on a plan to address this and will likely bring a proposal to the PERS Board at the March meeting. Since the PERS Board has the authority to adjust the employer contribution, no legislation should be needed.

For the Law Enforcement Plan with Prior Service the following is the most recent projection based upon the increases passed to date:



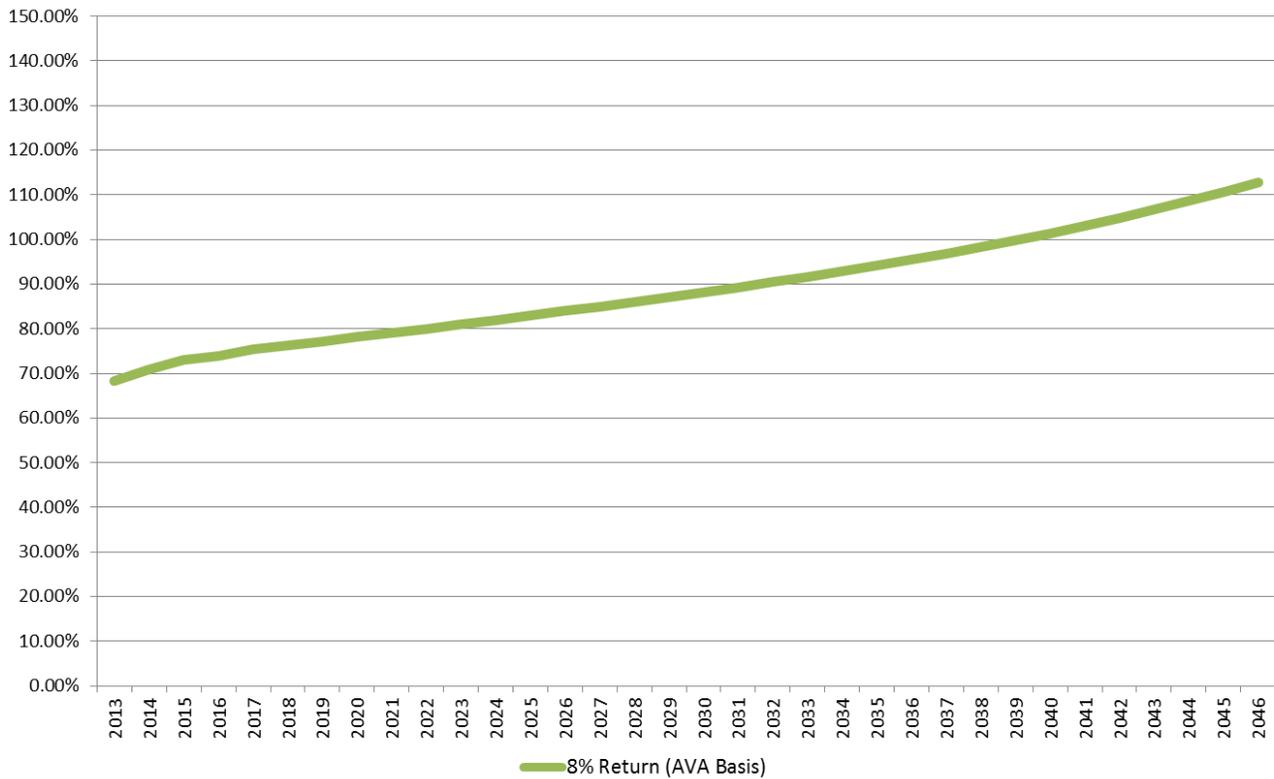
The above shows this plan is on track to 100% in about 2039 with no additional increases. Staff would recommend not additional increases for this plan. This plan has membership from political subdivisions and state BCI employees. Presently the BCI employees and employers pay ½% more than the other members. If the fourth year of the recovery had been passed, everyone would have been at the same level. Since staff’s recommendation at this point is not to submit the 4th year of the recovery for this plan, staff would further recommend submitting a proposal to reduce the employee contribution for BCI employees to the same level as the other members. The Board has the authority to reduce the employer contribution.

For the Law Enforcement Plan with no Prior Service the following is the most recent projection based upon the increases passed to date:



As the above shows, this plan is on track to get back to about 98%.

For the Highway Patrol Plan the following is the most recent projection based upon the increases passed to date:



The above shows the HP plan is on track to get back to 100% in about 2019.

As the above projections show, the Judges, Law Enforcement with prior service and the Highway Patrol plans are now clearly on a track to 100% funded status. The Law Enforcement without prior service is very close and so could be considered on track. The National Guard is improving but is at 90% over the period. The following table summarizes the above.

Where are we at					
	Judges	Nat Guard	Law Enf (with)	Law Enf (without)	Highway Patrol
Stop downward trend	<input checked="" type="checkbox"/>				
Stabilize Plan	<input checked="" type="checkbox"/>				
Get on track to 100%	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Staff Recommendation:

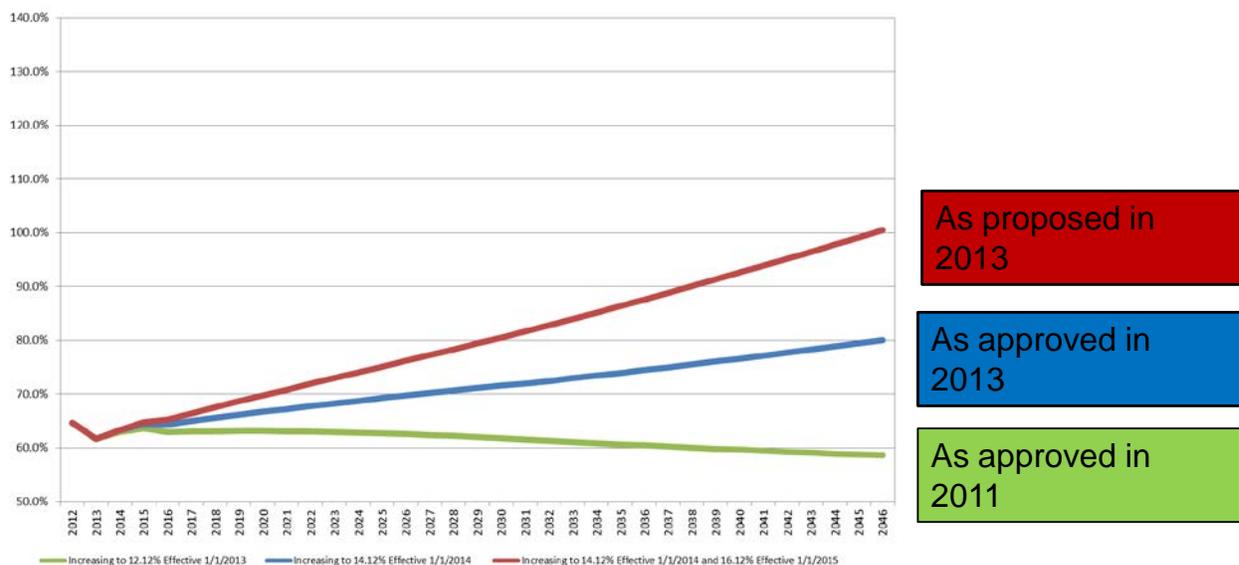
Given the above finding, it is staff's recommendation that we not submit any further legislation for the Judges, Law Enforcement Plans and the Highway Patrol Plan. Concerning the National Guard Plan, staff is working on a proposal with the National Guard that will likely be presented at the next meeting. At this time no consideration is being given to increasing member contributions which is the only contribution proposal which would require legislation. The Board has the authority to increase employer contributions. However, staff is recommending legislation that would match the employee contribution for BCI employees to the same level as the other members of the law enforcement plan.

2. Main Retirement Plan

The following projection shows the projected funded status of the Main Retirement Plan under three scenarios:

2013 Considerations

(projects assume DC plan option is funded in 2017 or not continued)



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The lower line is the projected funded status (out to the year 2046) with the adoption of the first two years of the recovery plan in 2011 (improved the long term funding from "0" to 60%). The middle line is the projected funded status with the approval of the third year of

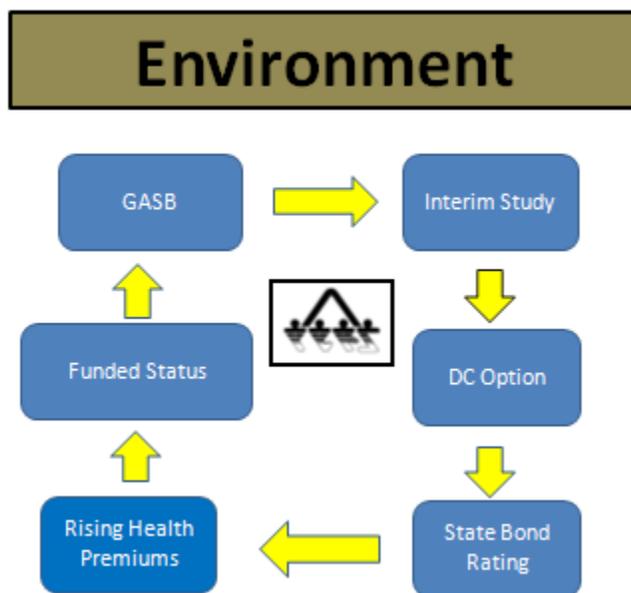
the recovery plan in 2013 (improves the long term funding from 60% to 80%). The top line is the projected funding status if the fourth year of the recovery had been approved (100% funded status). We are presently on course with the middle line to about 80%.

With the action last session the question is what if anything should be done going forward to get the plan back to 100%.

Decision Environment

However, before considering what action to take for the 2015 session it is noteworthy to assess how our decision environment has changed since we first developed the recovery plan based on contribution increases shared by the employee and employer. Specifically, new variables need to be considered going forward that were not part of the consideration in 2009. Also the existing variables considered last time have changed as well.

The following graph shows some of the present environmental decision variables:



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Except for the funded status variable, all the other variables in the decision environment are new since the initial recovery plan was developed. The following discussion reviews each of these variables and their implications.

GASB

New Governmental Accounting Standards Board requirements will be implemented in 2014 and 2015. These new requirements will mean that our participating political subdivisions will now have to show a part of the retirement unfunded liability on their financial statements. This will be a significant change for them and having to absorb this as well as additional contribution increases may be a challenge to them in 2015.

Interim DC Study

This last session the legislature passed the following study resolution:

**SECTION 16. LEGISLATIVE MANAGEMENT STUDY - NORTH DAKOTA
RETIREMENT PLANS.**

During the 2013-14 interim, the legislative management shall consider studying the feasibility and desirability of existing and possible state retirement plans. The study must include an analysis of both a defined benefit plan and a defined contribution plan with considerations and possible consequences for transitioning to a state defined contribution plan. The study may not be conducted by the employee benefits programs committee. The legislative management shall report its findings and recommendations, together with any legislation needed to implement the recommendations, to the sixty-fourth legislative assembly.

If a bill is passed out of the committee, the next legislative session could be actively considering closing the PERS Hybrid plan to new state employees. Having to consider both a contribution increase for the DB plan and closing it to new employees by having everyone go into the DC plan may overshadow considerations of the merits of a DC plan.

DC Option

The 2013 session adopted a DC option for new state employees until 2017. This was not funded this last session since the option had an expiration date. This will need to be considered in 2017 if a new bill is not passed in 2015. The question in 2017 will be to extend the option going forward, and if extended, how to fund it. Here again considerations of both issue may overshadow the merits of either on their own.

State Bond Rating

The state has been very active in working to reach an AAA rating. Having a funding plan for the retirement plan that was acceptable to the rating agency was considered very important by the Executive Branch in order to get the AAA rating. The state has now achieved an AAA rating which indicates the actions of the 2013 session were considered enough to satisfy the rating agencies (the adoption of 3 years of the recovery plan). For the state, this eliminates one of the key reasons for the additional contribution increases.

Health Plan

This last session the legislature considered benefits and salary as a single issue. As a result the House removed 1% of the employee's salary increase and the retirement increase. The explanation was that it would not affect the employees' take home pay and the state was paying an additional 1% employer contribution. This next session health insurance costs could increase about 14% or more based upon current trends. Combine this with an additional increase for retirement, if proposed, and the two are more significant than last session.

In 2011 when we developed the four year recovery plan based upon contribution increases, our health insurance increase was 7% or 3.5% per year. We noted at that time it was our third lowest increase since 1977 and that when combined with the proposed retirement

increase was still less than an average health plan increase. This session the increase may be twice what it was in 2011 and the same rationale cannot be put forward.

Funded Status

In 2011 the projected funded status of the plan was going to “0”. At that time the only method to stop the downward trend, stabilize the plan and get it back on track to 100% was to increase contributions. No other approach accomplished all three goals.

As of 2013 the long term funded status is projected to go to 80% assuming the DC option goes away in 2017 or is funded over the same planning period. With a higher starting point now, contribution increases are now not the only option. The challenge in 2013 is significantly different than 2011.

Summary

Most of the above are new considerations that were not part of the considerations in the development of the initial recovery plan (GASB, Interim Study, DC Option, State Bond Rating, Health premiums) or if not new have significantly changed since then (Funded Status). As the above demonstrates, the decision environment is dramatically different since the initial recovery plan was developed.

Options for 2015

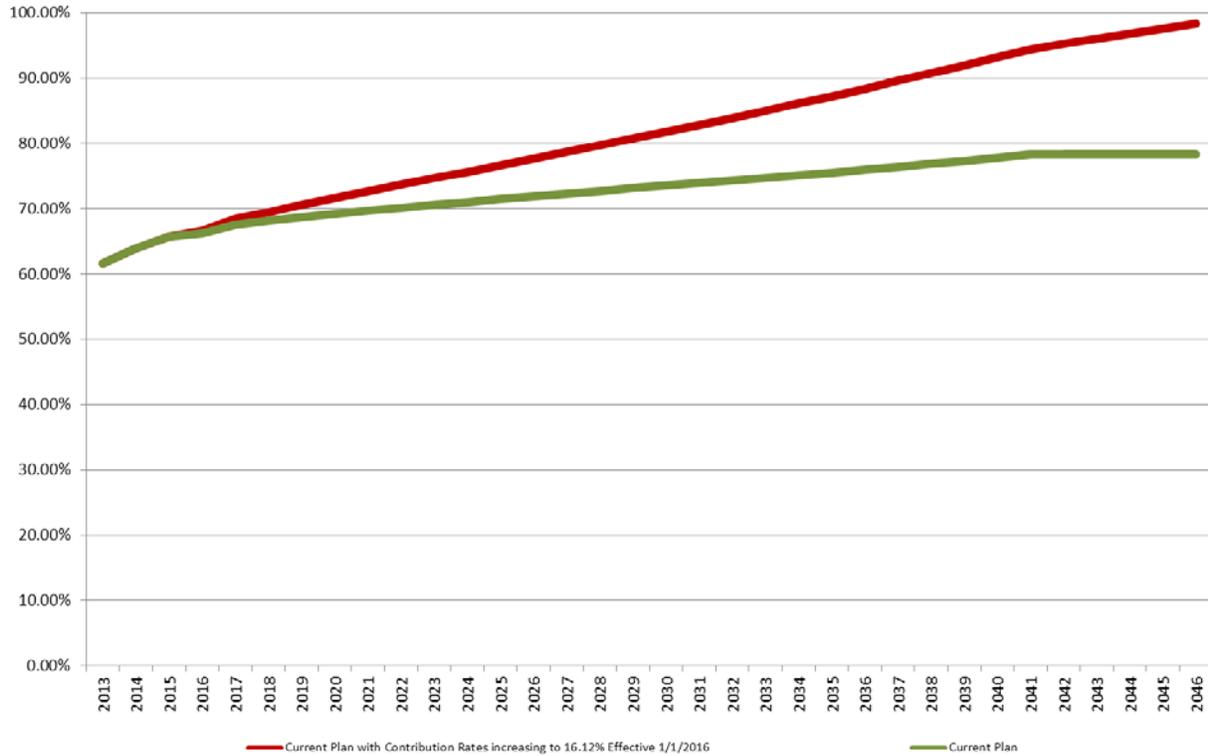
There are three options for 2015 and they are:

1. Stay with the original recovery plan and submit the fourth year.
2. Adjust the plan for new employees by making the changes the Teachers Fund for Retirement (TFFR) made for their members. Some of these were a part of their recovery plan.
3. Submit no legislation and rely on investment returns for future improvement in the funded status.

At this point this memo will review each of the options.

OPTION #1 – SUBMIT FOURTH YEAR OF RECOVERY PLAN

Option #1 is to submit the fourth year of the recovery plan. The fourth year has been considered by the 2011 and 2013 sessions and was not adopted by either. In both cases the recovery plan had a favorable recommendation by the Legislative Employee Benefits Committee, the Governor and all of our employee organizations. In both cases there was no opposition at the hearings. However, even with this support the fourth year has not been passed by the legislature twice. The following table shows the benefit of receiving the fourth year of additional contributions.



The top line is what happens to our long term funding projections with the fourth year of contribution increases. As you will note, we get back to 100% by 2046. The bottom line is our funding projection without the fourth year and assuming in 2017 the DC option goes away or is funded. This option clearly meets all three of our goals.

The next graph shows the cost to our participating employees for their share of the 2% increase which would be 1% for the employer and 1% for employees.

	Jul-13	2013-2015	1.00%
Plan	Employees	Biennium Payroll	
Main - State	11631	\$ 1,093,946,372	\$ 10,939,464
Judges	47	\$ 12,810,520	\$ 128,105
Highway Patrol	141	\$ 18,073,433	\$ 180,734
DC Plan	219	\$ 33,540,006	\$ 335,400
Total	12038	\$ 1,158,370,331	\$ 11,583,703
General Fund	53.38%	\$ 618,338,083	\$ 6,183,381
Political Subs			
County	3581	\$320,111,689	\$ 3,201,117
City	1475	\$162,456,950	\$ 1,624,570
Schools	4988	\$303,998,340	\$ 3,039,983
Others	557	\$47,604,153	\$ 476,042
Subs Total	10601	\$834,171,132	\$ 8,341,711
Total			\$ 19,925,415

As the above chart shows, the cost for the next biennium for our participating employers is almost \$20 million. The state's portion is almost \$12 million and the political subdivision's is about \$8 million for a total of about \$20 million for 2015-2017 (two years).

Please note an equal amount would be deducted from our participating employee's salaries. Specifically our participating employees would need to contribute almost \$20 million as well.

In total for both our employers and employees, the total cost for 2015-17 would be about \$40 million. The total increase (considering inflation on payroll which will occur and make the amount larger) for the period until the plan becomes 100% funded is \$1.25 billion. This amount would be split equally between employers and employees (about \$625 million each over the period).

OPTION #2 – IMPLEMENT SIMILAR CHANGES TO PERS AS TFFR HAS IMPLEMENTED FOR ITS MEMBERS.

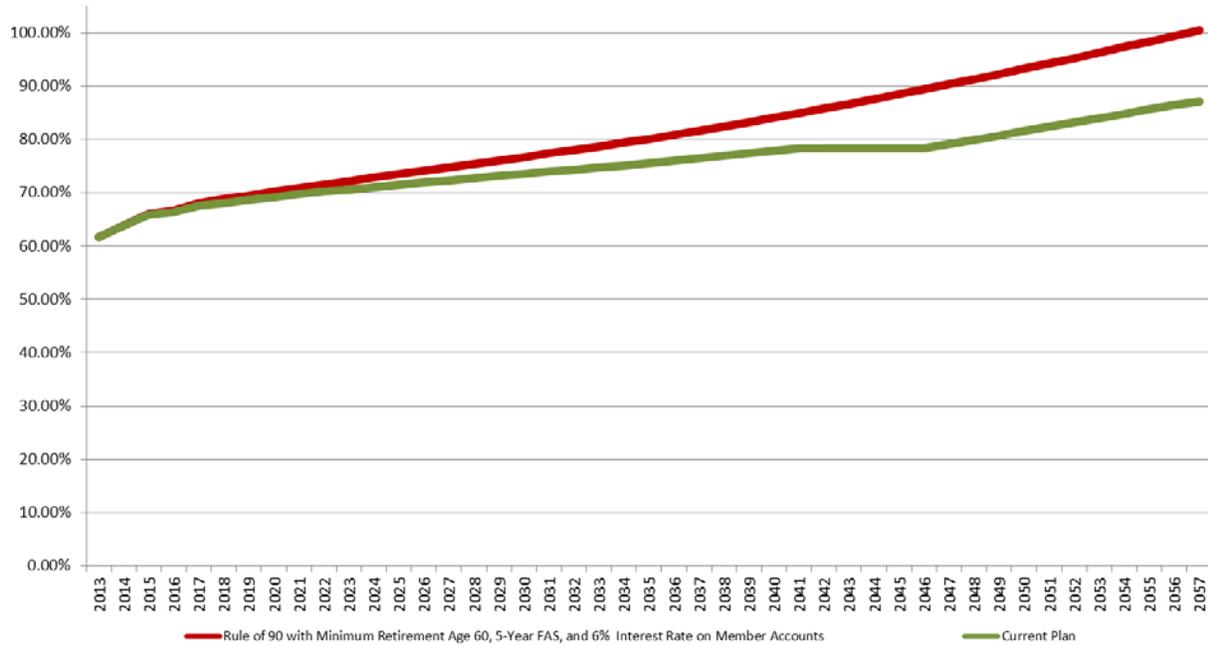
Option #2 is to implement similar changes to the plan design for PERS as TFFR has for its members. Some of these changes were a part of TFFR's recovery. The changes discussed here for PERS would be for new employees only (TFFR had some of these apply to existing members).

In making our plan similar to TFFR, we are not opening up the plan design for Board considerations but only matching provisions in our sister system that have been agreed to by the groups and the legislature. If we went beyond those, we would be opening the plan design to broader considerations which could be a more extensive process. For example, some have suggested that we should have a cash balance plan design and that is what the PEW organization is advocating nationally. Opening up the plan design for broader considerations beyond matching our sister system means that many ideas could emerge, consequently the narrow focus offered here.

The changes that would match those in TFFR are:

1. Match the interest on member accounts to TFFR which is 6%
2. Change early retirement reduction from 6% per year to 8% per year
3. Change FAS to high 5 years instead of 3 years
4. Change rule of 85 to 90 with minimum age of 60

When the above was discussed with the PERS benefits committee, they expressed concern with applying some of the above changes to existing employees as TFFR did, consequently the above is proposed to apply to new employees only. If these changes were made, the following table shows their effect on the long term funded status of the plan.

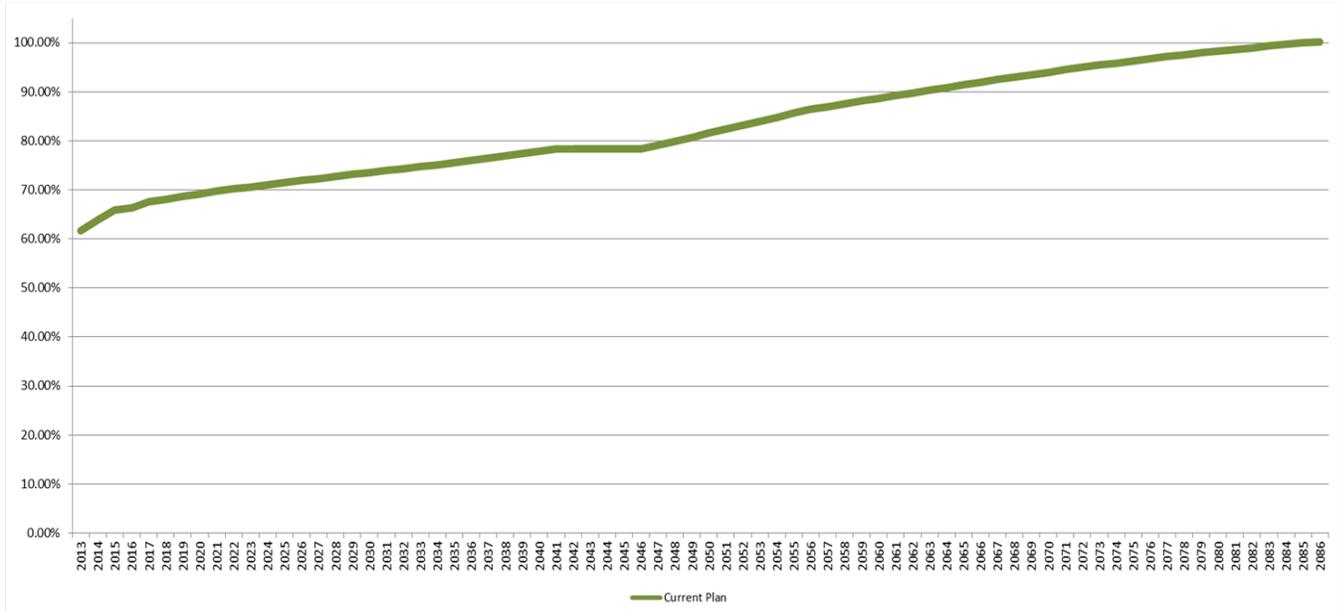


The lower line is the plan funding based upon the existing contributions and the top line is the plan funding with the changes offered here. As the above shows this will return the plan to 100% by 2057. This is about 10 years later than Option #1. Option # 2 would meet all of three goals and would not require employees or employers to pay the additional \$40 million next biennium and going forward would save our employee/employer members \$1.25 billion.

OPTION #3 – SUBMIT NO LEGISLATION AND RELY ON WHAT HAS BEEN ACCOMPLISHED TO DATE AND FUTURE RETURNS

Option #3 is that no new legislation relating to the recovery would be submitted in 2015 and we would rely on what has been accomplished to date with contributions and future investment returns to get the plan back to 100%.

The following chart shows when the plan would return to 100% with the existing contributions and 8% returns each year going forward.



As this chart shows, the plan would return back to 100% in about 2086 (the last year on the above projection) based on the existing contributions and 8% returns. This is about 29 years longer than Option #1 and about 19 years longer than Option #2.

Looked at from a different perspective, the following are the returns required over 20 years to get back to 100% each year if the assumed return for 2014 is between 24% and -24%. For example if the return this year is 8%, then the plan will need 9.6% annually for the next 20 years to get back to 100%.

Target Funded Ratio	Rate of Return Required for All Years Beginning on and after 2014/2015 To Achieve Target in 2033						
	Assumed 2013/2014 Return						
	24.0%	16.0%	8.0%	0.0%	-8.0%	-16.0%	-24.0%
70%	6.8%	7.3%	7.7%	8.3%	8.8%	9.5%	10.2%
80%	7.5%	7.9%	8.4%	9.0%	9.5%	10.2%	10.9%
90%	8.1%	8.6%	9.1%	9.6%	10.2%	10.8%	11.5%
100%	8.7%	9.1%	9.6%	10.1%	10.7%	11.4%	12.1%

It can be argued that Option #3 meets all three goals if you accept that getting to 100% in 2086 meets the goal. However, as noted above, this option does move the date down the line significantly and to rely on investment returns to get it to 100% sooner will require strong returns.

Staff Recommendation

Staff is recommending Option #2. Staff is not recommending Option #3 since it makes no changes on the income side (contributions) or the liability side (benefits) with the result being a significantly longer recovery.

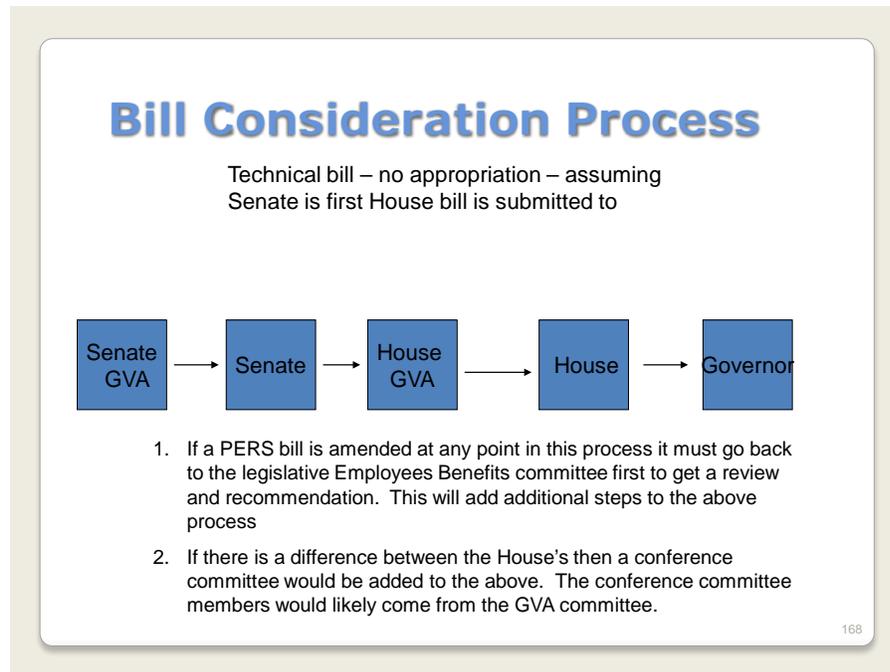
In developing this recommendation for Option #2, staff reviewed each of the variables in our decision environment for both Options #1 & #2 and makes the following observations:

Variable	Option #1	Option #2
Governmental Accounting Standards Bd (GASB)	Additional contributions being required of our employers and the recognition of the GASB liability will be a difficult challenge for our political subdivision boards.	This option would mean that our participating employers would have no additional contributions and could focus solely on the recognition of the new liability. This would reduce the magnitude of retirement issues facing our employers in 2015
DC Option	The requirement for \$20 million in additional employer contributions for 2015 -2017 and \$625 million over the recovery period could be an argument for the need to change the DB/Hybrid plan and overshadow considerations relating to a DC plan based solely upon its merits	With no contribution increase policy makers could focus on the merits of the DC plan option change only.
State Bond Rating	The attainment of AAA rating by the state means that it does not need to make additional contributions to satisfy the needs of the rating agency.	Since this option is budget neutral for our employers they would not need to consider the merits of additional contributions.
Rising Health Premiums	When our recovery plan was developed, health premiums were going up 7% or 3.5% a year. We testified that the lower premiums made the increase more affordable. Now premiums are projected to increase 14% or more making it less affordable and	No budget issues so it would not affect considerations relating to salary or other benefits for our members

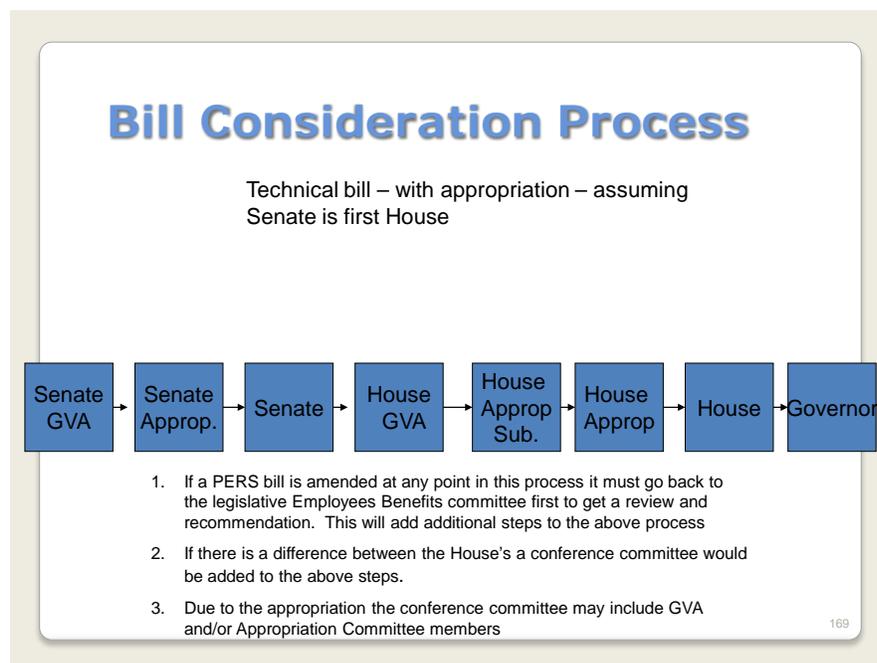
Variable	Option #1	Option #2
	could affect considerations of salary and health premium contributions for our participating members. If so, our members could receive less salary or health support in addition to paying 1% more in retirement contributions. Our members could be affected significantly	
Funded Status	This option will get us to 100% faster than Options #2 or #3. However, when the recovery plan was originally developed, this option (contribution increases) was the only option to 100%. This is no longer the case as we look to closing the final 20%.	This option helps close the last 20% without requiring additional contributions from our members or employers who have already contributed 3%.
Interim Study	As with the DC option, this proposal requires \$20 million in additional employer contributions and over the recovery period \$625 million which could be an argument/ impetus for the need to change the DB/Hybrid plan instead of focusing on the merits.	With no contribution increase, policy makers could focus on the merits of such a change

Based upon the above review of the environmental decision variables and the significant savings to our members (\$625 million over the recovery period), staff concludes that Option #2 is more favorable for our employers and employees while meeting our goals.

In addition to the above, staff noted that the likelihood of success of Option #2 is greater than Option #1 due to the legislative consideration process relating to Option #1 versus Option #2. If Option #2 is selected, the Bill Consideration Process is:



The legislative consideration process for Option #2 is that it needs to pass two standing committees, the floor of both chambers and get signed by the Governor. Whereas for Option #1 the following process is required since there is an appropriation:



In addition to the steps for Option #2, Option #1 must also go through the Appropriation Committees of both the House and Senate (two additional steps). This means the consideration of retirement increases are a part of allocating funds for all governmental efforts and prioritized against all other requests. When funding for any effort is part of overall considerations, it may or may not be funded based solely on its own merits but also how it compares to other competing priorities. In 2013 you will remember that it was the House Appropriations Committee that removed funding for the recovery plan before any hearings on the bill since other funding considerations were given a higher priority and therefore it was not included.

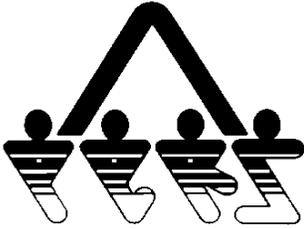
In addition to the above, another consideration compared to 2009 is that at this point in time the legislature has on two occasions not passed the fourth year of the recovery plan. Unlike the first time when there was no legislative history relating to the fourth year of the recovery plan, we now have that to consider as well.

Consequently, since Option #2 is more positively aligned with the decision variables identified/discussed above, and the legislative considerations relating to a bill without an appropriation allows considerations based solely on its merits, staff feels that Option #2 would have a greater chance for success and for us to fulfill our goals sooner. In addition, staff notes that not requiring more contributions from our existing members is beneficial to them since they have already had to give up 3% of take home pay over the years and Option #2 instead of Option #1 saves future employees about \$625 million in salary contributions over the recovery period while maintaining our core plan benefit which is 50% of final average salary at retirement.

In summary, staff recommendations are:

1. No additional legislation for the Judges, Law Enforcement Plans, National Guard Plan and Highway Patrol plan. Also, for the Law Enforcement Contributions for the BCI to drop them to equal the level of the other members.
2. Submit Option #2 for the Main Plan.

If you need additional time to consider the above, a final decision is not needed until March. However, we will need to develop legislation for your final consideration, so if you could narrow the options, we can begin work based upon that direction. In addition, another option would be to submit both Options #1 and #2 to the Legislative Employee Benefits Committee to allow them both to get further study and comment.



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: February 13, 2014
SUBJECT: Pre-Medicare Retiree Health/Retiree Health Credit

Last session we submitted HB 1058 which did:

1. Closed the PERS health plan to pre-Medicare retirees on July 1, 2015 (Section 1).
2. Made the retiree health credit portable (Section 2 & 3).

The PERS Benefits Committee is suggesting that we submit legislation this session to move back the effective date from July 1, 2015 to July 1, 2017.

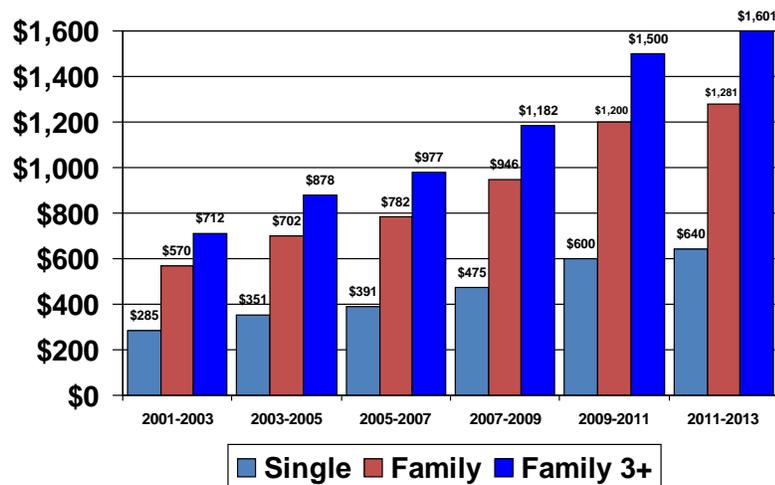
Background on HB 1058

SECTION 1 - CLOSED THE PERS HEALTH PLAN TO PRE-MEDICARE RETIREES

Section 54-52.1-02 (1) authorizes retired employees not eligible for Medicare the option to participate in the PERS Health Plan. Historically this option was available to insure that retiring employees would be able to find health coverage when they retired without having to be exposed to medical underwriting requirements or pre-existing condition provisions. The rate for this coverage is also set in statute as:

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

The following is a history of the premium for that coverage:



Since the above rate is set by a state statute and is not based upon the actuarial requirements of the group, the above rates while high, do not reflect the full cost of that coverage. If the rate was set based upon the actuarial requirement for the pre-Medicare group, it would be even higher. This difference between the statutory rate and the actuarial rate is called an implicit subsidy of the plan.

Relating to financial reporting of this implicit subsidy, the Governmental Accounting Standards Board (GASB) finalized Statements No. 43 (GASB 43 for funded OPEB plans) and 45 (GASB 45 for employers) in 2004. The statements' objectives are to establish uniform standards of financial reporting by state and local governmental entities for post-employment benefit plans other than pension benefits (OPEB plans). This includes post-employment health care benefits such as the one provided to North Dakota pre-Medicare retirees. Pursuant to these statements the State must report the present value of this implicit subsidy as a footnote on the State's financial reports. The most recent valuation put this amount at \$65.2 million. With the adoption of this bill PERS will no longer offer this coverage. Consequently, this liability would be substantially eliminated and, therefore, would not appear on the financial statements.

The second aspect of the implicit subsidy is that in the near term (the cost for one year) the actuarial difference in the cost is applied to the active contracts in the plan. The estimated cost of this to the active contracts in the plan is about \$2.46 per contract per month on premiums for 2013-15. Again, if the provisions of this bill are approved, this cost would no longer be applied to the active contracts in the plan. In the fiscal note, we assumed that this would reduce the active health insurance coverage by about half of this amount in 2015-17. We would expect that by 2018 nearly all pre-Medicare members would be off the health plan and this entire savings would then be reflected in the active premiums.

While the provisions of this bill will result in the above two savings for the employer (no longer having to report the present value of the subsidy on the states financial statements and the subsidy being reflected on the active rates), what about the effect on retirees? First, as mentioned at the beginning, this coverage was offered to pre-Medicare retirees to insure they had access to coverage when they retired. Due to the passage of the

Affordable Care Act (ACA), there are provisions in the bill that provide access to insurance without having to be concerned with being medically underwritten or having pre-existing condition provisions. Consequently, the primary reason that PERS offers this coverage to this group may no longer apply. Additional advantages for the pre-Medicare retirees to access coverage through the new health care exchanges may be:

- Possible subsidies for coverage
- More selection of plans

The primary disadvantage to our pre-Medicare retirees is that at this time the PERS Retiree Health Insurance Credit is not portable, so they would lose that benefit by going to the health care exchange. That is why Sections 2 & 3 of the bill were proposed. You will note, however, that the effective date of this act is not until July 1, 2015. The reason for this is to allow us enough time to confirm our understanding when the Affordable Care Act provisions are implemented in 2014. We noted in our testimony if our understanding proves to be incorrect, then corrective provisions can be proposed to the 2015 legislative session before we stop offering non-Medicare coverage. The PERS benefits committee is suggesting that due to the rocky rollout of the ACA more time is needed to access its viability as an alternative to the PERS plan for pre-Medicare retirees.

SECTIONS 2 & 3 – RETIREE HEALTH CREDIT PORTABILITY

In 1989, the North Dakota Legislature started the Retiree Health Insurance Credit Program (RHIC). The purpose of this program was to help retirees offset the cost of health insurance. It was recognized at the time that the cost of health insurance was becoming increasingly unaffordable. The monthly benefit formula and benefit paid information is:

BENEFIT FORMULA:

\$5 for each year of credited service

Example: $\$5 \times 25 \text{ years} = \125

During the last year, the program paid out the following benefits:

BENEFITS PAID

Average benefit: \$118 per month to 4,442 members

This program is presently funded by a 1.14% contribution from payroll.

Presently, this benefit can only be used to purchase PERS retiree health insurance coverage.

If the provision in Section 1 of this bill alone was passed, it would mean that pre-Medicare retirees would not be able to participate in the PERS health plan and would lose this benefit. Consequently, the proposal in Sections 2 & 3 would make this coverage portable for any

health insurance coverage and also allow it to be used for the PERS dental, vision, prescription and long term care coverage. This provision adds the portability feature for not only pre-Medicare retirees but also Medicare retirees.

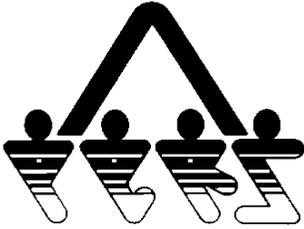
Summary

HB 1058 did two basic things:

1. Closed the PERS Health Plan to pre-Medicare retirees on July 1, 2015 (Section 1). As discussed above, this will eliminate the implicit subsidy associated with offering this coverage, which consists of a present value of about \$65 million, thus reducing that amount on the state's financial statements. In addition, this change will reduce the active rates in the future by the annual implicit subsidy cost of about \$2.46 per contract per month.
2. Made the retiree health insurance credit portable. While this will increase the cost of this program based upon the most recent actuarial valuation, the additional cost can be paid within the existing contribution.

Recommendation

The PERS Benefits Committee is recommending moving back the effective date of the bill to allow more time to determine that the ACA is a viable alternative for PERS pre-Medicare Retirees.



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: February 13, 2014
SUBJECT: Defined Contribution Plan Legislation

As we have reviewed, there is much discussion about Defined Contribution Plans these days. Among our responsibilities in NDCC 54-52.6 is the administration of the state DC option which has given us an administrative perspective on the plan with regard to its strengths and weaknesses. Among its strengths are the lower costs, enhanced services and additional investment options that have been added to the DC plan since its inception in 1999 through the bidding process. Among its weaknesses we have noted the following:

1. Pension Adequacy - Contribution levels
2. Limited disability benefit
3. Limited spouse benefit
4. Time for financial planning

It should be noted that while there is discussion on DB vs. DC and who should be in what plan, there is little to no discussion of the above plan design features. This memo outlines each of the above features and provides a staff recommendation for proposed legislation.

1. Pension Adequacy - Contribution Levels

In recent years we have had Segal do a study concerning the benefit levels in the DC plan compared to the DB/Hybrid plan. The following table summarizes their findings for the existing population:

	Future Contribution Rate		
	Current Plan 14.12% effective <u>January 1, 2014</u>	Increase to 16.12% effective <u>July 1, 2015</u>	Increase to 20.00% effective <u>July 1, 2015</u>
<u>Ratio of Projected DC to DB Benefits</u>			
Less than 50%	49	41	32
50% - 75%	149	131	106
75% - 100%	27	52	69
100% and Over	<u>2</u>	<u>3</u>	<u>20</u>
Total	227	227	227

In that report Segal said:

Concerning the above, the Segal report stated: *Overall, this analysis shows that the majority of the current DC Plan members are projected to receive significantly less retirement income under the DC Plan than projected under the DB Plan. In particular, the ratio of DC Plan to DB Plan benefits declines somewhat as age increases, and declines dramatically as length of service increases. The DC Plan benefits are projected to be higher with an increase in the contribution rate but are still less than 100% of the DB Plan benefits for most participants. Under existing contribution levels, the only way that DC Plan benefits would consistently reach the level of DB Plan benefits would be to earn long term investment returns above the assumed 8%.*

For many of the above members the reason the benefit is so low is due to the poor timing of the plan's implementation, which was when the markets crashed, and secondly, due to the low contribution level. While little can be done about the investment environment, we can consider actions relating to the contribution levels. To that extent we did include the DC plan in our recovery plan legislation with the goal of increasing the contributions to plan to provide a more reasonable benefit.

In considering what is a reasonable level for the DC plan, we have been benchmarking it against that DB plan which pays a benefit at 25 years of service of 50% of final average salary. For a new DC member entering the plan at age 35 and retiring at their normal retirement age, they would receive a benefit of equal to about 85.5% of the DB benefit. This

review would indicate that the DC plan is providing a lower benefit than the DB plan to its participants (this does not include a risk premium).

With the above in mind, in recent years we have worked to increase the contribution level to the DC plan. It is now at 14.12% compared to 8.12% when the plan started (at that point the DC benefit would have been about 49.5% of the DB benefit). This has helped the plan for new employees going forward. These increases have been included in the recovery plan legislation and were proposed to go to 16.12% (which would have gotten the DC benefit to about 94% of the DB benefit based upon the above situation). If we do not submit additional contribution increase legislation for the DB plan (Option #1 in the retirement memo) and go with Option #2, the question is if we should continue pursuing additional contributions to this plan? The following table shows for a new employee the projected level of benefits compared to the DB/Hybrid plan. It would suggest that enhancing the contribution level would be appropriate.

For a new participant entering at age 35, these are the ratios we calculated.

Contribution	DC/DB ratio
8.12%	49.50%
14.12%	85.54%
16.12%	94.31%
20.00%	116.05%

The options relating to pension adequacy/contributions would be based upon the original recovery plan:

Options #1	Option #2 (assuming no Hybrid increase)	Option #2 (assuming no Hybrid increase)	Option #3 (assuming no Hybrid increase)
No action on Pension Adequacy	Increase employee contributions for DC plan by 2%	Increase employer contributions for DC plan by 2%	Increase employer/employee contributions for DC plan by 1%

Staff Recommendation

Staff would suggest that if Option #1 (in the retirement memo) is submitted for the DB/Hybrid plan, then Option #3 above should be submitted for the DC plan (this would be the same approach as used in the past). If Option #2 (in the retirement memo) for the DB/Hybrid plan is submitted then staff would suggest Option #1 above (increase employee contributions by 2%) should be submitted for new employees to the DC plan. Please note this would be just for new employees and that the PERS Benefits Committee had no recommendation on this.

2. Limited Disability Benefit

The DC plans disability benefit is the member's cash balance. We note that the DB/Hybrid Plan's benefit is 25% of salary after 6 months of employment. We have noted this in our testimony on the DC plan as an area of concern with the existing DC plan since the benefit level is so low.

Staff Recommendation

Staff would suggest legislation providing for disability insurance to DC plan members that would be equal to that in the DB/Hybrid plan to be paid by the employer with an increase in employer contributions. To provide time to implement this option, it is suggested that it not be effective until July 2017. The PERS Benefits committee did not make a recommendation on this but a couple of members thought it may be beneficial.

3. Limited Spouse Benefit

The DC plan surviving spouse benefit is the member's cash balance. In the DB/Hybrid plan the spouse is entitled to 50% of the accrued benefit for life. Clearly the DC plan does not have an adequate spouse benefit.

Staff Recommendation

Staff would suggest legislation providing for a spouse benefit upon the death of the member of \$50,000 that would be paid by the employer with an increase in employer contributions. To provide time to implement this option and get it included in the budget, it is suggested that it not be effective until July 2017. The PERS Benefits committee did not make a recommendation on this, but a couple of members thought it may be beneficial.

4. Time for Financial Planning

One of the key elements of the DC plan is the member's responsibility for investing their own funds. They direct the asset allocation and are responsible for monitoring it and rebalancing their portfolio as needed. We know that many of the DC members need

assistance in this effort to be successful. To date, our participating employers have allowed employees to meet with investment advisors, provided by our vendor, during working hours. However, with the expansion of the program to more employees and more state employers, it may be beneficial to specify in legislation that DC members get up to 4 hours of leave each year to meet with investment advisors.

Staff Recommendation

Staff would suggest legislation providing up to 4 hours of paid leave annually for DC members to meet with investment advisors. There was some concern expressed by one of the members on the PERS Benefits Committee about adding this to state statute.



**North Dakota
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Memorandum

TO: PERS Board

FROM: Sparb

DATE: March 2014

SUBJECT: Job Service Retirement Plan Update with DOL

Attached please find a letter to Eric Seleznow, Acting Assistant Secretary, U.S. Department of Labor, relating to the Job Service Retirement Plan. We have requested various documents in order to clarify the intent and impact of the 1999 agreement on the 1980 MOU.

For your information, in 1975, the Department of Labor negotiated a package of benefits designed to upgrade the independent retirement Plans. Improvements to the Plans were adopted and employee contributions were increased. The Department of Labor chose to amortize the unfunded liability created by these improvements over a period of 20 years.

In 1980, discussion began between states which still maintained independent retirement Plans, and the Department of Labor. As a result of those discussions, the Department of Labor agreed to allow cost of living and military service credit provisions in 1980 while the states agreed to close enrollments in the independent Plans as of October 1, 1980. The Department of Labor chose to amortized the unfunded liability created by these changes over a period of 30 years.

From 1983 to 1998, the United States Department of Labor has paid the required amortization of the unfunded liability of the Job Service North Dakota independent retirement Plan. Fifteen years remain on the 30-year amortization schedule with a remaining balance for the unfunded liability of the North Dakota Plan in the amount of \$9.7 million as of July 1998. Also at this time, the funded status of the Plan had reached a point where the actuarial value of the benefits was \$50.6 million and the actuarial value of assets was \$61.7 million. The funded status of the Plan was 119%. Based upon this funded status, the United States Department of Labor question why it should continue to make the amortization payments.

To resolve this issue Job Service and the United States Department of Labor agreed to the following:

1. Commencing with the 1999 payment the United States Department of Labor will suspend the unfunded liability payments.
2. The unfunded liability payments will be reactivated and resumed by the United States Department of Labor at any time when the actuarial valuation indicates the Plan is in an under funded status.
3. The trigger mechanism for determining when the Plan goes into an underfunded status is when the actuarial value of assets is less than the actuarial present value of benefits. This information will be made available in the annual Plan actuarial valuation report.



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February 24, 2014

Eric M. Seleznow
 Acting Assistant Secretary
 Employment and Training Administration
 U.S. Department of Labor
 Frances Perkins Building
 200 Constitution Ave NW
 Washington, DC 20210

Thank you for your December 24, 2013 letter responding to my July 10, 2013 letter on behalf of Job Service North Dakota. In that correspondence you indicate that the compromise modification of 1999 between the state of North Dakota and the U.S. Department of Labor did not extend the life of the 1980 MOU between the parties, by concluding that the purpose of the 1999 compromise modification was to make possible the amortization of any unfunded liability over the 15 years immediately subsequent to the agreed upon amortization suspension date. The precise language of the 1999 compromise modification indicates, however, that the unfunded liability payments could be reactivated "at any time" (IV(2)). This language as well as the language found in Section III of the 1999 agreement detailing the positions of the parties as well as contemporaneous correspondence between Jennifer Gladden from Job Service North Dakota and Thomas Dowd from the U.S. Department of Labor arguably favor an interpretation that the obligation of the U.S. Department of Labor to fully satisfy the amount of unfunded liability previously agreed upon was not negated by the 1999 agreement, but merely suspended until such time as the plan was in an under-funded status, regardless of when that may occur.

In an effort to further clarify the intent and impact of the 1999 agreement on the 1980 MOU between the parties, I am requesting that you provide NDPERS with a copy of the following documentation: a copy of the 1980 MOU between the U.S. Department of Labor and North Dakota including any correspondence between the parties regarding the 1980 MOU and the 1999 amendment. Further, I am respectfully requesting a copy of any agreements between the U.S. Department of Labor and the employment security agencies of Idaho, Nebraska, Oklahoma, South Dakota and Utah, to the extent that they maintained independent retirement plans as of 1979, regarding the decision of the U.S. Department of Labor to amortize the unfunded liability of those plans over 30 years and which were executed between the respective parties between the years of 1979 to 1981, as well as any amendments or modifications thereto. Finally, I am requesting any additional documentation that the U.S. Department of Labor does or may rely upon in support of the position that it is no longer obligated to fully satisfy the amount of unfunded liability previously agreed upon. Once this information is received, NDPERS will be in a better position to evaluate the accuracy of your interpretation of the 1999 agreement.

Thank you in advance for your assistance in this matter.


 Sparb Collins
 Executive Director

CERTIFIED MAIL

- | | | |
|------------------------------------|----------------------------------|-----------------------------------|
| • FlexComp Program | • Retirement Programs | • Retiree Health Insurance Credit |
| • Employee Health & Life Insurance | - Public Employees | • Deferred Compensation Program |
| • Dental | - Highway Patrol | • Long Term Care Program |
| • Vision | - National Guard/Law Enforcement | |
| | - Judges | |
| | - Prior Service | |
| | - Job Service | |



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Memorandum

TO: NDPERS Board

FROM: Kathy & Sparb

DATE: February 12, 2014

SUBJECT: Technical Legislation

In March we must finalize our proposed legislation. Attachments 1 & 2 are suggestions by PERS staff relating to various administrative changes for the Main and Highway Patrol Systems and the Uniform Group Insurance Program. Staff is requesting your direction on the attached so we can prepare legislative bill drafts for your consideration and approval at the March meeting.

Board Action Requested

Determine what items should be included in proposed legislation for next session.

Retirement – Main System

Attachment 1

	NDCC Section Changed	Proposed Change	Reason for Proposed Change
1	54-52-17.2 (1b 1 & 2)	Update the final average salary from 120 to 180 months. b(1) The final average of the highest salary received by the member for any thirty-six months employed during the last one hundred twenty months of employment in the public employees retirement system salary as calculated in 54-52-17. b(2) The final average of the highest salary received by the member for any thirty-six consecutive months during the last one hundred twenty months as calculated in 54-52-17 of for employment with any of the three eligible employers under this subdivision, with service credit not to exceed one month in any month when combined with the service credit earned in the alternate retirement system.	This is a technical correction as this was previously overlooked when this change was originally implemented.
2	54-52-02.9 & 54-52.6-02(3)	Eliminate eligibility of temporary employees to participate in the Main and Defined Contribution plans, prospectively.	Participation by these individuals is a liability to the Retiree Health Insurance Credit fund.
3	54-52-17.2	Clarify that dual membership does not apply to temporary employees.	Participation by these individuals is a liability to the Retiree Health Insurance Credit fund.
4	54-52-05 & 06	Allow the NDPERS board general authority to establish rules with regard to options available to members to make payment for missed retirement contributions. <u>The board may establish rules to specify a payment option for missed retirement contributions</u>	Currently members are only allowed to make up missed retirement contributions with a lump sum payment.
5	54-52-02	Allow NDPERS to 'auto' enroll eligible members for participation in the respective defined benefit plan when we have all information necessary required from the employer to determine eligibility and the employer is reporting wages and paying contributions for a member that was not enrolled by the employer.	If the employer does not enroll an eligible member for participation, NDPERS cannot accept the contributions. See comments provided by Segal in attachment 2.
6	54-52-17.14	Incorporate the provisions of the Heroes Earnings Assistance and Relief Tax Act (HEART). <i>If a participating member dies on or after January 1, 2007 while performing qualified military service (as defined in section 414(u)(5) of the Internal Revenue Code), the deceased member's beneficiaries shall be entitled to any death benefits (other than credit for years of service for purposes of benefits) that would have been provided under the Plan if such participating</i>	Compliance with federal requirements. (Language was provided by Segal.)

	NDCC Section Changed	Proposed Change	Reason for Proposed Change
		<i>member had resumed employment and then terminated employment on account of death. In addition, the period of such member's qualified military service shall be treated as vesting service under the Plan."</i>	
7	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, 2013 2015 , as it applies for governmental plans.	Each session we submit this to update the reference to the IRS code.

Retirement – Highway Patrol

	NDCC Section Changed	Proposed Change	Reason for Proposed Change
1	39-03.1-14.1(3a&b)	Update final average salary from 120 to 180 months. 3(a) <i>By using the <u>final</u> average salary of the highest salary received by the member for any thirty-six months employed during the last one hundred twenty months of employment in the highway patrolmen's retirement system. <u>as calculated in 39-03.1-11.</u></i> 3(b) <i>Using the final average of the highest salary received by the member for any thirty-six months during the last one hundred twenty months <u>as calculated in 39-03.1-11 of for</u> employment, with service credit not to exceed one month in any month when combined with the service credit earned in the alternate retirement system.</i>	This is a technical correction as this was previously overlooked when this change was originally implemented.
2	39-03.1-11.2	The board shall administer the plan in compliance with the following sections of the Internal Revenue Code in effect on August 1, 2013 2015 , as it applies for governmental plans.	Each session we submit this to update the reference to the IRS code.
3	39-03.1-01(06)	<i>"Salary" means the actual dollar compensation, excluding any bonus, overtime or <u>expense allowance</u>, paid to or for a contributor for the contributor's services.</i>	Clarify the definition of Salary.

Group Health

	NDCC Section Changed	Proposed Change	Reason for Proposed Change
1	54.52.1-03.4	<p><i>A temporary employee employed before August 1, 2007, may elect to participate in the uniform group insurance program by completing the necessary enrollment forms and qualifying under the medical underwriting requirements of the program <u>if such election is made prior to and they are participating in the uniform group insurance program as of January 1, 2015.</u> A temporary employee employed on or after August 1, 2007, is only eligible to participate in the uniform group insurance program if the employee is employed at least twenty hours per week and at least twenty weeks each year of employment <u>and elected to participate prior to, and is participating in the uniform group insurance program as of January 1, 2015.</u> A temporary employee first employed <u>on or after December 31, 2013 January 1, 2015, or any temporary employee not participating in the uniform group insurance program as of January 1, 2015,</u> is eligible to participate in the uniform group insurance program only if the employee meets the definition of a full-time employee under section 4980H(c)(4) of the Internal Revenue Code [26 U.S.C. 4980H(c)(4)].</i></p>	<p>To comply with the new definition of temporary employees contained in the ACA. Language was provided by legal counsel.</p>
2	54-52.1-18	<p>Propose language to clarify that participation by political subdivisions would be as a group and not as an option to the PPO/Basic plan on an individual employee basis. <u><i>A political subdivision electing this option agrees to only offer the high deductible health plan to employees and will not offer the plan under section 54-52.1-06. Each new employee of a participating employer under this section must be provided the opportunity to elect the high-deductible health plan alternative.</i></u></p>	<p>Based on current language, it appears that coverage can be made available to political subdivisions on an individual basis as an option to the PPO/Basic plan. The intent was to make the HDHP available on a group basis.</p>

3	54-52.1-18	<p>Clarify conditions under which an employee may maintain coverage in the HDHP if the employer is unable to establish an HSA.</p> <p><i>Subject to the limits of section 223(b) of the Internal Revenue Code [26 U.S.C. 233(b)], 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 <u>unless the public employees retirement system is unable to establish a health savings account due to the employee's ineligibility under federal or state law or due to the failure of the employee to provide necessary information in order to establish the account, then the system shall not be responsible for depositing the health savings account contribution. The member will remain a participant in the high deductible health plan.</u> Each new state employee of a participating employer under this section must be provided the opportunity to elect the high-deductible health plan alternative. At least once each biennium, the board shall have an open enrollment period allowing existing <u>state employees of a participating employer under this section or a political subdivision</u> to change their coverage.</i></p>	Federal law requires confirmation of certain demographic data in order for an HSA to be established and accept contributions for a participant. Provides staff with direction as to options should a participant not respond to our request for information or is not eligible to have an HSA.
4	54-52.1-03	Modify language so that NDPERS can automatically enroll an eligible employee in the basic life insurance and EAP program.	This will assist NDPERS with establishing employer paid benefits for eligible employees in a timely manner without requiring employee elections.
5	54-52.1-03.1	Clarify that political subdivisions can only join the NDPERS insurance plan if permitted under federal law.	Clarification is necessary due to ACA provision that small employer groups must participate in a Qualified Health Plan that is rated based upon a unique rating pool, which the NDPERS health plan does not meet.

- 1) Since participation in the Plan is mandatory and you already receive the information necessary to enroll new members, I think PERS has the authority to adopt a policy on establishing membership in Plan for new employees while you are waiting for the member to complete the required enrollment form. This should be an interim solution until you can amend the Admin Code and/or Century Code to establish enrollment without the member completing a form, since a statutory rule on enrollment would be preferable to an internal policy. It is fairly common among contributory governmental plans to require an enrollment form from new members, even though membership is mandatory, so other public systems have such internal policies on what to do if the member does not complete the form.

- 2) In order to ensure that such a policy is consistent with the current Admin Code rules, you may wish to include language that describes why and how you are “auto enrolling” new members until an enrollment form is received. That is, you could state that: a) membership is mandatory; b) PERS receives sufficient information from the employer to enroll new members; c) PERS has determined that it is prudent to allocate the contributions made on behalf of new members as soon as possible, even where an enrollment form has not yet been submitted; d) once an enrollment form is submitted by the new member, enrollment and participation are retroactive to the date of hire (or other participation entry date). I would also recommend that the policy clearly indicate that this policy governs permanent employees and does not affect the current rules for temporary employees to voluntarily enroll in the PERS.

- 3) The only concern that you may want to address is whether the State’s wage withholding laws require a member’s permission before employee contributions can be deducted from wages, which may explain why an enrollment form is necessary.

Regards.

Melanie Walker, JD

Vice President

The Segal Group

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Introduced by

(At the request of the Public Employees Retirement System)

1 A BILL for an Act to amend and reenact subsection 6 of section 39-03.1-01, section
2 39-03.1-11.2, subsection 3 of section 39-03.1-14.1, subsection 1 of section 54-52-05,
3 subsection 1 of section 54-52-17.2, sections 54-52-17.14, 54-52-28, subsection 1 of
4 section 54-52.1-03, sections 54-52.1-03.1, 54-52.1-03.4, and 54-52.1-18 of the North
5 Dakota Century Code, relating to the definition of salary, incorporation of Internal
6 Revenue Code compliance, and calculation of final average salary under the highway
7 patrolmen's retirement plan, employee enrollment, the eligibility for benefits of a
8 temporary employee having multiple plan membership, the calculation of final average
9 salary, and incorporation of federal law changes under the public employee's retirement
10 system, requests for coverage for minimum employer paid life insurance benefits
11 coverage or employee assistance benefits coverage, the eligibility of political
12 subdivisions to join, and the eligibility of temporary employees to participate in the
13 uniform group insurance program, the eligibility of political subdivisions to offer
14 participation in the high deductible health plan, and the failure to establish a health
15 savings account when the high deductible health plan is elected.

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

17 **SECTION 1. AMENDMENT.** Subsection 6 of section 39-03.1-01 of the North
18 Dakota Century Code is amended and reenacted as follows:

19 6. "Salary" means the actual dollar compensation, excluding any bonus, or
20 overtime, or expense allowance, paid to or for a contributor for the
21 contributor's services.

22 **SECTION 2. AMENDMENT.** Section 39-03.1-11.2 of the North Dakota Century
23 Code is amended and reenacted as follows:

1 **39-03.1-11.2. Internal Revenue Code compliance.**

2 The board shall administer the plan in compliance with the following sections of
3 the Internal Revenue Code in effect on August 1, ~~2013~~2015, as it applies for
4 governmental plans.

5 1. Section 415, including the defined benefit dollar limitation under section
6 415(b)(1)(A) of the Internal Revenue Code.

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

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

23 c. If a participating member is, or ever has been, a participant in
24 another defined benefit plan maintained by the employer, the sum
25 of the participant's annual benefits from all the plans may not
26 exceed the defined benefit dollar limitation under section
27 415(b)(1)(A) of the Internal Revenue Code. If the participating

1 member's employer-provided benefits under all such defined
2 benefit plans would exceed the defined benefit dollar limitation, the
3 benefit must be reduced to comply with section 415 of the Internal
4 Revenue Code. This reduction must be made pro rata between the
5 plans, in proportion to the participating member's service in each
6 plan.

7 2. The minimum distribution rules under section 401(a)(9) of the Internal
8 Revenue Code, including the incidental death benefit requirements under
9 section 401(a)(9)(G), and the regulations issued under that provision to
10 the extent applicable to governmental plans. Accordingly, benefits must be
11 distributed or begin to be distributed no later than a member's required
12 beginning date, and the required minimum distribution rules override any
13 inconsistent provision of this chapter. A member's required beginning date
14 is April first of the calendar year following the later of the calendar year in
15 which the member attains age seventy and one-half or terminates
16 employment.

17 3. The annual compensation limitation under section 401(a)(17) of the
18 Internal Revenue Code, as adjusted for cost-of-living increases under
19 section 401(a)(17)(B).

20 4. The rollover rules under section 401(a)(31) of the Internal Revenue Code.
21 Accordingly, a distributee may elect to have an eligible rollover
22 distribution, as defined in section 402(c)(4) of the Internal Revenue Code,
23 paid in a direct rollover to an eligible retirement plan, as defined in section
24 402(c)(8)(B) of the Internal Revenue Code, specified by the distributee.

25 5. If the plan of retirement benefits set forth in this chapter is terminated or
26 discontinued, the rights of all affected participating members to accrued

1 retirement benefits under this chapter as of the date of termination or
2 discontinuance is nonforfeitable, to the extent then funded.

3 **SECTION 3. AMENDMENT.** Subsection 3 of section 39-03.1-14.1 of the North
4 Dakota Century Code is amended and reenacted as follows:

5 3. Pursuant to rules adopted by the board, a member who has service credit
6 in the system and in any of the alternate plans described in subdivision a
7 or b of subsection 1 is entitled to benefits under this chapter. The
8 employee may elect to have benefits calculated using the benefit formula
9 in section 39-03.1-11 under either of the following calculation methods:

10 a. By using the final average of the highest salary received by the
11 member for any thirty-six months employed during the last one
12 hundred twenty months of employment in the highway patrolmen's
13 retirement system as calculated in 39-03.1-11. If the participating
14 member has worked for less than thirty-six months at retirement,
15 the final average salary is the average salary for the total months of
16 employment.

17 b. Using the final average of the highest salary received by the
18 member for any thirty-six months during the last one hundred
19 twenty months of as calculated in 39-03.1-11 employment, with
20 service credit not to exceed one month in any month when
21 combined with the service credit earned in the alternate retirement
22 system.

23 The board shall calculate benefits for an employee under this subsection
24 by using only those years of service employment earned under this
25 chapter.

1 **SECTION 4. AMENDMENT.** Subsection 1 of section 54-52-05 of the North
2 Dakota Century Code is amended and reenacted as follows:

3 1. Every eligible ~~governmental unit~~ participating political subdivision
4 employee, at the time the political subdivision joins ~~concurring in the~~
5 plan must so state in writing if they concur in the plan and all future eligible
6 employees of the participating political subdivision are participating
7 members in the plan and must be enrolled in the plan within the first
8 month of employment. Except as otherwise provided by law, every other
9 eligible governmental unit employee of a participating governmental unit is
10 a participating member in the plan and must be enrolled in the plan within
11 the first month of employment. An employee who was not enrolled in the
12 retirement system when eligible to participate must be enrolled
13 immediately upon notice of the employee's eligibility, unless the employee
14 waives in writing the employee's right to participate for the previous time of
15 eligibility, to avoid contributing to the fund for past service. An employee
16 who is eligible for normal retirement who accepts a retirement benefit
17 under this chapter and who subsequently becomes employed with a
18 participating employer other than the employer with which the employee
19 was employed at the time the employee retired under this chapter may,
20 before ~~reenrolling~~ being reenrolled in the retirement plan within the first
21 month of employment, elect to permanently waive future participation in
22 the retirement plan and the retiree health program and maintain that
23 employee's retirement status. An employee making this election is not
24 required to make any future employee contributions to the public
25 employees retirement system nor is the employee's employer required to
26 make any further contributions on behalf of that employee.

1 **SECTION 5. AMENDMENT.** Subsection 1 of section 54-52-17.2 of the North
2 Dakota Century Code is amended and reenacted as follows:

3 1. a. For the purpose of determining eligibility for benefits under this
4 chapter, an employee's years of service credit is the total of the
5 years of service credit earned in the public employees retirement
6 system and the years of service credit earned in any number of the
7 following:

8 (1) The teachers' fund for retirement.

9 (2) The highway patrolmen's retirement system.

10 (3) The teachers' insurance and annuity association of
11 America - college retirement equities fund (TIAA-CREF), for
12 service credit earned while employed by North Dakota
13 institutions of higher education. Service credit may not
14 exceed twelve months of credit per year.

15 b. Pursuant to rules adopted by the board, an employee who has
16 service credit in the system and in any of the plans described in
17 paragraphs 1 and 2 of subdivision a is entitled to benefits under this
18 chapter. ~~The~~A permanent employee and a temporary employed
19 prior to August 1, 2015, may elect to have benefits calculated using
20 the benefit formula in section 54-52-17 under either of the following
21 methods: method listed in this subdivision. A temporary employee
22 employed on or after August 1, 2015, will have benefits calculated
23 using the benefit formula in section 54-52-17 under the method
24 listed in paragraph (1).

25 (1) The final average of the highest salary received by the
26 ~~member for any thirty-six months employed during the last~~
27 ~~one hundred twenty months of employment in the public~~

1 ~~employees retirement system~~ as calculated in 54-52-17. If
2 the participating member has worked for less than thirty-six
3 months at retirement, the final average salary is the average
4 salary for the total months of employment.

- 5 (2) The final average of the highest salary received by the
6 ~~member for any thirty-six consecutive months during the last~~
7 ~~one hundred twenty months of~~ as calculated in 54-52-17 for
8 employment with any of the three eligible employers under
9 this subdivision, with service credit not to exceed one month
10 in any month when combined with the service credit earned
11 in the alternate retirement system.

12 The board shall calculate benefits for an employee under this subsection
13 by using only those years of service credit earned under this chapter.

14 **SECTION 6. AMENDMENT.** Section 54-52-17.14 of the North Dakota Century
15 Code is amended and reenacted as follows:

16 **54-52-17.14. Military service under the Uniformed Services Employment**
17 **and Reemployment Rights Act - Member retirement credit.**

18 A member reemployed under the Uniformed Services Employment and
19 Reemployment Rights Act of 1994, as amended [Pub. L. 103-353; 108 Stat. 3150; 38
20 U.S.C. 4301-4333], is entitled to receive retirement credit for the period of qualified
21 military service. The required contribution for the credit, including payment for retiree
22 health benefits, must be made in the same manner and by the same party as would
23 have been made had the employee been continuously employed. If the salary the
24 member would have received during the period of service is not reasonably certain, the
25 member's average rate of compensation during the twelve-month period immediately
26 preceding the member's period of service or, if shorter, the period of employment
27 immediately preceding that period, times the number of months of credit being

1 purchased must be used. Employees must be allowed up to three times the period of
2 military service or five years, whichever is less, to make any required payments. This
3 provision applies to all qualifying periods of military service since October 1, 1994. Any
4 payments made by the member to receive qualifying credit inconsistent with this
5 provision must be refunded. Employees shall make application to the employer for
6 credit and provide a DD Form 214 to verify service. If a participating member dies on or
7 after January 1, 2007, while performing qualified military service, as defined in section
8 414(u)(5) of the Internal Revenue Code, the deceased member's beneficiaries shall be
9 entitled to any death benefits, other than credit for years of service for purposes of
10 benefits, that would have been provided under the plan if such participating member
11 had resumed employment and then terminated employment on account of death. The
12 period of such member's qualified military service shall be treated as vesting service
13 under the plan.

14 **SECTION 7. AMENDMENT.** Section 54-52-28 of the North Dakota Century
15 Code is amended and reenacted as follows:

16 **54-52-28. Internal Revenue Code compliance.**

17 The board shall administer the plan in compliance with the following sections of
18 the Internal Revenue Code in effect on August 1, ~~2013~~2015, as it applies for
19 governmental plans.

20 1. Section 415, including the defined benefit dollar limitation under section
21 415(b)(1)(A) of the Internal Revenue Code.

22 a. The defined benefit dollar limitation under section 415(b)(1)(A) of
23 the Internal Revenue Code, as approved by the legislative
24 assembly, must be adjusted under section 415(d) of the Internal
25 Revenue Code, effective January first of each year following a
26 regular legislative session. The adjustment of the defined benefit
27 dollar limitation under section 415(d) applies to participating

1 members who have had a separation from employment, but that
2 member's benefit payments may not reflect the adjusted limit prior
3 to January first of the calendar year in which the adjustment
4 applies.

5 b. If a participating member's benefit is increased by plan amendment
6 after the commencement of benefit payments, the member's annual
7 benefit may not exceed the defined benefit dollar limitation under
8 section 415(b)(1)(A) of the Internal Revenue Code, as adjusted
9 under section 415(d) for the calendar year in which the increased
10 benefit is payable.

11 c. If a participating member is, or ever has been, a participant in
12 another defined benefit plan maintained by the employer, the sum
13 of the participant's annual benefits from all the plans may not
14 exceed the defined benefit dollar limitation under section
15 415(b)(1)(A) of the Internal Revenue Code. If the participating
16 member's employer-provided benefits under all such defined
17 benefit plans would exceed the defined benefit dollar limitation, the
18 benefit must be reduced to comply with section 415 of the Internal
19 Revenue Code. The reduction must be made pro rata between the
20 plans, in proportion to the participating member's service in each
21 plan.

22 2. The minimum distribution rules under section 401(a)(9) of the Internal
23 Revenue Code, including the incidental death benefit requirements under
24 section 401(a)(9)(G), and the regulations issued under that provision to
25 the extent applicable to governmental plans. Accordingly, benefits must be
26 distributed or begin to be distributed no later than a member's required
27 beginning date, and the required minimum distribution rules override any

1 inconsistent provision of this chapter. A member's required beginning date
2 is April first of the calendar year following the later of the calendar year in
3 which the member attains age seventy and one-half or terminates
4 employment.

5 3. The annual compensation limitation under section 401(a)(17) of the
6 Internal Revenue Code, as adjusted for cost-of-living increases under
7 section 401(a)(17)(B).

8 4. The rollover rules under section 401(a)(31) of the Internal Revenue Code.
9 Accordingly, a distributee may elect to have an eligible rollover
10 distribution, as defined in section 402(c)(4) of the Internal Revenue Code,
11 paid in a direct rollover to an eligible retirement plan, as defined in section
12 402(c)(8)(B) of the Internal Revenue Code, specified by the distributee.

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

17 **SECTION 8. AMENDMENT.** Subsection 1 of section 54-52.1-03 of the North
18 Dakota Century Code is amended and reenacted as follows:

19 1. Any eligible employee may be enrolled in the uniform group insurance
20 program created by this chapter by requesting enrollment with the
21 employing department. If an eligible employee does not enroll in the
22 uniform group insurance program at the time of beginning employment,
23 the eligible employee must meet minimum requirements established by
24 the board to enroll thereafter. An employing department shall not require
25 an active eligible employee to request coverage to receive the minimum
26 employer paid life insurance benefits coverage or employee assistance
27 program benefits coverage.

1 **SECTION 9. AMENDMENT.** Section 54-52.1-03.1 of the North Dakota Century
2 Code is amended and reenacted as follows:

3 **54-52.1-03.1. Certain political subdivisions authorized to join uniform group**
4 **insurance program - Employer contribution.**

5 A political subdivision, if eligible under federal law, may extend the benefits of the
6 uniform group insurance program under this chapter to its permanent employees,
7 subject to minimum requirements established by the board and a minimum period of
8 participation of sixty months. If the political subdivision withdraws from participation in
9 the uniform group insurance program, before completing sixty months of participation,
10 unless federal or state laws or rules are modified or interpreted in a way that makes
11 participation by the political subdivision in the uniform group insurance program no
12 longer allowable or appropriate, the political subdivision shall make payment to the
13 board in an amount equal to any expenses incurred in the uniform group insurance
14 program that exceed income received on behalf of the political subdivision's employees
15 as determined under rules adopted by the board. The Garrison Diversion Conservancy
16 District, and district health units required to participate in the public employees
17 retirement system under section 54-52-02, shall participate in the uniform group
18 insurance program under the same terms and conditions as state agencies. A retiree
19 who has accepted a retirement allowance from a participating political subdivision's
20 retirement plan may elect to participate in the uniform group under this chapter without
21 meeting minimum requirements at age sixty-five, when the employee's spouse reaches
22 age sixty-five, upon the receipt of a benefit, when the political subdivision joins the
23 uniform group insurance plan if the retiree was a member of the former plan, or when
24 the spouse terminates employment. If a retiree or surviving spouse does not elect to
25 participate at the times specified in this section, the retiree or surviving spouse must
26 meet the minimum requirements established by the board. Each retiree or surviving
27 spouse shall pay directly to the board the premiums in effect for the coverage then

1 being provided. The board may require documentation that the retiree has accepted a
2 retirement allowance from an eligible retirement plan other than the public employees
3 retirement system.

4 **SECTION 10. AMENDMENT.** Section 54-52.1-03.4 of the North Dakota
5 Century Code is amended and reenacted as follows:

6 **54-52.1-03.4. Temporary employees and employees on unpaid leave of**
7 **absence.**

8 A temporary employee employed before August 1, 2007, may elect to participate
9 in the uniform group insurance program by completing the necessary enrollment forms
10 and qualifying under the medical underwriting requirements of the program if such
11 election is made prior to and they are participating in the uniform group insurance
12 program as of January 1, 2016. A temporary employee employed on or after August 1,
13 2007, is only eligible to participate in the uniform group insurance program if the
14 employee is employed at least twenty hours per week and at least twenty weeks each
15 year of employment and elected to participate prior to and is participating in the uniform
16 group insurance program as of January 1, 2016. A temporary employee first employed
17 on or after ~~December 31, 2013~~ January 1, 2016, or any temporary employee not
18 participating in the uniform group insurance program as of January 1, 2016, is eligible to
19 participate in the uniform group insurance program only if the employee meets the
20 definition of a full-time employee under section 4980H(c)(4) of the Internal Revenue
21 Code [26 U.S.C. 4980H(c)(4)]. The temporary employee or the temporary employee's
22 employer shall pay monthly to the board the premiums in effect for the coverage being
23 provided. In the case of a temporary employee who is an applicable taxpayer as defined
24 in section 36B(c)(1)(A) of the Internal Revenue Code [26 U.S.C. 36B(c)(1)(A)], the
25 temporary employee's required contribution for medical and hospital benefits self-only
26 coverage may not exceed the maximum employee required contribution specified under
27 section 36B(c)(2)(C) of the Internal Revenue Code [26 U.S.C. 36B(c)(2)(C)], and the

1 employer shall pay any difference between the maximum employee required
2 contribution for medical and hospital benefits self-only coverage and the cost of the
3 premiums in effect for this coverage. An employer may pay health or life insurance
4 premiums for a permanent employee on an unpaid leave of absence. A political
5 subdivision, department, board, or agency may make a contribution for coverage under
6 this section.

7 **SECTION 11. AMENDMENT.** Section 54-52.1-18 of the North Dakota Century
8 Code is amended and reenacted as follows:

9 **54-52.1-18. High-deductible health plan alternative with health savings**
10 **account option.**

11 The board shall develop and implement a high-deductible health plan as an
12 alternative to the plan under section ~~54-52.1-06~~54-52.1-02. The high-deductible health
13 plan alternative with a health savings account must be made available to state
14 employees by January 1, 2012. The high-deductible health plan alternative may be
15 offered, at the discretion of the board, to political subdivisions after June 30, 2013. A
16 political subdivision electing this option agrees to only offer the high deductible health
17 plan to employees and will not offer the plan under section 54-52.1-02. Health savings
18 account fees for participating state employees must be paid by the employer. Subject to
19 the limits of section 223(b) of the Internal Revenue Code [26 U.S.C. 233(b)], the
20 difference between the cost of the single and family premium for eligible state
21 employees under section 54-52.1-06 and the premium for those employees electing to
22 participate under the high-deductible health plan under this section must be deposited in
23 a health savings account for the benefit of each participating employee unless the public
24 employees retirement system is unable to establish a health savings account due to the
25 employee's ineligibility under federal or state law or due to failure of the employee to
26 provide necessary information in order to establish the account, then the system shall
27 not be responsible for depositing the health savings account contribution. The member

Sixty-fourth
Legislative Assembly

1 will remain a participant in the high deductible health plan regardless of whether a
2 health savings account is established. Each new state employee of a ~~participating~~
3 ~~employer under this section~~ must be provided the opportunity to elect the
4 high-deductible health plan alternative. At least once each biennium, the board shall
5 have an open enrollment period allowing existing state employees of a ~~participating~~
6 ~~employer under this section~~ or a political subdivision to change their coverage.

7 E:\Capitol\S&LG\Murtha\PERS\Legislation\bill draft 39-03.1-01.docx



**North Dakota
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Memorandum

TO: NDPERS Board

FROM: Sharon Schiermeister

DATE: March 3, 2014

SUBJECT: 2013 COMPREHENSIVE ANNUAL FINANCIAL REPORT

The 2013 comprehensive annual financial report has been completed. The report contains detailed financial, investment, actuarial and statistical information for the plans administered by NDPERS. You can view, download or print the report from the NDPERS website at

<http://www.nd.gov/ndpers/forms-and-publications/index.html>

An email notice was sent to each participating employer notifying them that the annual report is available on the NDPERS website. The report was submitted to the Government Finance Officers Association with an application for the GFOA Certificate of Excellence in Financial Reporting.

Please let me know if you have any questions on the report.



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MEMORANDUM

TO: NDPERS Board
FROM: Jamie Kinsella *Jamie*
DATE: February 19, 2014
SUBJECT: December 19, 2013 PERS Audit Committee Minutes

Attached are the approved minutes from the December 19, 2013 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 21, 2014 10:00 a.m., in the NDPERS Conference Room.

Attachment

• FlexComp Program	• Retirement Programs	• Retiree Health Insurance Credit
• Employee Health & Life Insurance	- Public Employees	• Deferred Compensation Program
• Dental	- Highway Patrol	• Long Term Care Program
• Vision	- National Guard/Law Enforcement	
	- Judges	
	- Prior Service	
	- Job Service	



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MEMORANDUM

TO: Audit Committee
Jon Strinden
Arvy Smith
Rebecca Dorwart

FROM: Jamie Kinsella, Internal Auditor

DATE: January 27, 2014

SUBJECT: December 19, 2013 Audit Committee Meeting

In Attendance:

Jon Strinden – via call
Arvy Smith
Jamie Kinsella
Sparb Collins
Sharon Schiermeister
Julie McCabe
John Mongeon
Stacy DuToit

The meeting was called to order at 10:00 a.m.

I. August 21, 2013 Audit Committee Minutes

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

II. Internal Audit Reports

- A. Quarterly Audit Plan Status Report – A summary of the internal audit staff time spent for the past quarter was included with the audit committee materials. The number of errors are decreasing in the monthly benefits and refund payments, and we are going to increase the population for testing in the months that have smaller number of retirees retiring.
- B. FY 2013 Retirement Benefits and Refunds Executive Summary Reports – The Executive Summary Reports from the FY 2013 Retirement Benefits and Refunds Audits were provided to the board for their information.
- C. 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.

There are four carry overs from the previous quarter, one of which is a report in

• FlexComp Program	• Retirement Programs	• Retiree Health Insurance Credit
• Employee Health & Life Insurance	- Public Employees	• Deferred Compensation Program
• Dental	- Highway Patrol	• Long Term Care Program
• Vision	- National Guard/Law Enforcement	
	- Judges	
	- Prior Service	
	- Job Service	

this year's management letter. There are six new recommendations from Brady Martz. There are ten new recommendations from Internal Audit of which two are completed, one is 80% completed, one is 25% in progress and two are 10% in progress.

- D. Benefit/Premium Adjustments Report – The quarterly benefit adjustment report was provided to the audit committee. The report is in two sections, Retirement and Insurance. This report has 8 retirement and 5 health adjustments.

While doing research for the board two reports were found in PERSLink that will be investigated further to determine if it can be an additional tool to use in tracking adjustments. One is called the "Premium Adjustment Receivable" and the other is "Payee Receivable Report". The first is not reporting correctly so it will need to be fixed. Whether the second report is reporting correctly is yet to be determined.

- E. Internal Audit Plan for 2014-2015 – A copy of the Internal Audit Plan for the 2014-2015 calendar year was given to the board for review.

III. Administrative

- A. Audit Committee Meeting Date & Time – A schedule for 2014 was reviewed and agreed upon. The next audit committee meeting is scheduled for February 19, 2014 at 10:00 a.m.
- B. Risk Assessment – Prior to PERSLink Internal Audit had set a goal to conduct an enterprise risk assessment every four years. This assessment was completed in November. A copy of the Risk Management Methodology was given to the board for their information.
- C. Job Service – Early in October Internal Audit was asked to work with MaryJo Steffes, Benefits Administrator, on the Job Service (JS) 2013 COLA increases. Staff found issues with benefits during the 2013 COLA project which they want to review to ensure the payee's benefits were correct. The audit committee agreed Internal Audit should look at remaining records and determine if benefits are correct.

IV. Miscellaneous

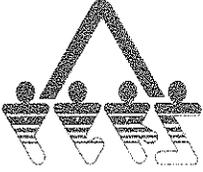
- A. Brady Martz & Associates Meeting with the Audit Committee – Item 13 of the Audit Committee Charter states in part: The AC will, on a regular basis, meet separately with the external financial statement audit firm to discuss any matters that the committee or auditors believe should be discussed privately (subject to open meeting laws). There was discussion on this subject.
- B. Brady Martz & Associates FY 2013 Audit Report Presentation – John Mongeon and staff were at the audit committee meeting to present the FY 2013 audit report.
- C. Brady Martz & Associates Presentation on GASB Updates – As requested by the

Audit Committee, Brady Martz presented GASB updates that will impact NDPERS. There was concern about staffing to deal with new GASB Standards 67 & 68 for government pension plans. This was noted by staff and will be addressed.

- D. Travel Expenditures Update – There was a worksheet presented to the board with travel expenditures incurred by the Board and/or Executive Director for out-of-state travel submitted from August 1, 2013 through October 31, 2013.
- E. Risk Management Report – The Loss Control Committee will provide quarterly to the Audit Committee a copy of the Loss Control Committee's agenda from their last meeting as well as the approved minutes. Copies of the June 6, 2013 meeting and the agenda for the September 17, 2013 meeting were provided to the audit committee.
- F. 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." Attached was a copy of the report showing the actuary/consulting audit, legal, investment and administrative fees paid during the quarter ended September 30, 2013. This report was changed to fiscal year to date as requested.
- G. Administrative Rules - Per Item 15 of the Audit Committee Charter: The AC will monitor changes and proposed changes in law, regulations and rules affecting the organization. Information was provided to the board in regard to this administrative rule.
- H. Publications – The August and October 2013 publications of the Tone at the Top were provided to the Audit Committee for their perusal.
- I. Webinars and CPE's – Ms. Kinsella and Ms. McCabe have been participating in the free Webinars that the Institute of Internal Auditors provides for their members. Each 1 hour webinar provides 1 hour of continuing professional education credits. The internal auditors have attended five webinars from August 1, 2013 through October 31, 2013. These webinars are held during the lunch hour so the internal auditors remain available to staff during normal business hours.

In addition, the internal auditors attended a two day "Rev Up Your Performance" seminar in Bismarck that dealt with change, getting closer to your stakeholders and managing conflict.

Meeting adjourned at 11:35 a.m.



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MEMORANDUM

TO: NDPER Board

FROM: Jamie Kinsella

DATE: February 19, 2014

SUBJECT: Audit Committee Charter Activity Review

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

To meet this requirement a matrix was developed to review against current practices to ensure that the audit committee is meeting its responsibilities. The attached copy of this matrix was provided to the audit committee at their February for review. This is for your information.

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
Audit Committee Charter Review Matrix
 For Year Ending December 31, 2013

J. Kinsella
 02/7/2014

Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
1. The audit committee (AC) will consist of two to five members with the majority of the members selected from the Board of Directors, and one may be selected from outside the organization. The Board or its nominating committee will appoint committee members and the committee chair.	The Board of Directors determines who will serve on the AC when they are assigning committees.	Indicate in AC meeting minutes whenever a new member is appointed.	Whenever there is a change in AC members.	No changes to the Audit Committee in 2013.
2. The Board should attempt to appoint committee members who are knowledgeable and experienced in financial matters, including the review of financial statements.	Ascertain that at least one member of the AC is knowledgeable and experienced in financial matters, including the review of financial statements.	Indicate in AC meeting minutes which member of the AC is knowledgeable and experienced in financial matters, including the review of financial statements.	Whenever there is a change in board members.	No changes to the Audit Committee in 2013.
3. The AC will meet as often as it determines is appropriate, but not less frequently than quarterly.	Hold meetings at least once each quarter.	Prepare minutes that document decisions made and action steps following meetings and review for approval. Meeting minutes should be filed with the board of directors.	Quarterly, or more often if necessary, but no later than prior to the next meeting.	Meeting minutes for 2/20/13, 05/15/13, 08/21/13, and 12/19/13 were prepared and presented for approval at the next quarterly meeting. These minutes are made available on the NDPERS web site after approval. The approved minutes are reported to the board at the next board meeting.
4. All committee members are expected to attend each meeting, in person or via tele- or video-conference.	Accommodations should be made available to committee members to encourage attendance.	Note in the AC meeting minutes the members who were in attendance at the meeting.	Quarterly, or more often if necessary, but no later than prior to the next meeting.	All AC members were in attendance at all meetings with the exception of the 5/15/13 and 8/21/13 meetings, however there was a quorum.
5. The committee periodically will hold individual meetings with management, the internal auditor and the external auditor.	Establish these sessions in conjunction with quarterly meetings or as necessary.	Contact appropriate people to arrange time for meetings.	Annually, or more often if necessary.	An individual meeting with the Internal Auditor was held 2/20/2013. The AC met individually with the external auditors on 12/19/2013.
6. The AC may invite any officer or employee of the agency, the external auditor, the agency's outside counsel, or others to attend meetings and provide	Establish these sessions in conjunction with quarterly meetings or as necessary.	Contact appropriate people to arrange time for meetings.	Annually, or more often if necessary.	Deb Knudsen, Manager, Benefit Program Development and Research was invited and spoke at the August meeting, providing the committee an update on the Loss Control

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
Audit Committee Charter Review Matrix
 For Year Ending December 31, 2013

J. Kinsella
 02/7/2014

Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
<p>7. Meeting agendas will be prepared by the Chief Audit Executive (CAE) and provided in advance to members, along with appropriate briefing materials.</p>	<p>The agendas for meetings should be prepared and provided to members in advance, along with appropriate briefing materials.</p>	<p>Prepare and provide meeting agenda, previous meeting minutes, and appropriate briefing materials to members in advance.</p>	<p>Quarterly, or more often if necessary</p>	<p>Committee activities. Meeting agendas were mailed to the AC on 2/13/13, 5/8/13, 8/14/13, and 12/12/13.</p>
<p>8. Minutes will be kept by a member of the AC or a person designated by the AC.</p>	<p>Designate the appropriate person to keep the minutes of meetings.</p>	<p>Prepare minutes documenting decisions made and future action steps and review for approval at the next meeting.</p>	<p>Quarterly, or following each meeting.</p>	<p>The Internal Audit Manager provides meeting minutes to the administrative assistant to prepare for the next quarterly meeting. These minutes were provided to the AC at the next quarterly meeting. See #3.</p>
<p>9. The AC will:</p> <ul style="list-style-type: none"> • Obtain information and/or training to enhance the committee members' expertise in financial reporting standards and processes so that the committee may adequately oversee financial reporting. • Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements. • Review with management, the external auditors, and the internal auditors the results of the audit, including any difficulties encountered. • Review all significant adjustments proposed by the external financial statement auditor and by the internal 	<p>Provide information related to financial reporting standards and processes to the AC.</p> <p>Bring external auditors to explain new changes to accounting reporting and how they impact NDPERS.</p> <p>Invite the external auditors to present the financial statements upon completion of their audit.</p> <p>Review with management and AC any proposed significant adjustments.</p>	<p>Articles, publications, external auditors, speakers with information regarding changes to accounting rules.</p> <p>Report to the board on issues relating to internal controls, with emphasis on management's ability to override and related monitoring and testing.</p> <p>Submit reports of audit findings and their status at each AC meeting.</p> <p>Audited Financial Statements, including the Independent Auditor's Report, management</p>	<p>Quarterly, or as they become available.</p>	<p>Articles from the Institute of Internal Auditors are provided as they become available.</p> <p>External auditors discussed with the staff/AC significant accounting and reporting issues as they develop.</p> <p>External auditors provided the statement of management responsibility and reviewed with staff prior to commencement of audit.</p> <p>There were no legal matters relating to financial statements.</p> <p>Staff reviewed the annual statements for completeness, consistency of information and accounting principles.</p> <p>A system for interim financial</p>

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
Audit Committee Charter Review Matrix
 For Year Ending December 31, 2013

J. Kinsella
 02/7/2014

Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
<p>auditor.</p> <ul style="list-style-type: none"> • Review all significant suggestions for improved financial reporting made by the external financial statement auditor and by the internal auditor. • Review with the General Counsel the status of legal matters that may have an effect on the financial statements. • Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles. • Review with management and the external auditors all matters required to be communicated to the committee under generally accepted auditing Standards. • Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement. • Review the statement of management responsibility for and the assessment of the effectiveness of the internal control structure and procedures of the organization for financial reporting. Review the attestation on this management assertion by the financial statement auditor as 	<p>Review management letter with management and AC.</p> <p>Bring to the General Counsel's attention any legal matters that may have an effect on the financial statements. AC should ask of management if the annual financial statements are complete.</p> <p>Inquire of management and external auditors if there are any matters required to be communicated to the committee under GAAS. Inquire of management their system of developing interim financial information and if the internal or external auditors were involved. Ascertain that the external auditors provided the statement of management responsibility and review with them. Review key internal controls with the CAE, and understand how these controls will be tested during the year.</p>	<p>Discussion and Analysis, financial Statements, Required Supplementary Information, Supplementary Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards, and Special Comments Requested by the Legislative Audit and Fiscal Review Committee.</p>		<p>information is not in place at this time.</p> <p>External auditors discussed with CAE and management the effectiveness of internal controls on 12/2/13.</p>

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
Audit Committee Charter Review Matrix
 For Year Ending December 31, 2013

J. Kinsella
 02/7/2014

Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
<p>part of the financial statement audit engagement.</p> <p>10. The AC will:</p> <ul style="list-style-type: none"> • Obtain information about, training in and an understanding of risk management in order to acquire the knowledge necessary to adequately oversee the risk management process. • Periodically review that the organization has a comprehensive policy on risk management. • Consider the effectiveness of the organization's risk management system, including risks of information technology systems. • Consider the risks of business relationships with significant vendors and consultants. • Review management's reports on management's self-assessment of risks and the mitigations of these risks. • Understand the scope of internal auditor's and external auditor's review of risk management over financial reporting. • Understand the scope of internal auditor's review of risk management over all other processes, and obtain reports on significant findings and recommendations, together with management's responses. • Understand the scope of any 	<p>Provide the AC members with information regarding risk management.</p> <p>Review risk management policy periodically.</p> <p>Create a portfolio that documents the material risks that the agency faces. Update as events occur.</p> <p>Review with management and the CAE periodically to make sure it is up-to-date.</p> <p>Provide AC a summary of results of self-assessment of risks, and how these risks are handled.</p> <p>Provide the AC information on how external and internal audit review risk management over financial reporting.</p> <p>Provide AC a summary of results of self-assessment of risks, and how these risks are handled.</p> <p>Provide the AC an explanation of other</p>	<p>Articles, publications, etc. relating to risk management.</p> <p>Current risk management policy and most recent information relating to risk management.</p> <p>Submit a risk report including mitigation strategies and quantifiable risks and insurance to cover such risks, e.g., loss of business.</p>	<p>Quarterly.</p> <p>As necessary.</p>	<p>Articles, publications, etc. relating to risk management are provided as they become available.</p> <p>It is required by Risk Management of OMB to have a Loss Control Committee. The Chairperson presented an overview of the committee at the August 2013 meeting. This will be done every year in August, providing an update annually. In addition, quarterly agendas and minutes of the Loss Control Committee were provided to the Audit Committee at each meeting.</p> <p>A risk assessment was facilitated and completed with management in November and a copy of the results provided to the audit committee at the 12/19/13 meeting.</p> <p>There was nothing to report.</p>

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
Audit Committee Charter Review Matrix
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 02/7/2014

Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
<p>other external auditor's or consultant's review of risk management.</p> <ul style="list-style-type: none"> • Hire outside experts and consultants in risk management as necessary subject to full board approval. <p>11. The AC will:</p> <ul style="list-style-type: none"> • Obtain information about, training in and an understanding of internal control in order to acquire the knowledge necessary to adequately oversee the internal control process. • Ensure that the organization has a comprehensive policy on internal control and compliance. • Review periodically the policy on ethics, code of conduct and fraud policy. • Consider the effectiveness of the organization's internal control system, including information technology security and control. • Consider any internal controls required because of business relationships with significant vendors and consultants. • Understand the scope of internal auditor's and external auditor's review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses. • Understand the scope of 	<p>external auditor's review of risk management.</p> <p>Develop a request for proposal if an outside expert is deemed necessary.</p> <p>Provide the AC members with information regarding internal control process.</p> <p>Review periodically the policy on internal controls, ethics, code of conduct and fraud.</p> <p>Review the reports of the internal audit team for all audits completed since the prior AC meeting.</p> <p>Review key internal controls with the CAE, and understand how these controls will be tested during the year.</p> <p>Review with the CAE the plans for audits of other elements of the control environment.</p>	<p>Report to the board on issues relating to internal controls, with emphasis on management's ability to override and related monitoring and testing.</p>	<p>Quarterly.</p> <p>Update on anything new, or any changes to the internal control system, at every meeting.</p>	<p>Information relating to internal control is provided as they become available.</p> <p>Internal periodic reviews on ethics, code of conduct and fraud have not been conducted consistently. These issues are addressed during the benefit programs, business processes, accounting functions and enterprise risk management assessments. Internal controls are reviewed as part of each audit project and/or special examinations.</p> <p>External auditors conduct a review of internal accounting controls annually. There have been no areas of concern as a result of these reviews.</p>

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
Audit Committee Charter Review Matrix
 For Year Ending December 31, 2013

J. Kinsella
 02/7/2014

Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
<p>internal auditor's review of internal control over all other processes, and obtain reports on significant findings and recommendations, together with management's responses.</p> <ul style="list-style-type: none"> Review the role of the internal auditor's involvement in the corporate governance process, including corporate governance documentation and training. Periodically review contracts with external service providers which should contain appropriate record-keeping and audit language. 	<p>Determine that all internal control weaknesses are quantified, reviewed, and addressed.</p> <p>Review these plans with the independent auditor to understand their scope with respect to key controls</p>			<p>Internal audit includes a review of internal controls as part of each audit, consulting project, and/or special examinations.</p> <p>At this time the role is to assist in the development of the enterprise risk management questionnaire. The results will be summarized into a report, and this will discuss corporate governance.</p> <p>The 2014-2015 Internal Audit Plan includes developing a process to review contracts.</p>
<p>12. The AC will:</p> <ul style="list-style-type: none"> Obtain the information and training needed to enhance the committee members' understanding of the role of internal audits so that the committee may adequately oversee the internal audit function. Oversee the selection process for the Chief Audit Executive. Assure and maintain, through the organizational structure of the organization and by other means, the independence of the internal audit process. Review any difficulties encountered in the course of audit work, including any restrictions on the scope of activities or access to required information Review with management and 	<p>Review reports of all internal auditors from the preceding 12 months and planned for the upcoming six months along with the status of each planned audit.</p> <p>Hold special meetings as necessary to address appointment, reassignment, or dismissal of CAE.</p> <p>Discuss internal audit</p>	<p>Report on the status of all current internal audits and audits planned for the next quarter and/or year.</p> <p>Report to the full board on the performance of the CAE including the effectiveness of the internal audit function.</p>	<p>Review at each meeting.</p> <p>Conduct ongoing reviews, as changes can be made at any time during the year.</p>	<p>An updated quarterly status report is provided to the AC at each meeting.</p> <p>No change in internal auditors this period. No change in reporting structure this period. Structure is in accordance with best practices.</p> <p>No difficulties encountered.</p>

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
Audit Committee Charter Review Matrix
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Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
<p>the Chief Audit Executive the charter, objectives, plans, activities, staffing, budget, qualifications, and organizational structure of the internal audit function.</p> <ul style="list-style-type: none"> • Receive and review all internal audit reports and management letters. • Review the responsiveness and timeliness of management's follow-up activities pertaining to any reported findings and recommendations. • Receive periodic notices of advisory and consulting activities by internal auditors. • Review and concur in the appointment, replacement, or dismissal of the Chief Audit Executive. • Review the performance of the Chief Audit Executive periodically. • Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' <i>Standards for the Professional Practice of Internal Auditing</i>. 	<p>division's budget and staffing with CAE.</p> <p>Maintain workload project management worksheet, audit recommendation worksheets</p> <p>Review and discuss the findings for each audit completed since the prior meeting, and management's response to the report.</p> <p>Meet periodically with other members of executive management and the external auditors to discuss the performance of CAE.</p> <p>Discuss internal audit's compliance with IIA Standards, including the requirement for a peer review once every five years.</p>	<p>Internal Audit Activities Report Audit Recommendation Report</p> <p>Annual Internal Audit Report</p> <p>Performance evaluation worksheet</p> <p>Quality Assurance Review report</p>	<p>Quarterly</p> <p>Quarterly</p> <p>Annually</p> <p>As needed</p> <p>As needed</p> <p>Annually</p> <p>QAR every five years. Annual Internal Audit report</p>	<p>A revised Internal Audit Charter was approved by the Board 9/18/2008. No changes were made since.</p> <p>The Internal Audit Activities report is presented at each audit committee meeting.</p> <p>A report of all audit recommendations is provided to the AC quarterly, with a progress update for each audit. An annual report of the Internal Audit Division was presented in February 2013.</p> <p>A quarterly report of audit activities is provided to the AC, which includes advisory and consulting activities.</p> <p>A performance review was written by the Executive Director and approved by the AC in May 2013. Nothing is reported to the full board at this time.</p> <p>A Quality Assurance Review was not completed in 2013 to review the effectiveness of the internal audit function.</p>

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
Audit Committee Charter Review Matrix
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Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
<ul style="list-style-type: none"> On a regular basis, meet separately with the Chief Audit Executive to discuss any matters that the committee or internal audit believes should be discussed privately (subject to open meeting laws). Designate the Chief Audit Executive as the lead coordinator for handling all matters related to audits, examinations, investigations or inquiries of the State Auditor and other appropriate State or Federal agencies. 	<p>Review the internal audit charter periodically. Assess the appropriateness of each point in the charter from past experience (since the last review). Assess the completeness of the charter against new best practices and new legal or regulatory requirement.</p> <p>The AC chair should be available if any unforeseen issues arise between meetings relating to the CAE.</p> <p>Discuss job satisfaction and other employment issues with the CAE.</p>	<p>Internal Audit Charter</p>	<p>Annually</p> <p>Periodically</p>	<p>IA charter was not reviewed in 2013.</p> <p>Private meeting with the Internal Audit Manager was held in February 2013.</p> <p>AC Chair is available at all times if needed.</p> <p>The Internal Audit Division is the primary contact for the external auditors, and coordinated all matters relating to the 2013 financial audits.</p>
<p>13. The AC will:</p> <ul style="list-style-type: none"> Obtain the information and training needed to enhance the committee members' understanding of the purpose of the financial statements audit and the role of external financial statement auditor so that the committee may adequately oversee the financial statement audit function. Review the external auditor's proposed audit scope and approach, including coordination of audit effort with internal audit. 	<p>Provide information and/or training.</p> <p>Meet with independent audit partner, the controller and CAE to discuss scope of the previous year's audit, and lessons learned. Later, discuss planned scope for audit of current</p>	<p>Document the meeting in the AC meeting minutes.</p>	<p>Meet with new audit firm at the beginning of a new contract to review the scope of the upcoming audit; discuss audit results, lessons learned and scope for current year at the exit conference.</p> <p>As requested</p>	<p>The contract is for the fiscal years ending June 2012 through June 2014; a meeting was not held because there was no change in the external audit firm.</p> <p>Nothing to review at this time.</p>

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
Audit Committee Charter Review Matrix
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Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
<ul style="list-style-type: none"> Review the performance of the external financial statement audit firm, and review the State Auditor's recommendation for the final approval on the request for proposal for, and the appointment, retention or discharge of the audit firm. Obtain input from the Chief Audit Executive, management and other parties as appropriate. Review the independence of the external financial statement audit firm by obtaining statements from the auditors on relationships between the audit firm and the organization, including any non-audit services, and discussing these relationships with the audit firm. Obtain from management a listing of all services provided by the external audit firm. Obtain information from the Chief Audit Executive and other sources as necessary. Review the audited financial statements, associated management letter, attestation on the effectiveness of the internal control structure and procedures for financial reporting, other required auditor communications, and all other auditor reports and communications relating to the financial statements. 	<p>year.</p> <p>Provide input on the external audit performance to the State Auditor's Office.</p> <p>Provide input to the State Auditors Office on the request for proposal for the appointment of the next audit firm.</p> <p>Obtain from external audit firm and/or management any documentation of any activity or issues between the audit firm and organization if information should be provided to the AC.</p> <p>Review at the exit conference with management, and again with the AC.</p>		<p>Every three years</p>	<p>No comments were requested by the State Auditor's Office.</p> <p>Input was provided in December 2011 to the State Auditor's Office on the RFP for the 2012-2014 contract period.</p> <p>This was not an issue for 2013.</p> <p>External audit firm presented the financial statements and associated reports to the AC at the December 2013 meeting.</p>

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Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
<ul style="list-style-type: none"> • Review all other reports and communications made by the external financial statement auditor. • Review the responsiveness and timeliness of management's follow-up activities pertaining to any reported findings and recommendations. • On a regular basis, meet separately with the external financial statement audit firm to discuss any matters that the committee or auditors believe should be discussed privately (subject to open meeting laws). • Provide guidelines and mechanisms so that no member of the AC or organization staff shall improperly influence the auditors or the firm engaged to perform audit services. • 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. 	<p>Review as needed.</p> <p>Provide a quarterly audit recommendation report to the AC.</p> <p>Provide opportunity at the time external auditors are at meeting to present audit report.</p> <p>Need to draft guidelines.</p> <p>Provide a quarterly report to the board of all external audit costs.</p>	<p>Audit recommendation report</p> <p>Annual audit report presentation</p> <p>External Audit costs report</p>	<p>Quarterly</p> <p>Annually</p> <p>Quarterly</p>	<p>Reports were reviewed during 2013 during each AC meeting.</p> <p>The Audit Committee met with the External Auditors at the December 2013 audit committee meeting.</p> <p>Guidelines not needed at this time -- State Auditor's Office selects external auditors.</p> <p>Quarterly reports are provided to the full board and to the AC.</p>
<p>14. The AC will:</p> <ul style="list-style-type: none"> • Obtain the information and training needed to enhance the committee members' understanding of the role of the other external audit firm(s) so that the committee may 	<p>Provide the AC members with information regarding the role of the other external audit firm(s).</p> <p>Meet with independent</p>	<p>Document the meeting in the AC meeting minutes.</p>	<p>Provide information and training as needed.</p>	<p>Not applicable at this time as we have not had an "other" external audit firm in conjunction with the external audit firm.</p>

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

Audit Committee Charter Review Matrix

For Year Ending December 31, 2013

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Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
<p>adequately oversee their function(s).</p> <ul style="list-style-type: none"> Confirm coordination of efficient and effective audit activities between the internal and external auditors. Review the performance of the other external audit firm(s). Review the scope all services to be performed by the other external auditor. Review the reports of the audits and/or agreed-upon-procedures. Provide a forum for follow up of findings from the audit reports or agreed-upon-procedures. Meet separately with the other external audit firm(s) on a regular basis to discuss any matters that the committee or staff of the audit firm(s) believes should be discussed Review a report of all costs of and payments to other external audit firm(s). The listing should separately disclose the costs of any audit, other attest projects, agreed-upon-procedures and any non-audit services provided. 	<p>audit partner, the accounting manager and CAE to discuss scope of the previous year's audit, and lessons learned. Later, discuss planned scope for audit of current year.</p>			
<p>15. The AC will:</p> <ul style="list-style-type: none"> Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any 	<p>Review the reports of compliance with laws and regulations. Discuss compliance issues and resolutions.</p>	<p>Record discussion and any action steps in the AC meeting minutes.</p>	<p>Review as necessary.</p>	<p>Compliance with laws and regulations are reviewed for each specific audit by both the external auditors and internal auditors. Any concerns will be brought before management, the AC and/or board as necessary.</p>

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
Audit Committee Charter Review Matrix
 For Year Ending December 31, 2013

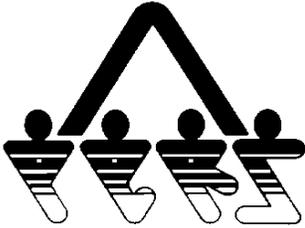
J. Kinsella
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Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
<ul style="list-style-type: none"> • instances of noncompliance. • Review the findings of any examinations by regulatory agencies, and any auditor observations, including investigations of misconduct and fraud. • Review the process for communicating to all affected parties the ethics policy, code of conduct and fraud policy to organization personnel, and for monitoring compliance therewith. • Obtain regular updates from management and organization legal counsel regarding compliance matters. • Monitor changes and proposed changes in laws, regulations and rules affecting the organization. 	<p>Require staff to sign off on ethics/code of conduct and fraud policy annually during their performance reviews.</p> <p>Report to AC as necessary.</p> <p>Report to AC as needed.</p>	<p>Review signed form stating the employee read the policies.</p> <p>Report to AC at meeting, if matters arise.</p> <p>Report to AC of changes in laws, regulations and rules.</p>	<p>Annually.</p> <p>As they occur.</p> <p>As they occur.</p>	<p>It is our practice to have staff review and sign off annually on ethics/code of conduct during their annual performance evaluations.</p> <p>During legislative years changes in laws, regulations and rules are monitored by management and reported to the board and to the Audit Committee. Changes to rules were provided to the Audit Committee at the 12/19/13 meeting.</p>
<p>16. The AC will:</p> <ul style="list-style-type: none"> • Institute and oversee special investigations as needed. • Provide an appropriate confidential mechanism for whistleblowers to provide information on potentially fraudulent financial reporting or breaches of internal control to the AC. 	<p>Review procedures with CAE and the general counsel.</p> <p>Review all complaints that have been received and the status of resolution.</p> <p>Ensure proper steps are taken to investigate and resolve complaints timely.</p>	<p>Review an original of each complaint received, no matter the media used to submit. Discuss the status or resolution of each complaint.</p> <p>Review a cumulative list of complaints submitted to date to review for patterns or other observations.</p>	<p>Review at each meeting.</p>	<p>There were none during 2013.</p>
<p>17. The AC will:</p> <ul style="list-style-type: none"> • Regularly report to the Board of Directors about all committee activities, issues, and related recommendations. • Perform other activities related 	<p>Submit AC meeting minutes to the board after AC approval.</p>	<p>Submit AC meeting minutes after AC approval to the board for their next meeting.</p>	<p>Following each AC approved AC minutes to the Administrative Services Manager to</p>	<p>Copies of the AC minutes are provided to the board after the AC's approval of the minutes.</p>

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Audit Committee Charter Objective	Steps to Accomplish the Objective	Deliverable	Achieve (Frequency Due Date)	Date Completed
<p>to this charter as requested by the Board of Directors, and report to the Board</p> <ul style="list-style-type: none"> Provide an open avenue of communication between internal audit, the external financial statement auditors, other external auditors, management and the Board of Directors. Review any other reports that the organization issues that relates to AC responsibilities. Confirm annually that all responsibilities outlined in this charter have been carried out. Report annually to the Board, members, retirees and beneficiaries, describing the committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services. Review and assess the adequacy of the committee charter periodically, requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation. 	<p>Have at minimum annual meeting with internal auditor, external auditor, management, and Board of Directors to discuss issues.</p> <p>Utilize a matrix to determine if all responsibilities outlined in the charter are carried out.</p> <p>Review charter periodically. Assess the suitability of each point in the charter based on past experiences (since the last review). Evaluate completeness of the charter against best practices and legal or regulatory requirements. Revise charter as needed and obtain AC and Board approval for changes.</p>	<p>An AC Charter review matrix will be updated each year and presented to the AC to present a report to the Board for approval.</p> <p>Report to the board on the appropriateness of the AC charter and any revisions recommended.</p>	<p>include in the next board meeting materials.</p> <p>Annually.</p> <p>As needed.</p>	<p>An annual meeting was held with the Internal Audit Manager in 2/2013. The external auditors will provide an overview of the financial statements during the February 2014 board meeting. The report was presented to the audit committee at the December 2013 meeting.</p> <p>An updated AC review matrix was provided to the AC at the February 2013 meeting.</p> <p>AC Charter was reviewed, updated, and approved by the board September 2008. No change has been required since then.</p>



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

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

FAX: (701) 328-3920 • EMAIL: NDPERS@state.nd.us • discovernd.com/NDPERS

Memorandum

TO: NDPERS Board

FROM: Kathy

DATE: March 11, 2014

SUBJECT: Board Election

The following is the 2014 election schedule developed in compliance with the rules:

May 2, 2014 – Deadline to file nomination petitions

May 26, 2014 (week of) – Ballots sent to membership

June 13, 2014 – Deadline to return ballots

June 16, 2014 – Ballot canvassing

June 19, 2014 – Present election results to Board membership

June 19, 2014 – Notify candidates of election results



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Memorandum

TO: NDPERS Board

FROM: Kathy

DATE: March 11, 2014

SUBJECT: Personnel Policy Manual Revisions

We have updated/revised the following sections of our Personnel Policy Manual:

- Section 2.7: Updates the language for our smoking policy to comply with NDCC 23-12-10.
- Section 2.8: Modified the Cell Phone Use in Vehicles policy. Section 26.2 was modified accordingly. Changed name to Distracted Driving Policy based on recommendation from Risk Management which will also qualify us for a discount on our premium.
- Section 26.2 Reflects the change made to 2.8 and defines the distracted driver policy for NDPERS employees.
- Section 8.5: Added new section to clarify the conditions under which NDPERS will pay out annual leave hours in the event an employee terminates employment and transfers to another state agency.
- Section 18.6 Revises language regarding reimbursements for tuition to indicate that payments made for educational expenses are excluded from gross income.
- Section 21.1 Updates the language to include the eligibility for service awards for three, forty-five and fifty years of service.

Copies of the redacted policies are included for your information. Staff recommends that the board approve the proposed revisions.

Board Action Requested

Violation of these rules will result in disciplinary action up to and including termination of employment.

Each year, during your annual performance review, you will be required to read and sign a Code of Ethical Responsibility statement and if engaged in outside employment, an Outside Employment Agreement. These acknowledgements will be retained in your personnel file.

- 2.7 Smoking Policy -- ~~As an employer, the State of North Dakota prohibits smoking in all places of state employment in accordance with NDCC 23-12-10 it is the policy of NDPERS to provide a smoke-free work environment for its employees. No smoking is allowed in the suite of offices occupied by NDPERS.~~ Smoking is allowed during scheduled breaks in designated areas only.
- 2.8 Use of NDPERS Property - NDPERS property, supplies and equipment is to be used for conducting NDPERS business. State law prohibits the use of NDPERS property for political purposes. Authorized Uses and Standards of Conduct are included in Section 2.11.

The following policies apply to personal use of NDPERS equipment.

Telephone - We recognize that you will make or receive personal telephone calls; however, the number and length of these calls should be kept to a minimum.

If you are required to make a personal long-distance call, you must either charge the call to your credit card or call collect. If your call should be charged to PERS because of an error, please notify your supervisor.

Distracted Driving Policy/Cell Phone Use in Vehicles – The use of State-owned and personal cellular phones or other mobile devices on-the-job and while operating a moving vehicle has restrictions/guidelines for use due to the distraction and lack of concentration presented to safe work performance. Refer to Chapter 26, Section 2 for an outline of the guidelines.

Copy Machine(s) - Personal use of the copy machine(s) may be allowed. If you must use the machines for personal use, you may do so at a cost of 5¢ per copy. This charge applies whether you are duplicating or printing copies from the internet. If you will be copying more than 50 pages at one time, you must receive prior approval from your supervisor.

Fax Machine - Personal use of the fax machine is not allowed.

Violation of these policies will result in disciplinary action.

- 2.9 Electronic Mail (e-mail) Policy - E-mail is one of PERS internal and external communication methods. E-mail originating from a North Dakota Public Employees Retirement System (NDPERS) e-mail account is to be considered the property of NDPERS. As such, the agency reserves the right to search and access employee e-mail when necessary to ensure the proper use of the system and to protect the interests of the agency. System features such as passwords and delete message functions do

CHAPTER 26

HEALTH AND SAFETY POLICY

- 26.1 General Safety Rules - It is NDPERS policy to provide a safe workplace. General safety rules are considered minimum safety standards for usual work conditions. The following general safety rules for usual work conditions shall be adhered to by all employees:
1. Participate in new employee training.
 2. Participate in continuing education which is conducted on a departmental level.
 3. Report all accidents, injuries, near misses or safety hazards in the workplace immediately to your supervisor.
 4. Report faulty electrical equipment. Faulty electrical equipment will be removed from service until the equipment has been repaired or replaced.
 5. Report any dangerous physical plant situations or equipment to appropriate maintenance personnel.
 6. Ask and insist on sufficient help before lifting heavy objects. Follow proper procedure when lifting - bend knees and keep back erect, lift with weight close to the body and do not twist while lifting. Use mechanical devices!
 7. Remember, no horseplay is allowed in the workplace.
 8. Always wear your safety belt when driving any state-owned vehicle.
 9. Participate in proper housekeeping. Proper housekeeping is mandatory for all departmental areas.

If you notice a potential hazard in the workplace, report it to your immediate supervisor. Your ideas for alleviating problems are welcome.

- 26.2 Distracted Driving Policy Cell Phone Use in Vehicles – The use of State-owned and personal cellular phones of other mobile devices on-the-job and while operating a moving vehicle has restrictions/guidelines for use due to the distraction and lack of concentration presented to safe work performance.

In order to reduce the risks associated with distracted driving, it is the policy of NDPERS to prohibit the use of cell phones (including hands free) or any other mobile devices while operating a motor vehicle on NDPERS business. This restriction includes answering or making phone calls, engaging in phone conversations, reading or responding to e-mails and text messages, and accessing the internet.

These restrictions do not apply to emergency calls, or brief calls that are identified and

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Certain staff positions are required to take at least one continuous week of leave during the calendar year. This policy applies to the following positions:

Accounting/IT Manager	IT Coordinators
Accountants	FlexComp Program Coordinator
Benefit Programs Administrators	Benefit Services Specialist
Benefit Programs Specialist	

8.4 If you are employed by NDPERS by means of a transfer from another state agency, NDPERS will accept 80 hours of accrued annual leave from your previous employer.

8.5 If you terminate employment with NDPERS by means of a transfer to another state agency, NDPERS will pay out only those hours of annual leave the new employer will not accept.

8.65 Annual Leave Donation (NDCC 54-06-14.1) - You may donate annual leave to another state employee under certain situations. The employee must be suffering from, or have a relative or household member suffering from, an extraordinary or severe illness, injury, impairment, or physical or mental condition that has caused, or is likely to cause, the employee to take leave without pay or terminate employment. Donated leave must be voluntary, donated in full-hour increments, and is not returnable. You must retain 40 hours of leave after donating.

To be eligible to receive donated leave, you must have over six months of continuous service and are not probationary, temporary or otherwise limited in term. You must have exhausted or will exhaust all annual and sick leave and compensatory time due to illness, injury, impairment or physical or mental condition that is of an extraordinary or severe nature. Excluded as an eligible condition for annual leave donation are conditions relating to normal pregnancy. Your use of shared leave can not exceed four months in any twelve-month period. Medical certification will be required.

CHAPTER 18

EDUCATION AND TRAINING

- 18.1 Continuing Education - NDPERS has adopted an educational assistance program to provide you with the opportunity to develop personally and professionally. We believe that employees who demonstrate the initiative to undertake and complete courses or work toward a degree or professional designation or certification become greater assets to the organization and should be supported in this endeavor.
- 18.2 To qualify for educational assistance you must be a full-time employee who has completed the six-month evaluation period. You must complete the course successfully and agree to work for the agency for two years following the completion of the reimbursed course work. If you leave our employment prior to the two years, you must reimburse NDPERS for the cost of those portions of education that were funded by NDPERS.
- 18.3 You may apply for educational assistance for any course, degree or certification programs that relate directly to the skills and knowledge required for your current job or which could qualify you for a more responsible position with NDPERS.
- 18.4 You must complete an Application for Educational Assistance and submit it to your supervisor prior to taking the course. Applications are considered on a first-come, first-serve basis contingent with the purpose of this program and availability of funds.
- 18.5 The level of assistance is limited to \$1,000 in tuition fees per eligible employee per fiscal year. Professional development courses for a designation or certification are also subject to this limitation. Books, software and other similar costs for items that you will maintain ownership of are your responsibility.
- 18.6 Reimbursement of tuition will be made upon completion of the course. You will be required to provide verification of your tuition payment and your course grade. You must receive no lower than a "C" grade in undergraduate work and no lower than a "B" grade in graduate work. ~~Reimbursement for graduate level course work is includable as income for the tax year in which the reimbursement is paid. Payments made to an employee for educational expenses for courses below graduate level are excluded from gross income. This exclusion also applies to expenses related to graduate level courses.~~
- 18.7 Training - NDPERS will also fund the cost of conferences, seminars, workshops, conventions and related programs. Attendance is subject to approval by your supervisor and is limited to two per fiscal year or four per biennium. Approval will not be granted for out-of-state attendance if the program is available locally or in-state. The Executive Director must approve out-of-state participation.

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NDPERS will pay the advance registration and related fees in excess of \$25. If these fees are \$25 or less, you will be responsible for paying the fee and NDPERS will reimburse you for the expense. (OMB Policy 504)

CHAPTER 21

SERVICE AWARD PROGRAM NDAC 4-07-18

- 21.1 NDPERS has a service award program to recognize employees who reach certain service anniversaries. You must complete the equivalent of three, five, ten, fifteen, twenty, twenty-five, thirty, thirty-five, ~~or forty~~, forty-five or fifty years of full-time employment with the state in order to receive an award. If you were employed by other state agencies, NDPERS will recognize your total years of state service in determining your service anniversary designation. If you have eligible state service accrued prior to a break in service, NDPERS will apply it to any future service award.
- 21.2 Service awards will be presented each year for employees who reach their anniversary during the year. You will receive a service award plaque and a gift card that corresponds in value with the service award amount specified in the schedule under NDAC 4-07-18. Gift cards are taxable under IRS rules.