

NDPERS BOARD MEETING

Agenda

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

May 22, 2014

Time: 8:30 AM

I. MINUTES

- A. April 29, 2014

II. GROUP INSURANCE

- A. BCBS Update – BCBS (Information)
- B. BCBS Quarterly Executive Summary– BCBS (Information)
- C. Part D Vendor Change – BCBS (Information)
- D. BCBS ACA Amendment – Sparb (Board Action)
- E. Health Insurance Bid – Sparb (Board Action)
- F. BCBS Claims Audit – Bryan (Information)
- G. Delta Dental Rate Renewal – Kathy (Board Action)

III. RETIREMENT

- A. TIAA-CREF Update – TIAA-CREF (Information)
- B. Disability Consultant – Kathy (Board Action)
- C. Investment Committee Fund Recommendation – Bryan (Board Action)
- D. Job Service Retirement Plan – Sparb (Board Action)

IV. FLEX COMP

- A. ADP Renewal – Kathy (Board Action)

V. MISCELLANEOUS

- A. PERS Update – Kathy (Information)
- B. Board Election – Kathy/Mike (Information)
- C. PERSLink – Sharon (Board Action)
- D. Budget Guidelines – Sharon (Board Action)
- E. Other – Sparb

VI. APPEALS

- A. FlexComp Appeal Case #199 – Kathy (Board Action)
- B. Retirement Appeal Case #200 – Kathy (Board Action)

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**
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Bismarck, North Dakota 58502-1657

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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: May 14, 2014
SUBJECT: BCBS Update

Mr. Tim Huckle, interim CEO of BCBS, will be at the next meeting to review the changes that have occurred and what it means to NDPERS.



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Memorandum

TO: PERS Board

FROM: Sparb

DATE: May 15, 2014

SUBJECT: BCBS Quarterly Executive Summary

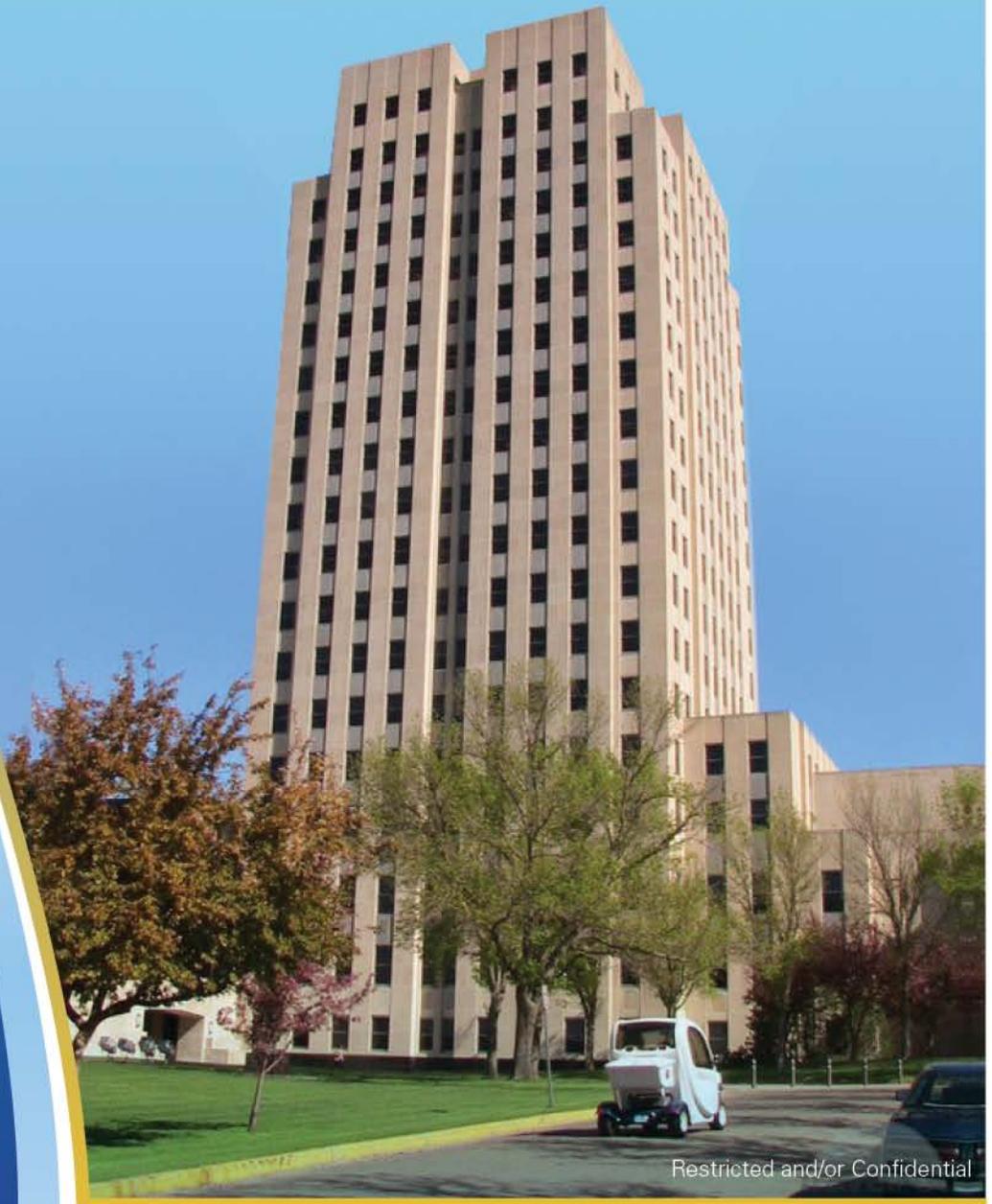
BCBS will be at the next meeting to review the PERS quarterly report.
The color printed version will be distributed at the meeting. Thanks.

NDPERS Executive Summary

Q1 | Presented May 2014

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Restricted and/or Confidential



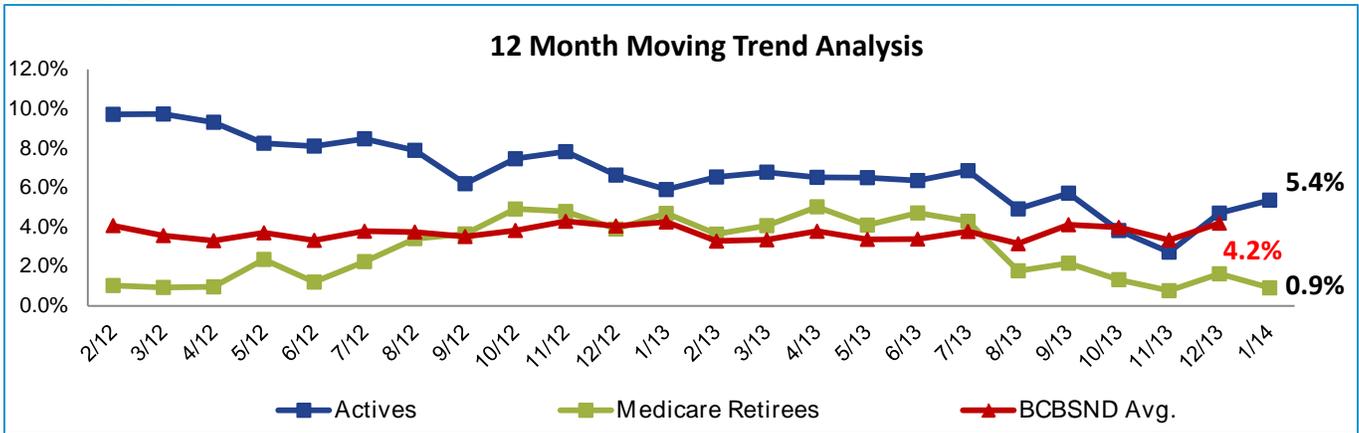
NORTH DAKOTA
PUBLIC EMPLOYEES
RETIREMENT SYSTEM



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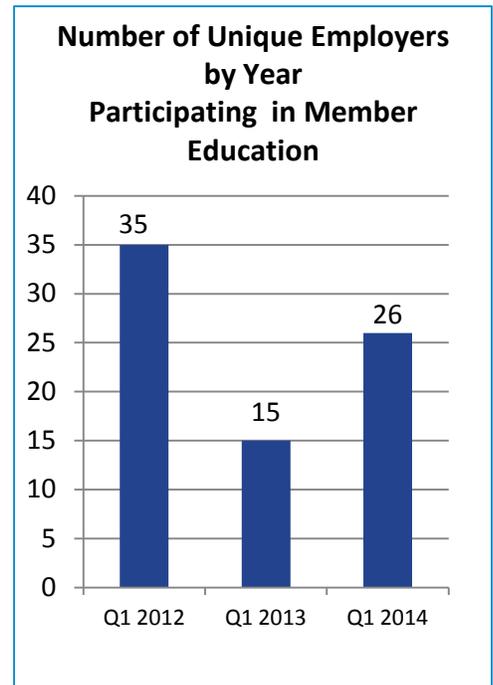
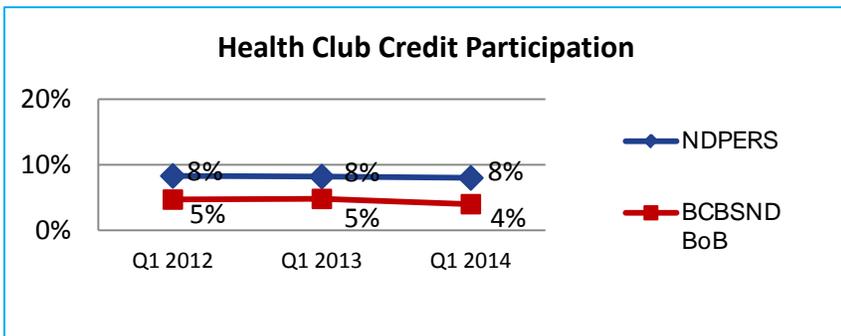
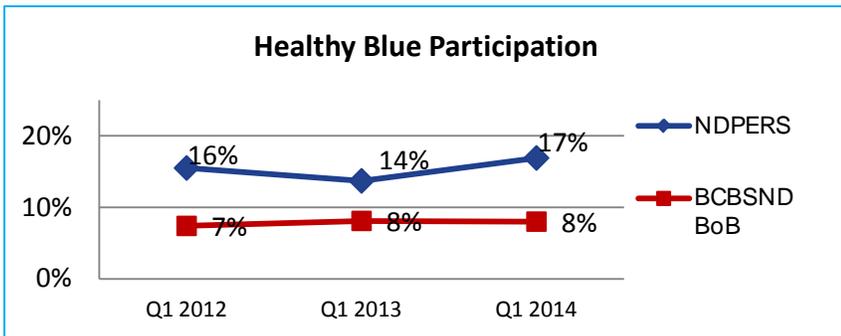
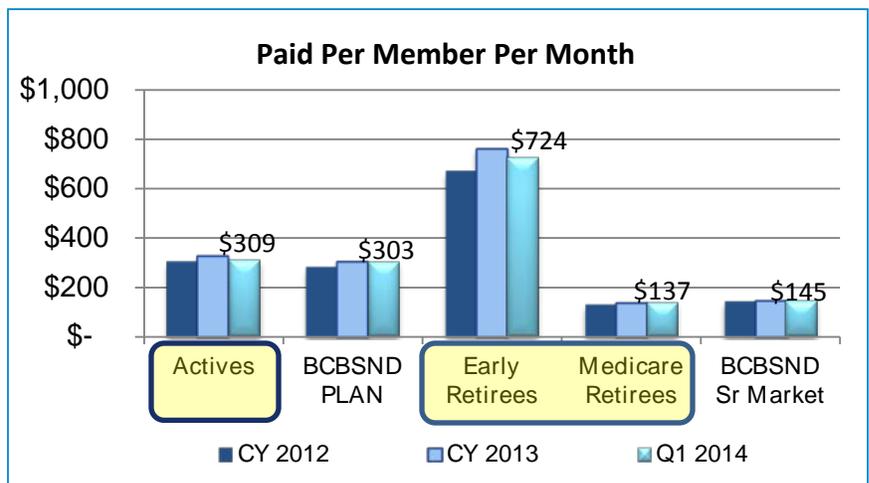
Blue Cross Blue Shield of North Dakota is an independent licensee of the Blue Cross & Blue Shield Association

Northwestern Mutual Insurance Company



Membership Comparison

	CY 2013	Q1 2014
Actives	54,813	55,678
Early Retirees	1,242	1,202
Medicare Retirees	7,854	8,136



Actives include Political Subs and State Employees

NDPERS Biennium Comparison

Paid through March 31, 2014

Incurred	Premium	Admin Fee	Interest on Surplus	Estimated Incurred Claims	Gain (Loss)	Gain (Loss) as % of Premium	Biennium Gain (loss)	% of Premium
July 09 - Jan 10	122,061	6,450	73	100,430	15,253	12.5%	38,094	9.0%
July 11 - Jan 12	133,866	7,102	19	120,700	6,084	4.5%	10,516	2.2%
July 13 - Jan 14	157,864	12,002	27	142,465	3,424	2.2%	N/A	N/A

Note: Reported in thousands

The July 11 - June 13 biennium is reporting a gain of \$10.5 million with nine months of claims run out. Biennium gain(losses) are prior to risk sharing. It is important to note that the bienniums beginning with July 13 includes estimated claim reserves. Actual claims run out may vary from original reserve estimates.

It is expected that premiums will exceed claims in the first few months of the biennium. This is due to stable premium levels throughout the entire biennium and increasing claims during the biennium. At the mid-point of the biennium claims would be expected to be equal to premiums less admin fees and during the last months of the biennium, claims would be expected to exceed premiums

NDPERS Quarterly Trend Analysis

Paid through March 31, 2014

Incurred Month	Twelve Month Moving Average		Annual Trend	
	Est. Incurred Claim/Contract Actives	Med Retirees	Actives	Med Retirees
3/12	\$759.75	\$171.89	9.7%	0.9%
4/12	763.45	172.25	9.3%	1.0%
5/12	767.26	174.18	8.3%	2.4%
6/12	770.34	173.51	8.1%	1.2%
7/12	774.57	175.08	8.5%	2.2%
8/12	783.52	177.39	7.9%	3.4%
9/12	782.27	177.81	6.2%	3.7%
10/12	795.13	179.85	7.5%	4.9%
11/12	802.63	179.72	7.8%	4.8%
12/12	800.64	178.99	6.6%	3.9%
1/13	801.43	179.81	5.9%	4.7%
2/13	807.86	178.57	6.5%	3.6%
3/13	811.34	178.89	6.8%	4.1%
4/13	813.28	180.92	6.5%	5.0%
5/13	817.21	181.31	6.5%	4.1%
6/13	819.36	181.70	6.4%	4.7%
7/13	827.74	182.60	6.9%	4.3%
8/13	822.10	180.56	4.9%	1.8%
9/13	827.04	181.67	5.7%	2.2%
10/13	825.55	182.24	3.8%	1.3%
11/13	824.53	181.11	2.7%	0.8%
12/13	838.34	181.91	4.7%	1.6%
1/14	844.46	181.46	5.4%	0.9%

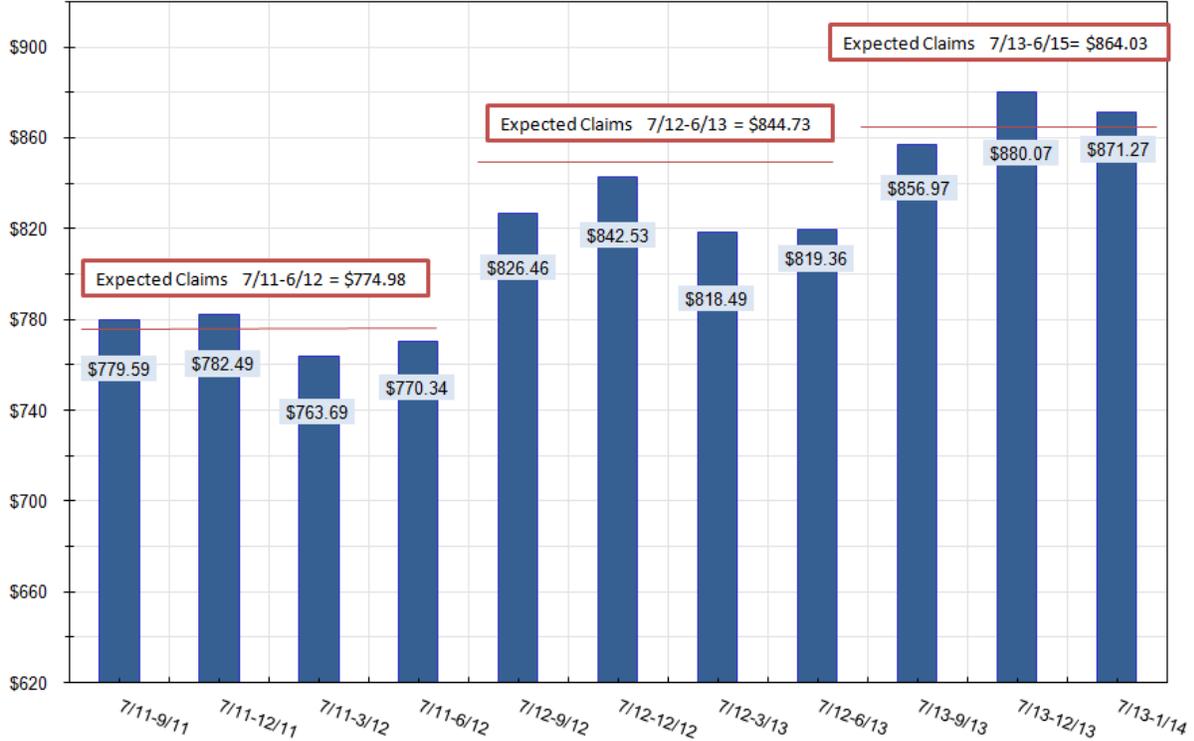
The 4.7% twelve month rolling trend for NDPERS Actives through December 2013 is greater than the Blue Cross Blue Shield overall trend of 4.2%.

A 6.68% trend was used in rating the first year of the biennium beginning July 2013.

NDPERS Quarterly Trend Analysis
Paid through March 31, 2014

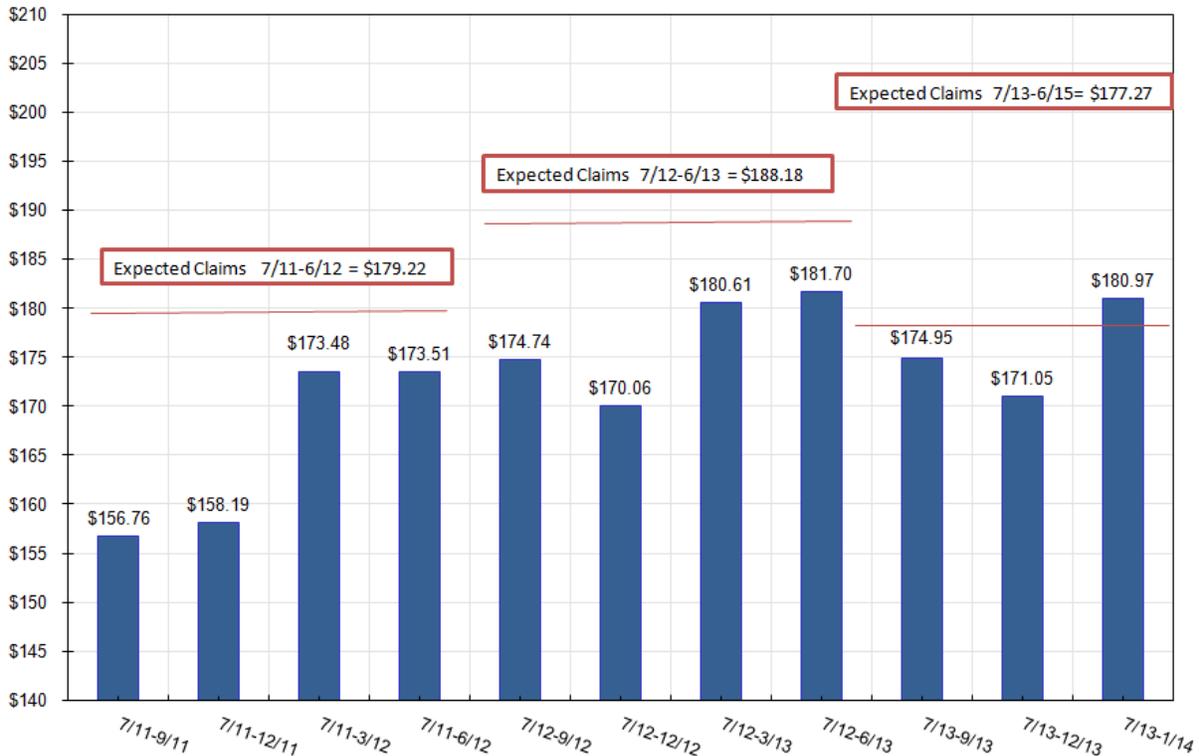
NDPERS - Actives

AVERAGE MONTHLY INCURRED CLAIMS PER CONTRACT



NDPERS - Medicare Retirees

AVERAGE MONTHLY INCURRED CLAIMS PER CONTRACT



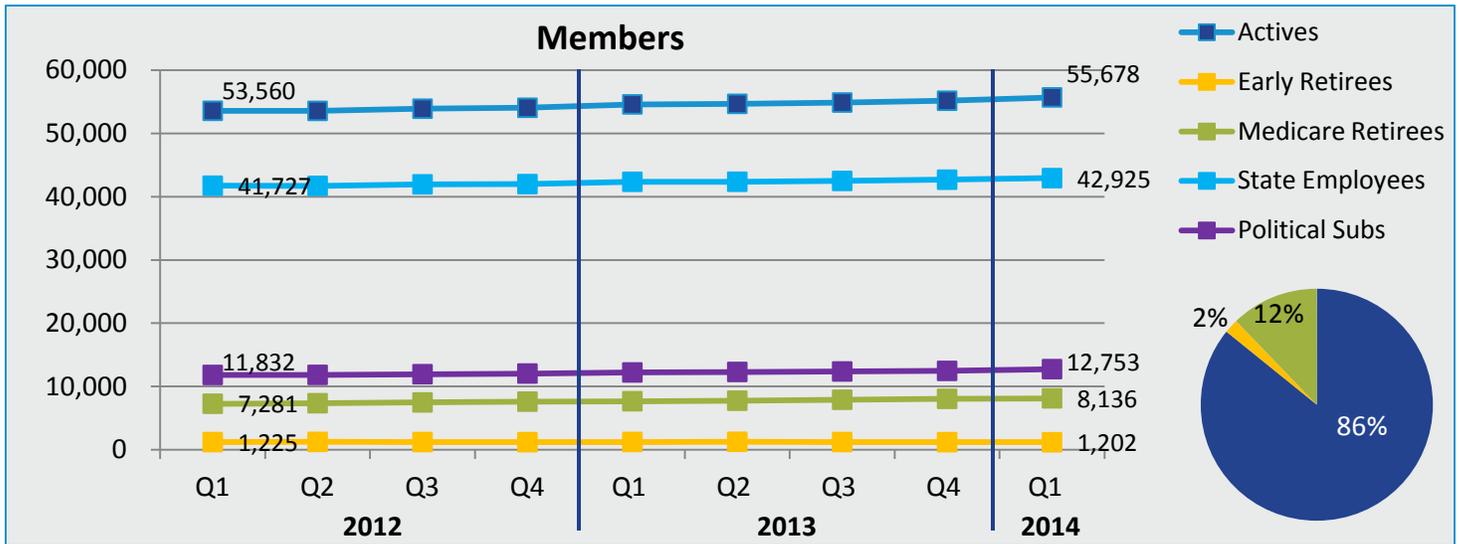
Membership & Health Utilization Summary

Paid each Calendar Year (Q1 through 3/31/2014)

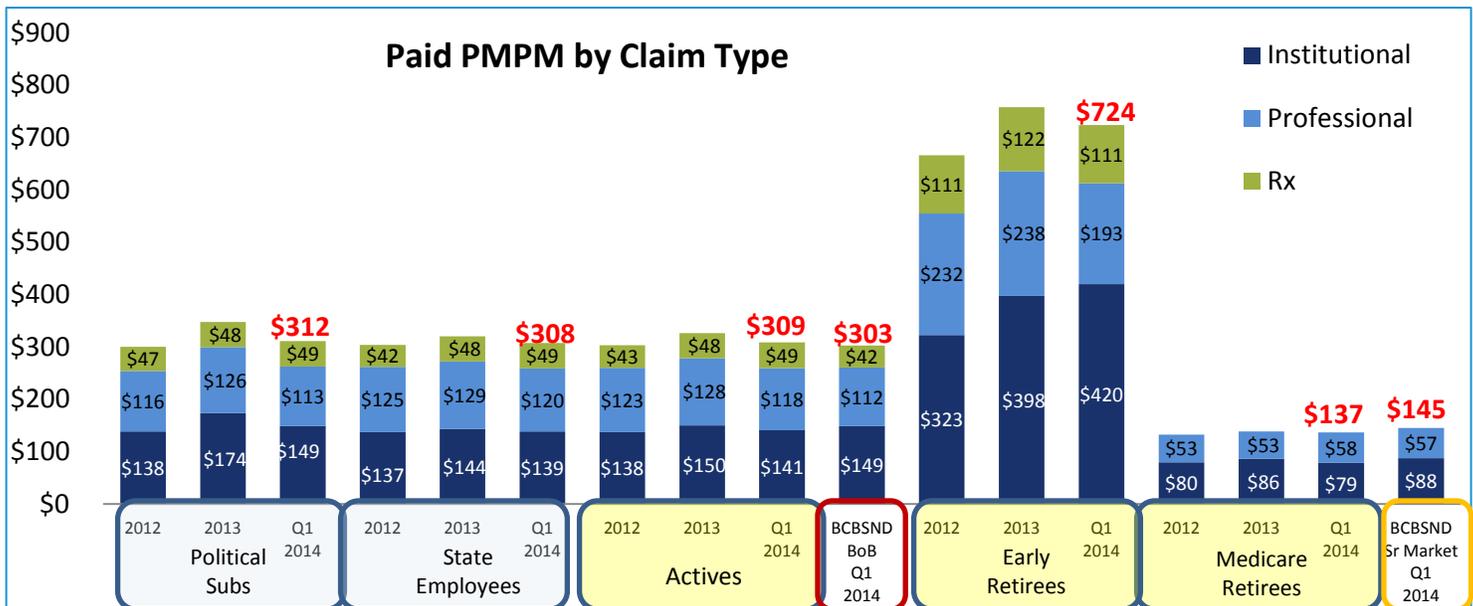
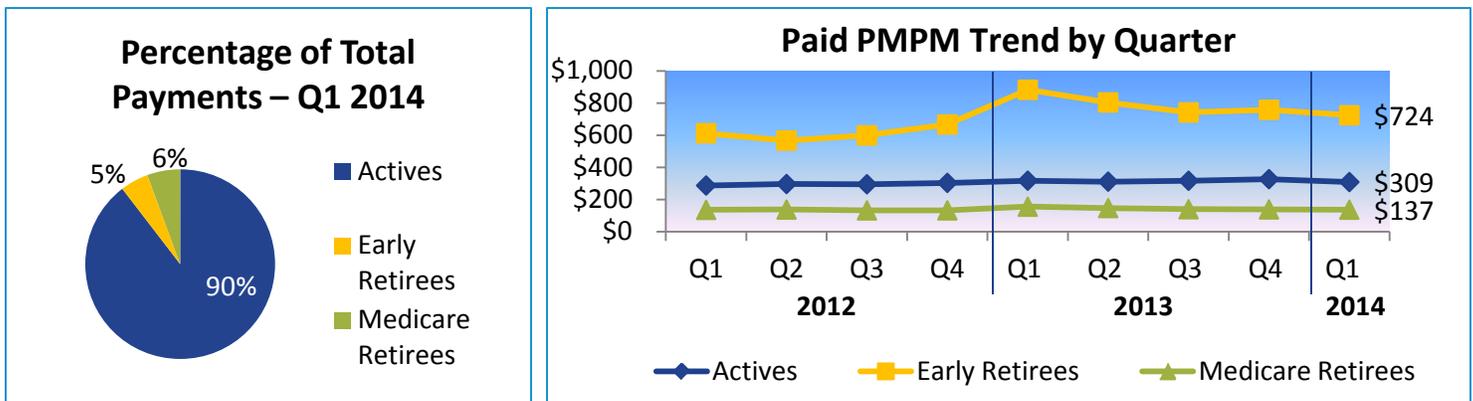


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Membership



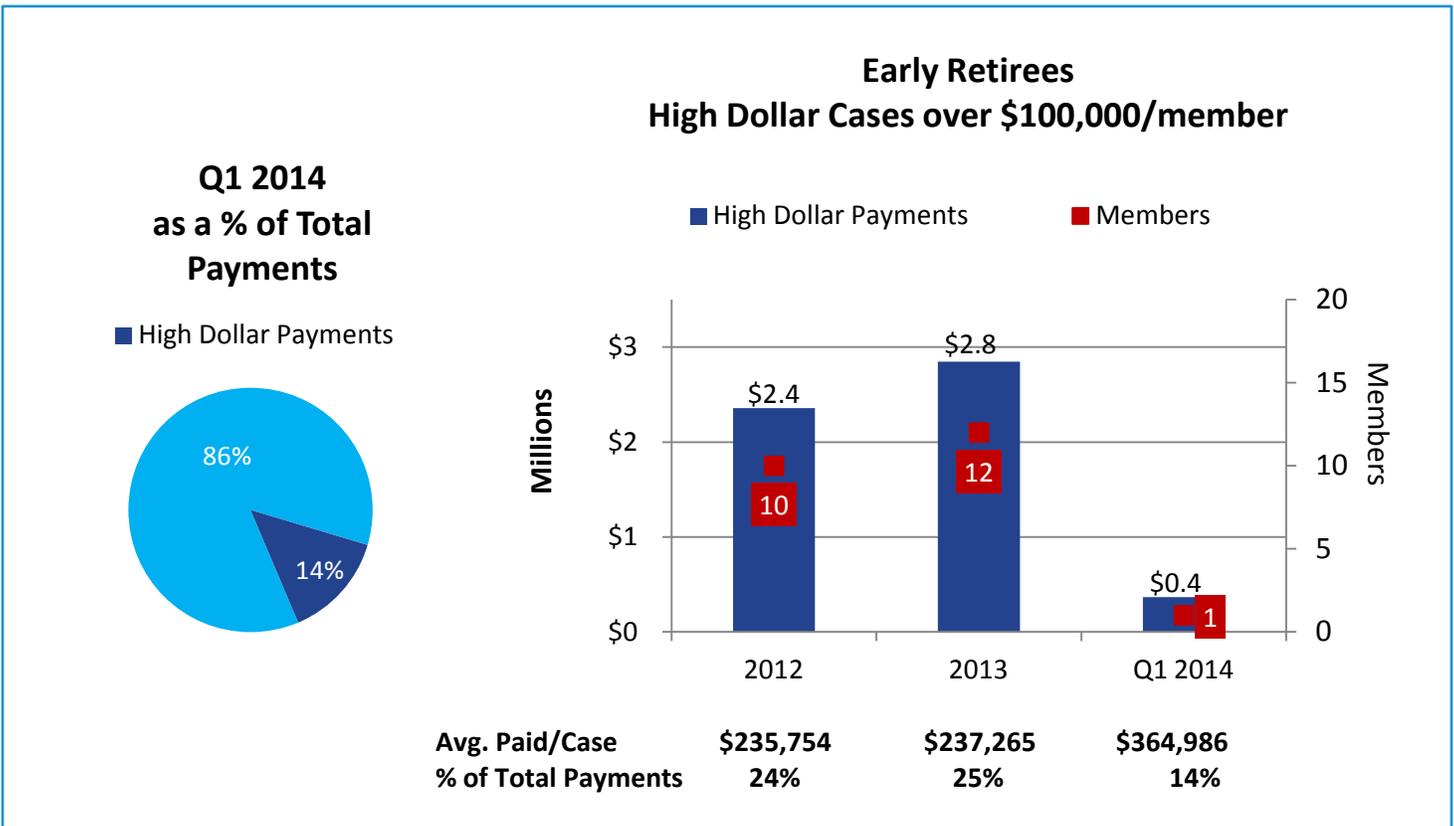
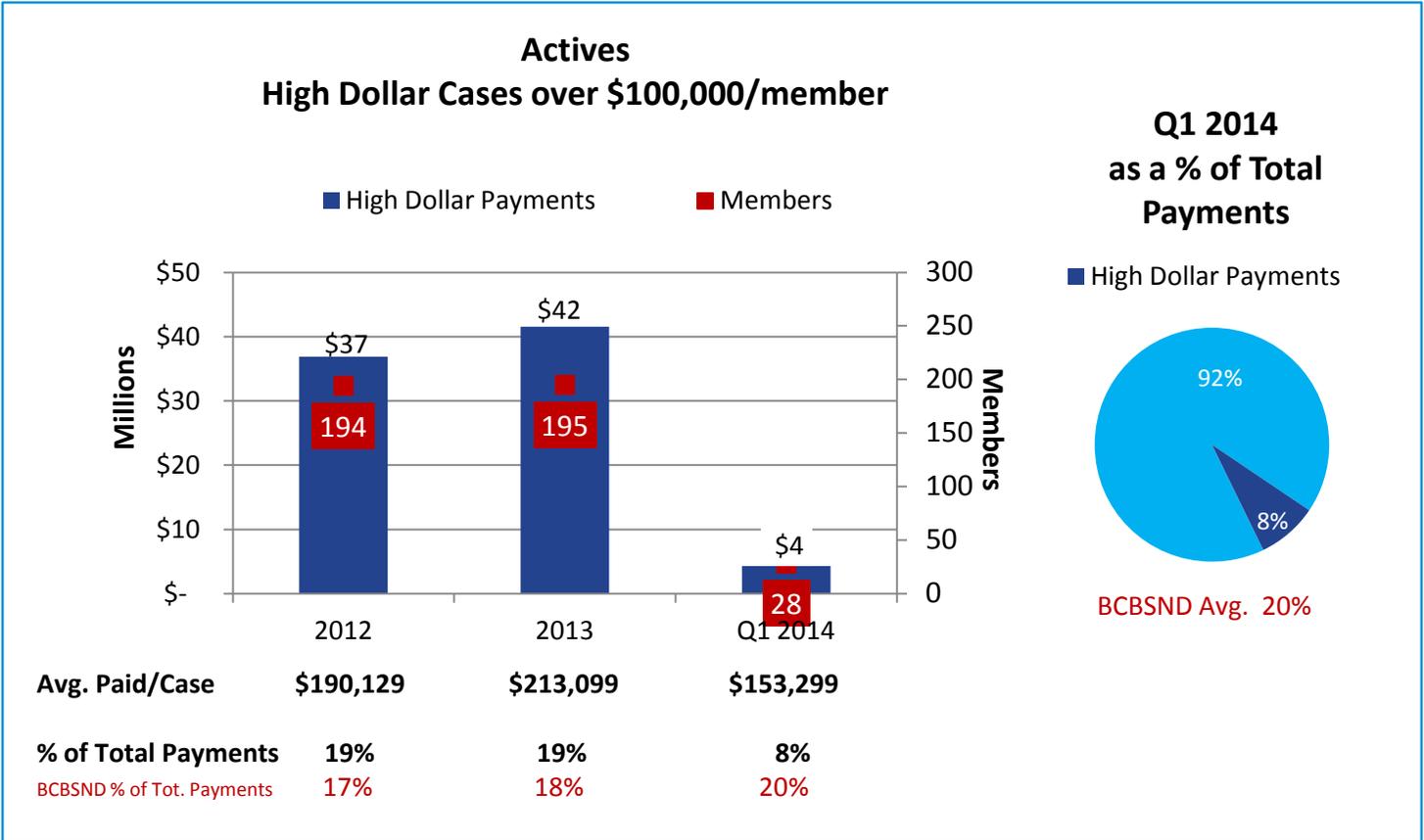
Claims Paid Per Member Per Month (PMPM)



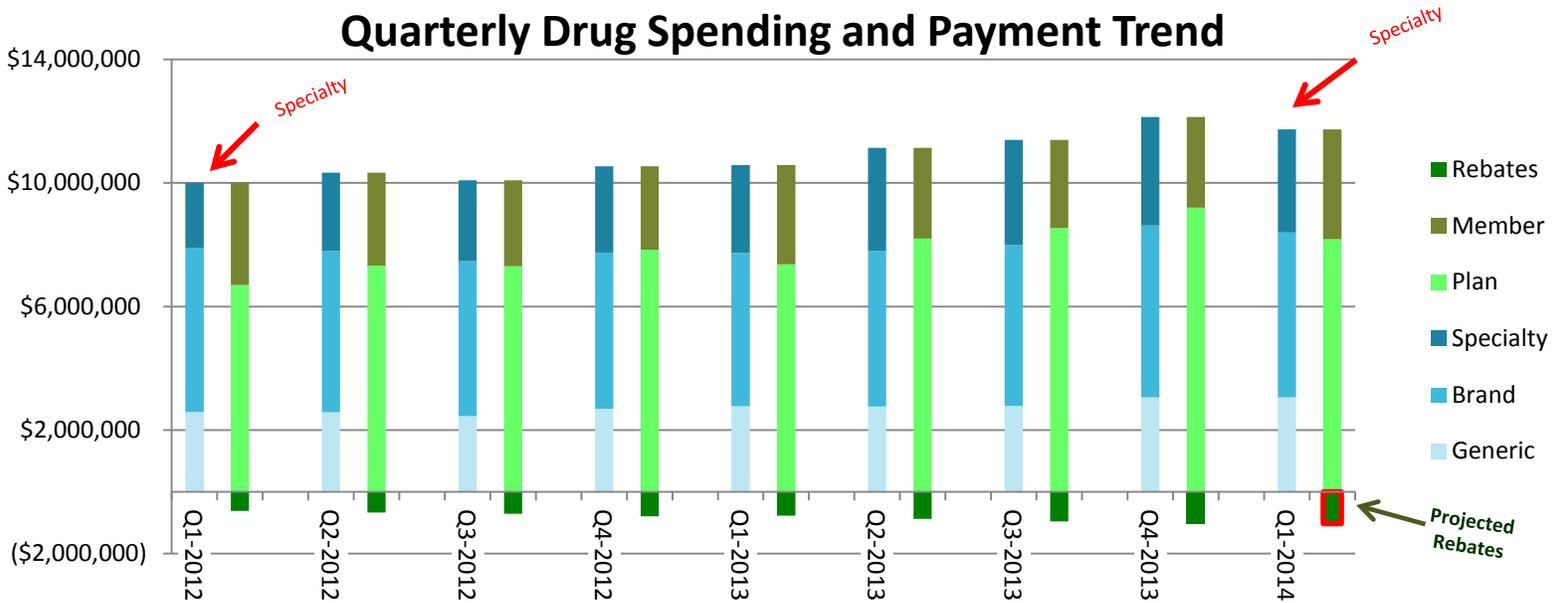
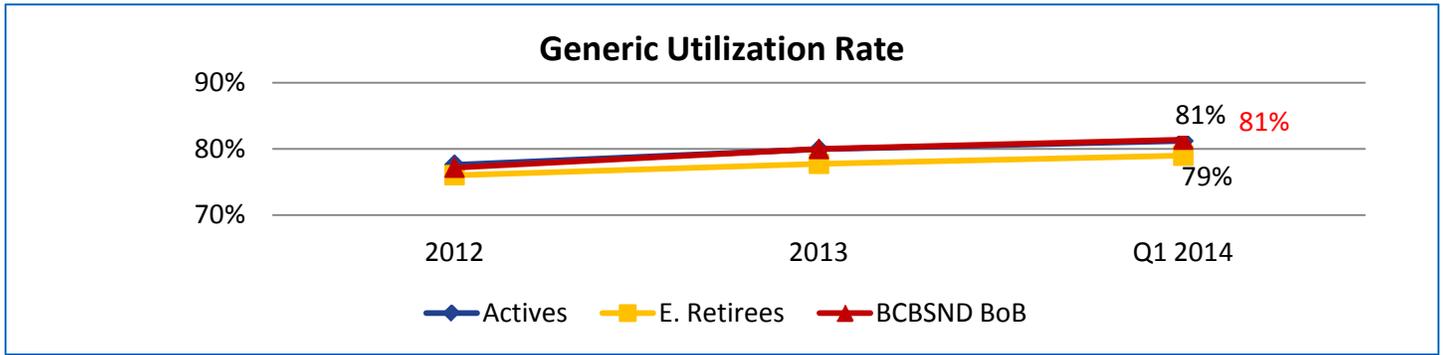
Actives include Political Subs and State Employees

Quarters are cumulative to calendar year end

High Dollar Cases

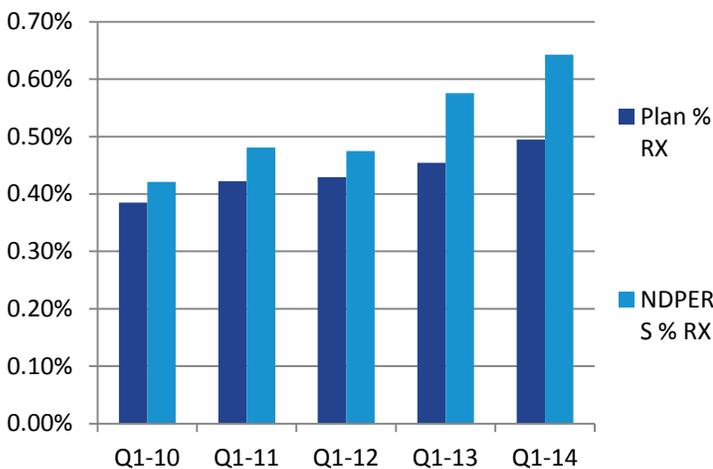


Prescription Drugs

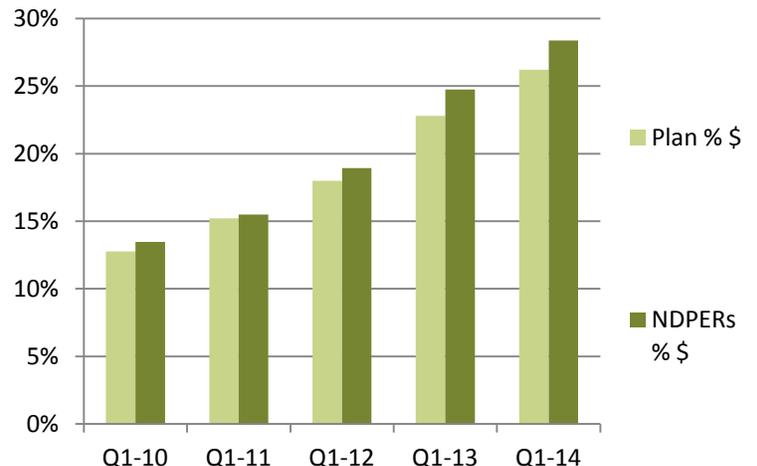


- Specialty spend continues to increase
- Plan (NDPERS) costs are increasing – benefit design may not be keeping up with inflation
- Rebates have also increased

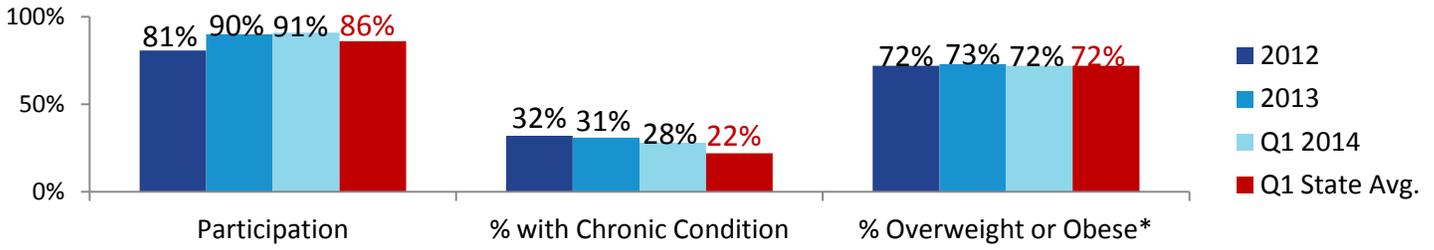
Specialty Claims (%)



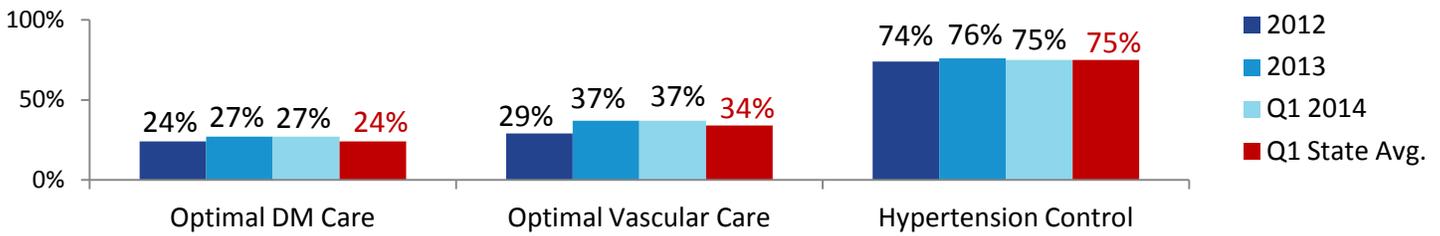
Specialty \$ (%)



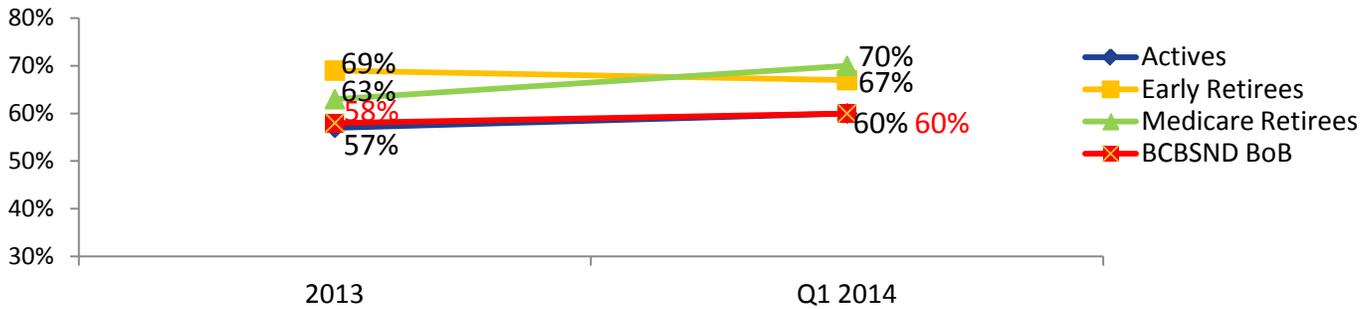
MediQHome Key Measures



MediQHome Outcome Measures



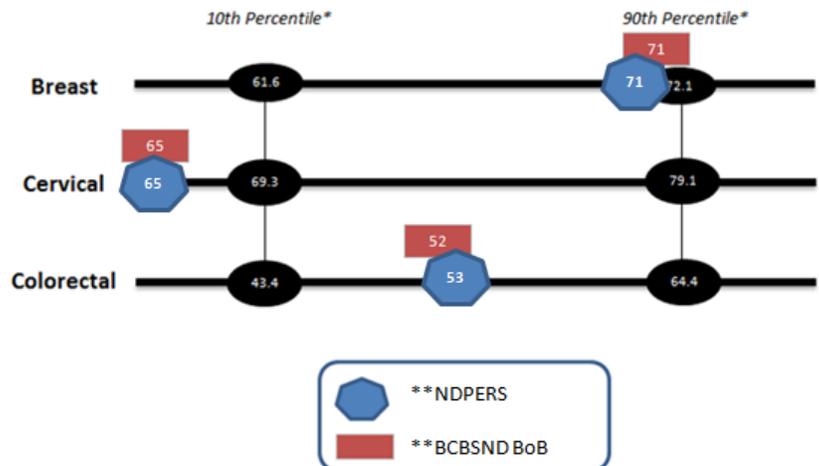
AccordantCare Participation – Rare and Complex Disease Management



- **533 eligible, 327 participating (overall participation 61%)**
- 2013 to Q1 2014 shows an overall increase in participation
 - Due to small population of the retirees, addition or decline of a few members could change participation percentage significantly

Preventive Cancer Screenings

Cancer screening compliance is at the BCBSND book of business but below the 2012 NCQA 90th percentile.



*NCQA The State of Health Care Quality 2012 report

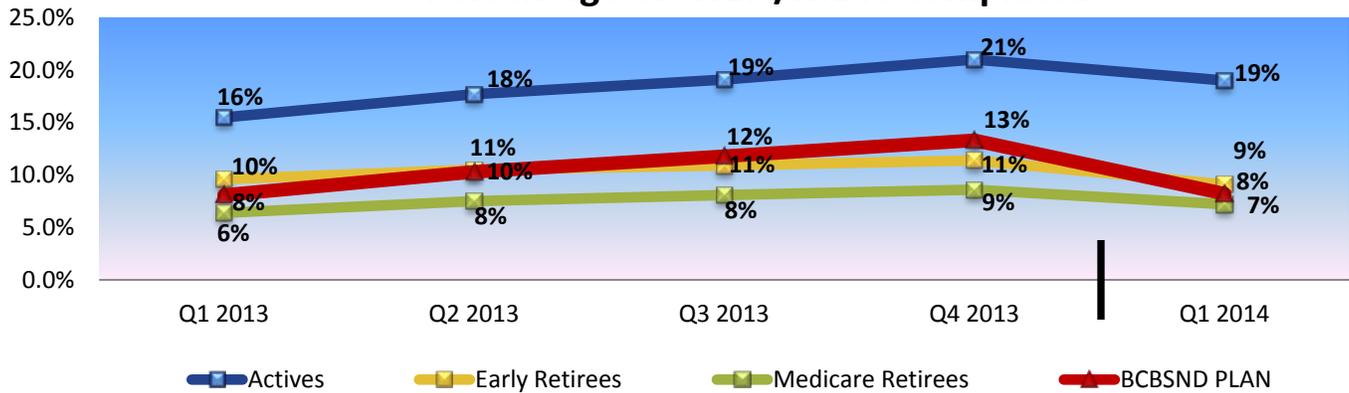
**Includes Medicare
**Supplemented with MediQHome

Through Q1 2014 (Jan-Mar), there was a total of 44,305 members eligible for the wellness programs, HealthyBlue and Health Club Credit. NDPERS member participation in both wellness programs is higher than the BCBSND Plan average.

HealthyBlue

- 17% (slightly down from 19% Q4) of total eligible members have completed a Health Risk Assessment (7,329 members).
 - BCBSND Plan HRA completion rate was 8% (also down from 13% in Q4)
- Point redemption through Q1 2014 - \$48,086 in redeemed prizes

Percentage of WBA/HRA's completed



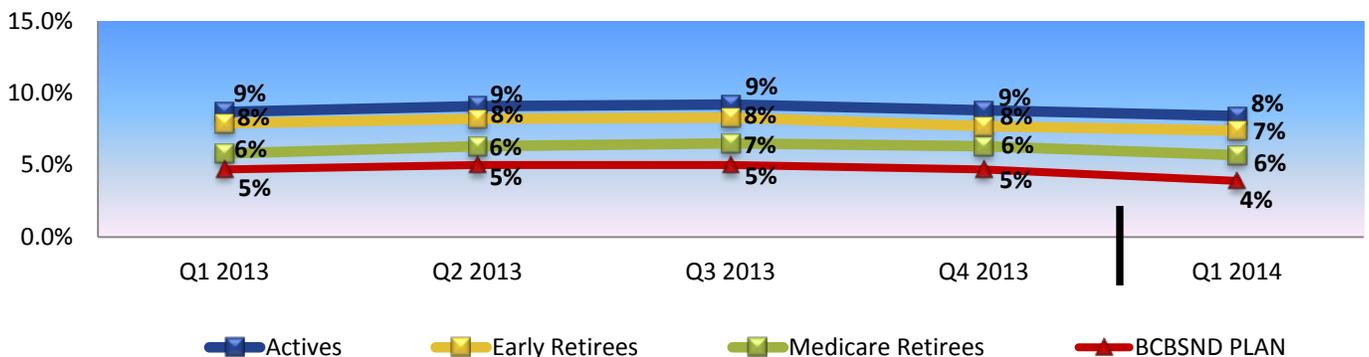
Q1 2014 begins over due to annual HRA completion requirement.

Quarters are cumulative to calendar year end

Health Club Credit

- 8% (same as Q4) participate in the Health Club Credit Program (3,478 members)
 - BCBSND Plan average is 4% (down from 5% Q4)
- Members receiving credit 61% (up from 55% Q4) - those participating in HCC exercise 12 or more days per month (2,137 members)
 - BCBSND Plan average is 63% (also up from 53% Q4)
- Health club credits paid through Q1 2014 - \$114,661

HCC Member Participation



Quarters are cumulative to calendar year end



Member Engagement

Member Education Representatives introduce programs that provide employees with valuable information and engages them in their health care. Along with making more informed health care decisions, these programs include valuable life skills.

Presentations are available for the following programs:

- Take Care of Yourself
- Walking Works
- Strength Training
- Beat The Bug
- Summer Safety
- Stress Management
- Medication Education
- Tobacco Cessation
- Wellness Programs
(HealthyBlue/Health Club Credit)
- Nutrition Basics for a Healthier You
- **NEW!** "CPR and First Aid Basics"

2014 through Q1, 26 employer groups have held these educational programs and 10 employer groups have had a benefit overview meeting.

	Number of Employers	Member Education Programs & Benefit Overview	Member Attendance
Q1 2014	15	HealthyBlue /HCC	308
	15	Other	499
	15	Benefit Overview	

NDPERS Wellness Specialist

- Two week Walking Challenge in January/February – 1155 registered participants walked approximately 146 million steps.
- Cervical Cancer Screening & HealthyBlue HRA Reminder mailings
- Completed "Spring into Action" physical activity challenge May 1 – results will be released in the next quarterly review.
- NDPERS Wellness Coordinator monthly calls & newsletters
 - **Call** - April featured a special guest from the NDSU Extension Service for a new nutrition program they are launching that is targeted at baby boomers.
 - Newsletter** - featuring the health topic of the month and additional resources for wellness activities.
- Conducted a Wellness Coordinator survey in February. 63% of coordinators have been in their role for three or more years. Nearly all of coordinators are satisfied with the resources provided to them through the monthly newsletters and conference calls.
- HealthyBlueHighlights, sent bimonthly through HealthyBlue, highlights monthly health topics and encourages members to participate in HealthyBlue workshops.
- Pebble promotion in HealthyBlue – electronic tracking device that automatically uploads into HealthyBlue
- Debut of Duncan’s Digest – online health topic presentation in HealthyBlue
- Launched online video tutorial on HealthyBlue
- Gearing Up for Worksite Wellness trainings were offered in Fargo and Bismarck. Approximately 10 NDPERS Wellness Coordinators attended.



Measure	Goal	3/31/2014
Cost Management (measurement period : by 12-31-14)		
HRA Completions	17%	17%
HRA Score	5% point increase in the 2013 NDPERS group aggregate HRA wellness score Goal = 55	72
HealthyBlue – incentives paid	10% increase over 2013 incentives paid Goal = \$581,798	\$48,086
Health Club Credit – members receiving credit	10% increase over 2013 members receiving credit Goal = 2,177	2,137
Health Outcomes:		
Members enrolled in a Medical Home	80%	91%
Breast Cancer Screening Rates*	80%	76%
Cervical Cancer Screening Rates*	85%	68%
Colorectal Cancer Screening Rates*	60%	62%
Operational Performance:		
Claims Financial Accuracy	99%	99.8%
Payment Incident Accuracy	97%	99.6%
Claim Timeliness	99%	99%
Average Speed of Answer (in seconds)	30 seconds or less	21
Call Abandonment Rate	5% or less	1%
Provider Network Management:		
NDPERS PPO network	92% (or more) participation	99.6%
Provider Discount (non-Medicare contracts)	30% or more	53%

Green – meeting goal
 Red – below goal
 Purple – data not complete

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

Completed

- Gearing Up for Worksite Wellness trainings in Fargo and Bismarck.
- Two week Walking Challenge in January/February
- “Spring into Action” physical activity challenge
- Wellness Coordinator survey
- Cervical Cancer Screening mailing
- HealthyBlue HRA Reminder mailing
- National Walk at Lunch Day at Capitol with First Lady Dalrymple & Kathleen Wrigley
- New MyPrime.com website is now available

Ongoing Activities

- **New BCBSND staff member to provide additional support for NDPERS program management**
- **Case Management – dedicated NDPERS Case Manager, works closely with Member Advocacy Program (MAP)**
 - **83 cases reviewed/followed in last 12 months**
 - **Projected savings (soft & hard) - \$237,060**
- **There are currently 9 members in the Member Advocacy Program (MAP) – an increase from 3 last quarter. Two additional MAP advocates have been hired as the need for their services continue to increase.**
- **HealthyBlue upgrade to log community event participation**
- A fruit & veggie challenge is scheduled for summer.
- Monthly NDPERS Wellness Coordinator calls and newsletters
- Specialty Pharmacy
 - NDPERS enrollment in Prime Specialty Pharmacy Care Management
 - Targeted mailings continue to identify new specialty users
- Accordant Care – continue to identify newly eligibly members



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: May 14, 2014
SUBJECT: Part D Vendor Change

BCBS recently informed us that starting this January the vendor for the Part D benefit will change from Prime Therapeutics to CVS Pharmacy. The reasons for the change as identified by BCBS are:

1. Why the change?

The need for greater flexibility in administering the group Part D benefit. As you are aware, the Part D market is considerably different from the commercial market. In our evaluation process of PBM vendors and capabilities, it was clear that CVS Caremark comes to the table with a variety of group options and abilities for administration.

2. When will members be notified and when?

There will be a few different notifications to members with one being a member-targeted mailing to announce the Group MedicareBlue Rx partnership with CVS. As well as the Annual Notice of Change (in members hands 15 days prior to renewal), New ID Card (late December, 2014) and Transition-specific letter to all members (early October, 2014).

3. How will Members be impacted?

The benefits will be administered the same way they were administered by Prime Therapeutics, so members will see no change to their PDP Benefits and there will be no change in the Customer Service phone number or address. TMG will continue to serve as the primary Customer Service contact.

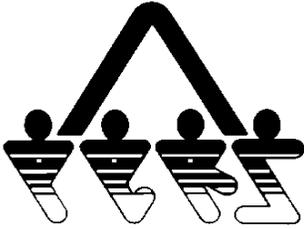
4. Will the formulary be different and if so, how do we intend to handle this with our members?

Every year there are small disruptions to the Group formulary and supplemental list due to shifts of drugs among tiers as well as coverage decisions made by the pharmacy benefit manager (PBM). ClearStone is working with CVS Caremark to make the 2015 Group formulary as similar as possible to the 2014.

Formulary. To date, for the 2015 formulary,

- 91.3% of scripts on the 2014 formulary will appear on the 2015 formulary
- There will be no disruption (e.g., tier change or drug exclusion) to the 10 highest utilized Part D drugs by NDPERS members.
- 3.5% of the current formulary drugs will move down to a lower copay tier (positive change)
- Only 5.2% of current drugs will experience disruption (either move up to a higher copay tier or not be provided on the 2015 formulary)
- 210 drugs will either move down to a lower copay tier (positive change) or will be on the formulary for 2015 that were considered non-formulary in 2013 (and possibly 2014)
- Incorporates 4 drug tiers like the 2014 formulary
- Contains the same supplemental drug list as the 2014 formulary

BCBS will be at the Board meeting to answer any questions you may have.



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: May 15, 2014
SUBJECT: BCBS ACA Amendment

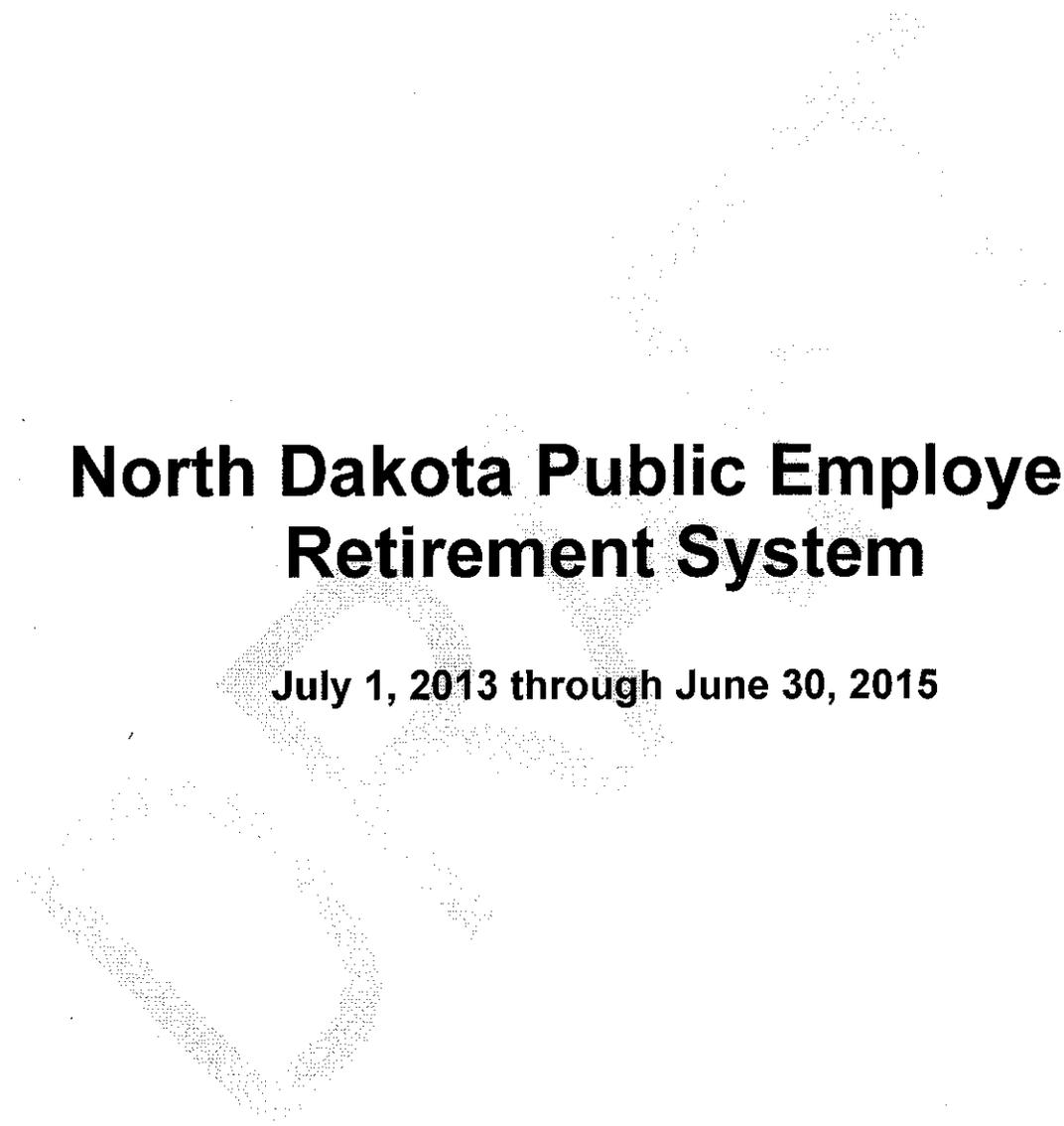
At the last meeting we discussed that the bid from BCBS for this biennium included paying the estimated fees associated with the Affordable Care Act (ACA). They offered two options on how these fees could be assessed to PERS. The first was on an actual incurred billed basis plus a charge for taxes or second on a fixed fee basis. After discussing, the Board decided to use the "actual incurred billed basis".

Attached for your consideration and approval is an amendment to our contract to reflect this decision at the last meeting. Refer to page 12, Section 7.4 which is the new language relating to the ACA fees.

I have also forwarded on to Mary Kae Kelsch at the Attorney Generals Office for her review. She will share any comments she has at the next Board meeting.

Board Action Requested

Approve the attached amendment to the PERS contract with BCBS.



North Dakota Public Employees Retirement System

July 1, 2013 through June 30, 2015

ADMINISTRATIVE SERVICE AGREEMENT

This Administrative Service Agreement ("Agreement") is entered into between North Dakota Public Employees Retirement System (NDPERS) ("the Plan Sponsor"), North Dakota Public Employees Retirement System (NDPERS) ("the Plan Administrator") and Blue Cross Blue Shield of North Dakota ("BCBSND") the terms of which are as follows:

The Plan Sponsor has established and maintains a fully insured group health plan (the Plan) which provides, among other things, various benefits to Members in the Plan, as set forth in the Certificate of Insurance provided to plan Members. The Plan Administrator is the administrator of the Plan established through this Agreement.

In consideration of payment of required premium and acceptance of membership applications, BCBSND enters into this Agreement with the Plan Sponsor and the Plan Administrator. BCBSND agrees to provide plan Members the benefits set forth in the Certificate of Insurance, in accordance with its terms and conditions. This Agreement also includes the Certificate of Insurance, membership applications, Identification Cards, Benefit Plan Attachments and any endorsements, supplements, attachments, addenda or amendments.

1. EFFECTIVE DATE AND PLAN YEAR

This Agreement is effective July 1, 2013 through June 30, 2015, unless terminated as provided.

For the purposes of the costs of any and all benefits and services extended through this Benefit Plan, including the implementation of any benefit changes required under federal or state law, the Plan Administrator agrees that the Plan Year shall commence on July 1, unless it is terminated by one of the parties as specified in Section 8. TERM AND TERMINATION OF AGREEMENT.

2. DEFINITIONS

This section defines the terms used in this Agreement. These terms will be capitalized throughout this Agreement when referred to in the context defined.

- A. **BENEFIT PAYMENTS** - payments of benefits under the Plan.
- B. **CERTIFICATE OF CREDITABLE COVERAGE** - a certificate disclosing information relating to an individual's creditable coverage under a health care benefit program for purposes of reducing any preexisting condition waiting period imposed by any group health plan coverage.
- C. **CLAIM** - notification in a form acceptable to BCBSND that service has been provided or furnished to a Member.
- D. **DRG** - shall mean diagnostic related groups.
- E. **DATA AGGREGATION** - the combining of Protected Health Information that BCBSND creates or receives for or from the Plan and for or from other health plans or health care providers for which BCBSND is acting as a business associate to permit data analyses that relate to the Health Care Operations of the Plan and those other health plans or providers.
- F. **FEES AND CHARGES** - the amounts the Plan Administrator must pay BCBSND for the administrative services described in Section 6. FEES AND CHARGES.
- G. **HEALTH CARE OPERATIONS** - any of the activities of a health plan to the extent the activities relate to functions that make it a health plan.
- H. **HEALTH CARE PROVIDER** - any eligible provider that has provided care, diagnosis, or treatment to or for a Member for which benefits are sought under the Plan.

I. **INELIGIBLE PERSON** - any person, firm, or corporation that has received benefits or on whose behalf benefits have been paid but for whom benefits are not payable under the terms of the Plan.

J. **MEMBER** - the Subscriber and any dependent of a Subscriber or any other person designated by a Subscriber or by the terms of the Plan who is or may become entitled to a benefit under the Plan. The term shall also include any proprietor, partner, or owner of the Plan Sponsor, if any, who is designated by the terms of the Plan who is or may become entitled to a benefit under the Plan. In no case shall the term Member include any person not otherwise entitled to coverage under the terms of the Plan.

For the purposes of determining the various benefits and restrictions or other limitations thereto made available to a Member under the terms of this Agreement, all benefits under any Plan option or tier (and any restrictions or other limitations thereto) made available to or received by a Member shall accumulate toward that Member's benefits and any restrictions and other limitations thereto.

K. **PAYMENT** - activities undertaken to obtain premiums, determine or fulfill coverage and benefits, or obtain or provide reimbursement for health care services.

L. **PLAN ADMINISTRATOR – NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM.** North Dakota Public Employees Retirement System (NDPERS) is the administrator of the Plan with all of the duties and responsibilities applicable to plan administrators, including but not necessarily limited to compliance with any and all administrative, reporting, and disclosure requirements. BCBSND is not the Plan Sponsor or the Plan Administrator of the Plan and is not responsible for any of the duties assigned to the Plan Sponsor or the Plan Administrator by the terms of the Plan, or by this Agreement.

M. **PROTECTED HEALTH INFORMATION (PHI)** - individually identifiable health information, including summary and statistical information, collected from or on behalf of a Member that is transmitted by or maintained in electronic media, or transmitted or maintained in any other form or medium and that:

1. is created by or received from a Health Care Provider, health care employer, or health care clearinghouse;
2. relates to a Member's past, present or future physical or mental health or condition;
3. relates to the provision of health care to a Member;
4. relates to the past, present, or future payment for health care to or on behalf of a Member; or
5. identifies a Member or could reasonably be used to identify a Member.

Educational records and employment records are not considered PHI under federal law.

N. **SECURITY INCIDENT** - any attempted or successful unauthorized access, use, disclosure, modification, or destruction of a Member's electronic PHI or interference with BCBSND's system operations in BCBSND's information systems.

O. **STANDARD TRANSACTIONS** - health care financial or administrative transactions conducted electronically for which standard data elements, code sets and formats have been adopted in accordance with federal or state law.

P. **SUBSCRIBER** - any employee of the Plan Sponsor who is or may become eligible to receive a benefit under the Plan. The term includes all common law employees and possibly proprietors, partners, or other owners who work for the Plan Sponsor and are otherwise entitled to coverage under the Plan. Notwithstanding the above, in no case shall the term Subscriber include any person not otherwise entitled to coverage under the terms of the Plan.

Q. **SUCCESSFUL SECURITY INCIDENTS** - Security Incidents that result in unauthorized access, use, disclosure, modification, or destruction of information or interference with system operations.

R. **UNSUCCESSFUL SECURITY INCIDENTS** - Security Incidents that do not result in unauthorized access, use, disclosure, modification, or destruction of information or interference with system operations.

3. **BCBSND SHALL:**

- 3.1 Establish a membership record for existing Members containing information as provided by NDPERS.
- 3.2 Provide Identification Cards, Certificates of Insurance/Summary Plan Descriptions and applications for enrollment for each Subscriber.
- 3.3 Provide the Health Plan Performance Guarantees, as outlined in Exhibit B.
- 3.4 Upon enrollment under the NDPERS Benefit Plan, BCBSND will provide written notice to covered employees and their covered spouses of their continuation rights pursuant to the Consolidated Omnibus Budget Reconciliation Act. ("COBRA").
- 3.5 Receive applications for enrollment for late entrants.
- 3.6 Provide Managed Benefits services in accordance with appropriate licensure and certification requirements including a dedicated staff person.
- 3.7 Provide a dedicated service unit to adjudicate all claims and respond to Member's inquiries. Provide toll-free Member and Health Care Provider service lines between the hours of 8 AM and 5:00 PM CST or CDT at the home office in Fargo, ND, as appropriate. A toll-free managed benefits line for Health Care Providers will also be available between the hours of 7:30 AM and 5:30 PM CST or CDT. During nonbusiness hours, answering machine services will be available for managed benefits calls.
- 3.8 Process claims and inquiries per MTM (Member Touchpoint Measures) for Non-BlueCard claims.
- 3.9 Correspond with the Members and Health Care Providers if additional information is deemed necessary by BCBSND to complete the administrative process.
- 3.10 Administer other party liability programs.
- 3.11 Provide to Members an Explanation of Benefits Statement.
- 3.12 Provide a procedure for detection of fraud and unlawful activity.
- 3.13 Provide to Members a conversion policy when application is made within 31 days of the termination of enrollment under NDPERS.
- 3.14 Provide assistance to NDPERS for the conduct of enrollment, servicing and education.
- 3.15 Provide to NDPERS formal Policy and Procedure guidelines for the conduct of external audits or reviews commissioned by NDPERS.

NDPERS shall provide BCBSND with the scope and requirements of any audit or review prior to the commencement of activities. If a sample of claims is required, BCBSND will provide or NDPERS will select a statistically valid computerized sample of claims, if not prohibited by law, regulation or rule.

NDPERS will provide a copy of the report of all audit or review findings and shall discuss the findings with BCBSND upon discovery to allow further investigation or implementation of corrective action.

- 3.16 Provide NDPERS with reporting to include but not limited to:
- a. Annual group reporting of membership and utilization by group segments and product.
 - b. Estimates of future claim reserves and premium to claim ratio.
 - c. Such other special claims reports as requested from time-to-time by NDPERS, subject to the availability of data and appropriate cost considerations.
 - d. Interest calculation monthly report.
 - e. Semi-annual performance objectives as outlined in section 2 of the BCBSND response to question 15 of the RFP.
- 3.17 Provide NDPERS with claims specific data on a monthly basis on compact disc or other agreed upon medium. This information shall be in a format acceptable to NDPERS and subject to all federal and state laws on confidentiality and open records.
- 3.18 Provide support to NDPERS for the establishment of a Preferred Provider Network consistent with objectives established by NDPERS.
- a. BCBSND will provide technical and administrative advice to NDPERS relative to the appropriateness of PPO arrangements compared to existing Blue Cross Blue Shield participation and reimbursement arrangements, to verify that PPO arrangements provide for payments which are no greater than the existing arrangements. BCBSND will provide current information regarding Blue Cross Blue Shield participation and reimbursement arrangements in place on a provider-specific basis for comparative purposes.
 - b. BCBSND will develop jointly with NDPERS a written instrument to be used as the basis for providers participating in the PPO Program.
 - c. BCBSND will secure provider agreements upon completion of negotiations with providers. Such negotiations will be conducted jointly by BCBSND and NDPERS.
 - d. BCBSND will enforce strict managed benefits, utilization review and quality assurance criteria to assure attainment of Preferred Provider program objectives.
 - e. BCBSND will, upon NDPERS direction, terminate a Provider's NDPERS PPO participation agreement in accordance with terms of the agreement, when a PPO Provider is noncompliant with NDPERS policies and procedures. Said policies and procedures shall be documented and communicated to the participating provider prior to implementation.
- 3.19 Carry over any Deductible and/or Coinsurance Amounts incurred from January 1 to June 30, of the prior contract period.

4. **NDPERS SHALL:**

- 4.1 Prepare and distribute monthly billings to participating employers and retirees participating in the Plan. NDPERS shall respond to the participating employers inquiries concerning eligibility rules, billing, etc.
- 4.2 Prepare monthly eligibility tape by participating employer and premium classification for both active and retired employees and provide the tape to BCBSND to be used for eligibility certification purposes. Along with the eligibility tape, NDPERS will furnish a monthly listing of participants added or terminated during the month. Such listing will reflect the name of the employee, dependents, Social Security Number, the effective date of coverage for a new employee or the termination date of a terminated employee and the coverage classification.
- 4.3 Provide enrollment forms, obtain completed classifications or addresses, etc. from participants and furnish BCBSND with a copy of the enrollment forms or request for coverage or address changes and retain the original copy. Enrollment forms will include the NDPERS and Blue Cross Blue Shield Service Marks.
- 4.4 Be responsible for the administration of and compliance with COBRA. BCBSND will forward requests for COBRA participation by membership to NDPERS upon notification.
- 4.5 Comply with BCBSND's established administrative policies which are reasonable and consistent with the NDPERS Health Plan and the bid specifications agreed to by the parties, including but not limited to: underwriting policies, standard adjudication and Medical Policy Guidelines, Payable Provider Guidelines, Managed Benefits Program Guidelines and claim payment procedures.
- 4.6 Develop and provide BCBSND the objectives established for the Preferred Provider programs.
- 4.7 Assume joint responsibility for the determination of provider eligibility and performance criteria in the Preferred Provider programs.
- 4.8 Be responsible for any systems redesign costs to BCBSND which result from the implementation of any new reimbursement mechanisms not presently in place within BCBSND automated claims payment systems. Those reimbursement mechanisms currently in place include:

Institutional

Professional

Percent of Billed Charges
Percent of DRGs
Percent of Per Diems
Targeted Cost per Member

Percent of Physician Payment Schedule
Percent of Billed Charges
Capitation
Targeted Cost per Member

- 4.9 Pay premiums to BCBSND according to the schedule in Section 6.
- 4.10 NDPERS acknowledges that the administration of the Benefit Plan that is the subject of this Agreement may be subject to regulation under federal and/or state law. NDPERS agrees to furnish BCBSND with any and all information necessary to comply with any applicable federal and/or state laws and to certify that this information is accurate. If there are any changes in the employer contribution rate for benefits and services available under this Agreement, NDPERS agrees that it is its obligation to provide information related to the change in contribution rates immediately to BCBSND.

5. PRIVACY USE AND DISCLOSURE RESPONSIBILITIES

5.1 RESPONSIBILITIES OF BCBSND

A. Privacy of Protected Health Information (PHI)

1. BCBSND will keep confidential all Claim records and all other PHI that BCBSND creates or receives in the performance of its duties under this Agreement. Except as permitted or required by this Agreement for BCBSND to perform its duties under this Agreement, BCBSND will not use or disclose such Claim information or other PHI without the authorization of the Member who is the subject of such information or as required by law.
2. BCBSND will neither use nor disclose Members' PHI (including any Members' PHI received from a business associate of the Plan) except (1) as permitted or required by this Agreement, (2) as permitted in writing by the Plan Administrator, (3) as authorized by Members, or (4) as required by law.
3. BCBSND will be permitted to use or disclose Members' PHI only as follows:
 - a. BCBSND will be permitted to use and disclose Members' PHI (a) for the management, operation and administration of the Plan the Plan Administrator offers Members, and (b) for the services set forth in the Plan, which include Payment Activities, Health Care Operations, and Data Aggregation as these terms are defined under federal law.
 1. BCBSND will be permitted to use Members' PHI as necessary for BCBSND's proper management and administration or to carry out BCBSND's legal responsibilities.
 2. BCBSND will be permitted to disclose Members' PHI as necessary for BCBSND's proper management and administration or to carry out BCBSND's legal responsibilities only if (i) the disclosure is required by law, or (ii) before the disclosure, BCBSND obtains from the entity to which the disclosure is to be made reasonable assurance, evidenced by a written contract, that the entity will hold Members' PHI in confidence, use or further disclose Members' PHI only for the purposes for which BCBSND disclosed it to the entity or as required by law, and notify BCBSND of any instance the entity becomes aware of where the confidentiality of any Members' PHI was breached.
 - b. BCBSND will make reasonable efforts in accordance with its written privacy policies and procedures to use, disclose, or request only the minimum necessary amount of Members' PHI to accomplish the intended purpose. BCBSND will make its written privacy policies and procedures available to the Plan Sponsor, upon request.
4. Other than disclosures permitted by Section 5.1(A)3, BCBSND will not disclose Members' PHI to the Plan Administrator or to the Plan's business associate except as directed by the Plan Administrator in writing.
5. BCBSND will require each subcontractor and agent to which BCBSND is permitted by this Agreement or in writing by the Plan Administrator to disclose Members' PHI to provide reasonable assurance, evidenced by written contract, that such other entity will comply with the same privacy and security obligations with respect to Members' PHI as this Agreement applies to BCBSND.
6. BCBSND will not disclose any Members' PHI to the Plan Sponsor, except as permitted by and in accordance with Section 5.1(A)3.

7. BCBSND will report to the Plan Administrator any use or disclosure of Members' PHI not permitted by this Agreement. BCBSND will make any such report to the Plan Administrator after BCBSND learns of such non-permitted use or disclosure.
8. BCBSND will report to the Plan Administrator attempted or successful unauthorized access, use, disclosure, modification or destruction of a Member's electronic PHI or interference with BCBSND's system operations in BCBSND's information systems ("Security Incident"), of which BCBSND becomes aware. With regard to attempted unauthorized access, use, etc., BCBSND and the Plan Administrator recognize and agree that the significant number of meaningless attempts to, without authorization, access, use, disclose, modify or destroy electronic PHI will make real-time reporting formidable. Therefore, BCBSND and the Plan Administrator agree to the following reporting procedures for Security Incidents that result in unauthorized access, use, disclosure, modification, or destruction of information or interference with system operations ("Successful Security Incidents") and for Security Incidents that do not so result ("Unsuccessful Security Incidents").

For Unsuccessful Security Incidents, BCBSND and the Plan Administrator agree that this Agreement constitutes notice from BCBSND of any such Unsuccessful Security Incidents. In other words, the Plan Administrator waives any separate notice of Unsuccessful Security Incidents. By way of example, BCBSND and the Plan Administrator consider the following to be illustrative of Unsuccessful Security Incidents when they do not result in unauthorized access, use, disclosure, modification, or destruction of a Member's electronic PHI or interference with an information system:

1. Pings on BCBSND's firewall,
2. Port scans,
3. Attempts to log on to a system or enter a database with an invalid password or username,
4. Denial-of-service attacks that do not result in a server being taken off-line, and
5. Malware (e.g., worms, viruses).

For Successful Security Incidents, BCBSND shall give notice promptly to the Plan Administrator in the event a Member's electronic PHI was compromised.

9. Disposition of Protected Health Information

The parties agree that upon termination, cancellation, expiration or other conclusion of this Agreement, BCBSND will return or destroy all PHI received or created by BCBSND on the Plan Administrator's behalf as soon as feasible. Due to various regulatory and legal requirements, the Plan Administrator acknowledges that immediate return or destruction of all such information is not feasible. BCBSND agrees that upon conclusion of this Agreement for any reason, it will use or disclose the PHI it received or created on the Plan's behalf only as necessary to meet BCBSND's regulatory and legal requirements and for no other purposes unless permitted in writing by the Plan Administrator. BCBSND will destroy PHI received or created by BCBSND on the Plan Administrator's behalf that is in BCBSND's possession under such circumstances and upon such schedule as BCBSND deems consistent with its regulatory and other legal obligations.

These responsibilities agreed to by BCBSND and related to protecting the privacy and safeguarding the security of PHI, as well as any terms directly related thereto, shall survive the termination of this Agreement and, where applicable, shall govern BCBSND's receipt, use or disclosure of PHI pursuant to the terms of this Agreement.

B. Access, Amendment and Disclosure Accounting for Protected Health Information

1. Upon the Plan Administrator's written request, BCBSND will make available for inspection and obtaining copies by the Plan Administrator, or at the Plan Administrator's direction by the Member (or the Members' representative), any PHI about the Member created or received for or from the Plan Administrator in BCBSND's custody or control so the Plan Administrator may meet its access obligations under federal law.
2. Upon receipt of a written request from the Plan Administrator, or at the Plan Administrator's direction by the Member (or the Members' representative), BCBSND will amend or permit the Plan Administrator access to amend any portion of the PHI created or received for or from the Plan Administrator in BCBSND's custody or control, so the Plan Administrator may meet its amendment obligations under federal law.
3. So the Plan Administrator may meet its disclosure accounting obligations under federal law or state law, BCBSND will do the following:
 - a. BCBSND will record each disclosure of Members' PHI which is not excepted from disclosure accounting under Section 5.1(B)3.b, that BCBSND makes to the Plan Administrator or to a third party.

The information about each disclosure that BCBSND must record ("Disclosure Information") is (i) the disclosure date, (ii) the name and (if known) address of the person or entity to whom BCBSND made the disclosure, (iii) a brief description of the PHI disclosed, and (iv) a brief statement of the purpose of the disclosure.

For repetitive disclosures of Members' PHI that BCBSND makes for a single purpose to the same person or entity (including the Plan Administrator), BCBSND may record (i) the disclosure information for the first of these repetitive disclosures, (ii) the frequency, periodicity or number of these repetitive disclosures, and (iii) the date of the last of these repetitive disclosures.

- b. BCBSND will not be required to record disclosure information or otherwise account for disclosures of Members' PHI that this Agreement or the Plan Administrator in writing permits or requires:
 - (1) for Payment Activities or Health Care Operations,
 - (2) to the Member who is the subject of the PHI or to that Members' personal representative,
 - (3) to persons involved in that Members' health care or payment for health care, as provided under federal law,
 - (4) for notification for disaster relief purposes or national security or intelligence purposes as provided under federal law,
 - (5) to law enforcement officials or correctional institutions regarding inmates,
 - (6) for incidental uses or disclosures,
 - (7) as part of a limited data set in accordance with federal law,
 - (8) that occurred prior to the HIPAA Privacy Compliance Date,
 - (9) pursuant to a valid authorization.
 - c. BCBSND will have available for the Plan Administrator the disclosure information required by Section 5.1(B)3.a. for the six (6) years immediately preceding the date of the Plan Administrator's request for the disclosure information.
 - d. Upon the Plan Administrator's written request, BCBSND will make available to the Plan Administrator, or at the Plan Administrator's direction to the Member (or the Member's representative), disclosure information regarding the Member so the Plan Administrator may meet its disclosure accounting obligations under federal law.

C. Information Safeguards

1. BCBSND will maintain reasonable and appropriate administrative, technical and physical safeguards to protect the privacy of Member PHI. The safeguards must reasonably protect Member PHI from any intentional or unintentional use or disclosure in violation of federal law and limit incidental uses or disclosures made pursuant to a use or disclosure otherwise permitted by this Agreement.
2. BCBSND will implement administrative, technical, and physical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of electronic PHI BCBSND creates, receives, maintains, or transmits on behalf of the Plan Administrator as required by federal law.

D. Inspection of Books and Records

BCBSND will make its internal practices, books, and records relating to its use and disclosure of PHI created or received for or from the Plan Administrator available to the Plan Administrator and to the U.S. Department of Health and Human Services to determine compliance with federal law or this Agreement.

- E. BCBSND will prepare and distribute a notice of privacy practices appropriate for the Plan to meet its notice obligations under federal law. The Plan Administrator authorizes BCBSND to disclose the minimum necessary PHI to the Plan Sponsor for plan administration functions specified in the Plan documents as amended.

F. Information Privacy and Safeguard Provisions Survive Termination of Agreement

These responsibilities agreed to by BCBSND and related to protecting the privacy of PHI, as well as any terms directly related thereto, shall survive the termination of this Agreement and where applicable, shall govern BCBSND's receipt and use of PHI obtained pursuant to the terms of this Agreement.

5.2 RESPONSIBILITIES OF THE PLAN SPONSOR

- A. The Plan Sponsor retains full and final authority and responsibility for the Plan and its operation. BCBSND is empowered to act on behalf of the Plan only as stated in this Agreement or as mutually agreed in writing by the Plan Sponsor and BCBSND.
- B. Except with respect to services provided by BCBSND set forth in this agreement, the Plan Sponsor will have the sole responsibility for and will bear the entire cost of compliance with all federal, state and local laws, rules, and regulations concerning the privacy of PHI, including any licensing, filing, reporting, and disclosure requirements, that may apply to the Plan. BCBSND will have no responsibility for or liability with respect to the Plan's compliance or noncompliance with any applicable federal, state, or local law, rule, or regulation, that the Plan Sponsor is responsible for under this subsection.
- C. By executing this Agreement, the Plan Sponsor certifies to BCBSND that it has amended the Plan documents to incorporate the provisions required by and under federal law, and agrees to comply with the Plan Administrator's plan documents as amended.

BCBSND may rely on Plan Sponsor's certification and Plan Administrator's written authorization, and will have no obligation to verify (1) the Plan Administrator's plan documents have been amended to comply with the requirements of federal law or this Agreement or (2) the Plan Sponsor is complying with the Plan Administrator's plan document as amended.

- D. For any high deductible health plan offered by the Plan Sponsor, the Plan Sponsor assumes sole responsibility for determining whether the Plan qualifies as a high deductible health plan under Section 223(c)(2) of the U.S. Internal Revenue Code. BCBSND MAKES NO WARRANTY, EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE REGARDING THE PLAN.

For any high deductible health plan offered by the Plan Sponsor, BCBSND does not provide legal or tax advice, and expressly disclaims responsibility for determining, on behalf of any individual or group, the legal and tax implications of: (1) establishing a health savings account; (2) eligibility for a health savings account; (3) the contributions made to a health savings account; (4) the deductibility of contributions to a health savings account; and (5) withdrawals from a health savings account and related taxation.

6. **FEES AND CHARGES:**

- 6.1 In consideration of the fully insured contract under this Agreement, BCBSND agrees to accept the following provisions and premium rates for the Effective Date of this Agreement. See attached Premium Rate Structure Table.
- 6.2 BCBSND and NDPERS agree to the Health Plan Performance Guarantees, as outlined in the attached Exhibit B.
- 6.3 NDPERS will pay BCBSND, on or before the last day of each month, premium income based on the amount identified in Column 6 of the attached Table for type of contract for that month.
- 6.4 NDPERS will maintain a deposit of \$3,000,000 in a Cash Reserve Account held by BCBSND until the settlement of the biennium. This Cash Reserve Account shall earn interest at a rate to be determined monthly, based on US Treasury Notes quoted by the Wall Street Journal. The monthly rate will be established at the close of the first trading day each month based on the closing yield to maturity of US Treasury Notes maturing 24 months hence. If there are multiple notes for that maturity, the rate will be based on an average. If there are no notes with that maturity, the next subsequent maturity will be used.
- 6.5 BCBSND will retain any surplus funds from the amounts identified in Column 4 of the attached table. Surplus funds retained by BCBSND shall earn interest at a rate to be determined monthly, based on US Treasury Notes quoted by the Wall Street Journal. The monthly rate will be established at the close of the first trading day each month based on the closing yield to maturity of US Treasury Notes maturing 24 months hence. If there are multiple notes for that maturity, the rate will be based on an average. If there are no notes with that maturity, the next subsequent maturity will be used.
- Surplus funds described in the above section 6.5 not used by BCBSND to pay NDPERS Health Plan incurred claims plus retention will be subject to the Final Accounting as described in Section 7 of this Agreement.
- 6.6 Payments made pursuant to Section 6.3 and pursuant to Column 5 of the attached Table will be handled as follows:

BCBSND will dispense to Regional Advantage Services LLC, Medicare Part D premiums identified in Column 5 of the attached Table for type of contract for that month. Interest will not be paid on this account.

Funds described in section 6.6 are not subject to final accounting as described in section 7 of this Agreement.

- 6.7 BCBSND reserves the right to adjust premium rates, with a 90-day notice, for any changes in taxes and/or benefits imposed upon BCBSND for the NDPERS health plan by any Federal, State or Local government authority that impact BCBSND expenses and/or NDPERS health plan benefits.

7. FINAL ACCOUNTING

- 7.1 A continual accounting of NDPERS Health Plan experience will take place during the 2013-2015 biennium. Monthly reports of earned income less incurred claims and retention will be produced during the biennium and the twenty-four months following the biennium.

- 7.2 Within 31 days of 12 months after the end of the biennium (by July 31, 2016) BCBSND will provide an accounting which will result in an initial settlement of the biennium agreement as follows:

1. Earned Premium Income during the Biennium
2. Plus interest on Surplus Funds
3. Less Claims Incurred during the Biennium and Paid July 1, 2013 through June 30, 2016
4. Less Estimated Claims Incurred and Unpaid at June 30, 2016
5. Less Administrative Expense during the Biennium (\$28.36 per contract per month)
6. Less Conversion Cost during the Biennium (\$1.92 per Non-Medicare contract per month)
7. Less Service Charge during the Biennium (\$9.58 per Non-Medicare contract per month and \$2.16 per Medicare contract per month)
8. Less Disease Management Program fees during the Biennium (\$1.40 per contract per month)
9. Less Wellness Program fees during the Biennium (\$4.26 per contract per month)
10. Less PPACA fees during the Biennium (\$21.54 per Non-Medicare contract per month)
11. If 1+2-3-4-5-6-7-8-9-10 of 7.2 is positive, the lesser of 50% of this amount or \$1.5 million is retained by BCBSND. The remainder equals Refund paid to NDPERS.
12. If 1+2-3-4-5-6-7-8-9-10 of 7.2 is negative, the lesser of 50% of this amount or \$3.0 million will be refunded by NDPERS to BCBSND.

Claims incurred and unpaid will be estimated by the mean of the latest three actual IBNR claims (Incurred But Not Reported) amounts for equivalent periods in the NDPERS history.

- 7.3 Within 31 days of 24 months after the end of the biennium (by July 31, 2017), BCBSND will provide an accounting, which will result in a final settlement of the biennium agreement as follows:

1. Earned Premium Income during the Biennium
2. Plus interest on Surplus Funds
3. Less Claims Incurred during the Biennium and Paid July 1, 2013 through June 30, 2017
4. Less Administrative Expense during the Biennium (\$28.36 per contract per month)
5. Less Conversion Cost during the Biennium (\$1.92 per Non-Medicare contract per month)
6. Less Service Charge during the Biennium (\$9.58 per Non-Medicare contract per month and \$2.16 per Medicare contract per month)
7. Less Disease Management Program fees during the Biennium (\$1.40 per contract per month)
8. Less Wellness Program fees during the Biennium (\$4.26 per contract per month)
9. Less PPACA fees during the Biennium (\$21.54 per Non-Medicare contract per month)
10. Less any refund paid to NDPERS at initial settlement on July 31, 2016
11. If 1+2-3-4-5-6-7-8-9-10 of 7.3 is positive, the lesser of 50% of this amount or \$1.5 million is retained by BCBSND for the July 1, 2013 through June 30, 2015 biennium. The remainder equals Refund paid to NDPERS. The maximum retained by BCBSND for the biennium is 50% of \$3.0 million of gain.
12. If 1+2-3-4-5-6-7-8-9-10 of 7.3 is negative, the lesser of 50% of this amount or \$3.0 million will be refunded by NDPERS to BCBSND. BCBSND retains all losses beyond \$6.0 million and any estimated gains previously distributed to NDPERS are subject to refund back to BCBSND based on this final settlement. The maximum loss NDPERS is subject to is 50% of \$6.0 million of loss.

7.4 Within 31 days of 12 months after the end of the biennium (by July 31, 2016), BCBSND will provide an accounting of PPACA fees. This adjustment is in addition to the settlement calculated in 7.2. The calculation will be as follows:

1. Estimated PPACA fees paid by NDPERS during the biennium (\$21.54 per Non-Medicare contract per month)
2. Less actual PPACA fees paid by BCBSND for the biennium including:
 - a. Patient Centered Outcomes Research Tax will be calculated based on actual average Non-Medicare Members at the rate of \$2.00 per Member per year for July 1, 2013 through June 30, 2014, and the updated amount for the following year (unknown at this time) for July 1, 2014 through June 30, 2015.
 - b. Transitional Reinsurance Assessment will be calculated based on actual average Non-Medicare Members at the rate of \$5.25 per Member per month (\$63.00 annual) for January 1, 2014 through December 31, 2014, and \$3.67 per Member per month (\$44.00 annual) for January 1, 2015 through June 30, 2015.
 - c. Health Insurer Tax will be calculated using NDPERS' portion of the premium used to calculate the bill from the Federal Government, grossed up by 20% for Federal Income Tax. The 2014 bill is based on 2013 premium. The 2015 bill is based on 2014 premium, and only half of that amount will be charged to NDPERS since this biennium ends June 30, 2015. (Illustrative Example for 2014 payment: Assume BCBSND receives a \$10 million HIT tax bill in 2014 that is based on \$1 billion of 2013 premium. If NDPERS contributed \$200 million to the \$1 billion of 2013 premium, then NDPERS would be charged 20% of \$12 million – the \$10 million HIT tax bill grossed up by 20% for Federal Tax. The same approach would be taken for 2015 except that only half of the amount would be used to account for half of the year.)
3. If 1-2 of 7.4 is positive, the remainder equals Refund paid to NDPERS. If 1-2 of 7.4 is negative, the remainder will be refunded by NDPERS to BCBSND.
4. The parties agree that the above identified PPACA fees are subject to modification by the respective federal agencies at any time. If the PPACA fees are so modified, the modifications shall automatically be incorporated into this Agreement without further action by the parties.

8. TERM AND TERMINATION OF AGREEMENT

- 8.1 The term of this Agreement shall be for a two year period from July 1, 2013 through June 30, 2015.
- 8.2 This Agreement may be terminated by mutual agreement of both parties, upon 60 days notice, in writing.

Either party may terminate this Agreement effective 90 days following delivery of written notice to the other party, or at such later date as may be stated in the notice, under any of the following conditions:

- a. 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. The Agreement may be modified by agreement of the parties in writing to accommodate a reduction of funds.
- b. If federal or state laws, rules or regulations are modified, changed or interpreted in such a way that the services are no longer allowable or appropriate for purchase under this Agreement or are no longer eligible for the funding proposed for payments authorized by this Agreement.

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

Any such termination of this Agreement shall be without prejudice to any obligations or liabilities of either party already accrued prior to such termination.

- d. In the event of a breach by either party, other than for nonpayment of premium, the other party may terminate this Agreement by written notice to the breaching party. The breaching party has 31 days to fully cure the breach. If the breach is not cured within 31 days after written notice, this Agreement will immediately terminate.

9. INTER-PLAN PROGRAMS

BCBSND has a variety of relationships with other Blue Cross and/or Blue Shield Licensees referred to generally as "Inter-Plan Programs" Whenever a Member accesses health care services outside of the geographic area BCBSND serves, the claim for those services may be processed through one of these Inter-Plan Programs and presented to BCBSND for payment in accordance with the rules of the Inter-Plan Programs policies then in effect. The Inter-Plan Programs available to Members under this Agreement are described generally below.

Typically when accessing care outside the BCBSND service area, a Member will obtain care from health care providers that have a contractual agreement (i.e., "participating agreement") with the local Blue Cross and/or Blue Shield Licensee in that other geographic area ("Host Blue"). In some instances, a Member may obtain care from health care providers who have not entered into a "participating agreement" with a Host Blue. BCBSND payment practices in both instances are described below.

A. BlueCard® Program

Under the BlueCard Program, when Members access health care services within the geographic area served by a Host Blue, BCBSND will remain responsible to the Group for fulfilling BCBSND's contractual obligations. However, in accordance with applicable Inter-Plan Programs policies then in effect, the Host Blue will be responsible for providing such services as contracting and handling substantially all interactions with the health care providers who have entered into a "participating agreement" with it (participating health care providers). The financial terms of the BlueCard Program are described generally below. Individual circumstances may arise that are not directly covered by this description; however, in those instances, BCBSND's action will be consistent with the spirit of this description.

Liability Calculation Method Per Claim - The calculation of Member liability on claims for Covered Services processed through the BlueCard Program will be based on the lower of the billed charges of the Host Blue's participating health care provider or the negotiated price made available to BCBSND by the Host Blue.

Host Blues may use various methods to determine a negotiated price, depending on the terms of each Host Blue's health care provider contracts. The negotiated price made available to BCBSND by the Host Blue may represent a payment negotiated by a Host Blue with a health care provider that is one of the following:

1. the actual price. An actual price is a negotiated payment without any other increases or decreases; or
2. an estimated price. An estimated price is a negotiated payment reduced or increased by a percentage to take into account certain payments negotiated with the provider and other claim- and non-claim-related transactions. Such transactions may include, but are not limited to, anti-fraud and abuse recoveries, provider refunds not applied on a claim-specific basis, retrospective settlements, and performance-related bonuses or incentives; or

3. an average price. An average price is a percentage of billed covered charges representing the aggregate payments negotiated by the Host Blue with all of its health care providers or a similar classification of its providers and other claim- and non-claim-related transactions. Such transactions may include the same ones as noted above for an estimated price.

Host Blues using either an estimated price or an average price may, in accordance with Inter-Plan Programs policies, prospectively increase or reduce such prices to correct for over- or underestimation of past prices (i.e., prospective adjustments may mean that a current price reflects additional amounts or credits for claims already paid to providers or anticipated to be paid to or received from providers). However, the amount paid by the Member is a final price; no future price adjustment will result in increases or decreases to the pricing of past claims. The BlueCard Program requires that the price submitted by a Host Blue to BCBSND is a final price irrespective of any future adjustments based on the use of estimated or average pricing.

A small number of states require a Host Blue either (i) to use a basis for determining Member liability for Covered Services that does not reflect the entire savings realized, or expected to be realized, on a particular claim or (ii) to add a surcharge. Should the state in which health care services are accessed mandate liability calculation methods that differ from the negotiated price methodology or require a surcharge, BCBSND would then calculate the Member's liability in accordance with applicable law.

Return of Overpayments - Under the BlueCard Program, recoveries from a Host Blue or from participating health care providers of a Host Blue can arise in several ways, including, but not limited to, anti-fraud and abuse recoveries, provider/hospital audits, credit balance audits, utilization review refunds, and unsolicited refunds. In some cases, the Host Blue will engage third parties to assist in discovery or collection of recovery amounts. The fees of such a third party may be netted against the recovery. Recovery amounts determined in this way will be applied in accordance with applicable Inter-Plan Programs policies, which generally require correction on a claim-by-claim or prospective basis.

B. Nonparticipating Providers Outside the BCBSND Service Area

When Covered Services are provided outside of BCBSND's service area by health care providers who have not entered into a "participating agreement" with a Host Blue (nonparticipating health care providers), the amount the Member pays for such services will generally be based on either the Host Blue's nonparticipating health care provider local payment or the pricing arrangements required by applicable state law. In these situations, the Member may be liable for the difference between the amount that the nonparticipating health care provider bills and the payment BCBSND will make for the Covered Services as set forth in this paragraph.

In certain situations, BCBSND may pay claims based on the payment BCBSND would make if the Covered Services had been obtained within the BCBSND service area. Such situations include where a Member did not have reasonable access to a participating health care provider, as determined by BCBSND in its sole and absolute discretion or by applicable state law. In other situations, BCBSND may pay such a claim based on the payment BCBSND would make if BCBSND were paying a nonparticipating health care provider inside of BCBSND's service area (as described in the Member's Certificate of Insurance) where the Host Blue's corresponding payment would be more than BCBSND's payment to a nonparticipating health care provider within the BCBSND service area. BCBSND may also in its sole and absolute discretion, negotiate a payment with such a health care provider on an exception basis. In any of these situations, the Member may be responsible for the difference between the amount that the nonparticipating health care provider bills and payment BCBSND will make for the Covered Services as set forth in this paragraph.

10. **RETROSPECTIVE DISCOUNT PAYMENT**

Regarding prescription medications or drugs purchased by Members under the terms of the Plan, BCBSND will pay the amount due to the pharmacy (or other prescription drug retailer) under the terms of the pharmacy provider participating agreement. The amount due to the pharmacy under the terms of the pharmacy provider participating agreement is that which is due at the time the prescription medication or drug is purchased by the Member. The amount due to the pharmacy under the pharmacy provider participating agreement is calculated without regard to any subsequent, retrospective manufacturer discount that may apply to the cost of the prescription medication or drug. The Plan Administrator acknowledges and agrees that, in some cases but not all, drug manufacturers may offer retrospective discounts to BCBSND on prescription medications and drugs purchased under the terms of the Plan. If a drug manufacturer makes a retrospective discount payment available, the Plan Administrator acknowledges and agrees that a portion of any such rebate may be retained by an entity that performs manufacturer discount program services on behalf of BCBSND under the terms of this Agreement. The Plan Administrator further acknowledges and agrees that, when made available by the drug manufacturer, another portion of the retrospective discount payment is retained by BCBSND. In its sole discretion, BCBSND may periodically refund to the Plan all or part of any rebate payments received. The calculation of any refund rests in the sole discretion of BCBSND.

In its sole discretion, and only in the case where a Member is required to pay Coinsurance as part of the Cost Sharing Amounts for each Prescription Medication and Drug provided under the terms of this Benefit Plan, BCBSND may periodically refund to Members a proportional amount of any retrospective discount payments received. The calculation and payment of any such proportional refund rests in the sole discretion of BCBSND. The manner in which such retrospective discount program payment refund, if any, is distributed to a Member rests in the sole discretion of BCBSND. The Member waives any right, title, or interest in and to such proportional retrospective discount payment once the Member is no longer eligible for benefits under the terms of this Benefit Plan, and BCBSND may use its discretion and disburse any such retrospective discount payments as it deems appropriate and necessary in its administration of this Benefit Plan. The Member shall pay all Cost Sharing Amounts at the time the Prescription Medication or Drug is purchased, without regard to any potential retrospective discount.

11. **GENERAL PROVISIONS:**

- 11.1 This Agreement is between NDPERS and BCBSND and does not create any rights or legal relationships between BCBSND and any Member(s).
- 11.2 This Agreement, together with the Response to the Request for Proposal and any exhibits, attachments and amendments constitutes the entire Agreement between the parties. No promises, terms, conditions or obligations other than those contained in this Agreement are valid or binding. Any prior agreements, statements, promises, negotiations, inducements or representations, either oral or written, made by either party or agent of either party that are not contained in this Agreement are of no effect. No modification of the terms or provisions of this Agreement shall be effective unless evidenced by a written amendment, signed by an authorized officer or employee of NDPERS and BCBSND.
- 11.3 This Agreement shall be governed by and construed according to the laws of the state of North Dakota.
- 11.4 Failure of either party at any time to require performance by the other party of any provision of this Agreement shall not be deemed to be a continuing waiver of that provision or a waiver of any other provision of this Agreement.
- 11.5 No assignment of this Agreement in whole or in part may be made by either party without written agreement approved by both parties.
- 11.6 All notices and correspondence required or permitted to be given under this Agreement shall be given by personal delivery to the other party or may be sent by mail, postage prepaid to the other party at the following addresses:

**NORTH DAKOTA PUBLIC EMPLOYEES
RETIREMENT SYSTEM**

PO Box 1657
Bismarck, North Dakota 58502

**BLUE CROSS BLUE SHIELD
OF NORTH DAKOTA**

4510 13th Avenue South
Fargo, North Dakota 58121

- 11.7 Neither party shall be liable for any delay in or failure to perform under this Agreement due to an act of God or due to war mobilization, insurrection, rebellion, civil commotion, riot, act of an extremist or public enemy, sabotage, labor dispute, explosion, fire, flood, storm, accident, drought, equipment failure, power failure, fuel or energy shortages, unavoidable delay of carriers, embargo, law, ordinance, act, rule or regulation of any government, whether valid or invalid.
- 11.8 NDPERS hereby expressly acknowledges and understands that BCBSND is an independent corporation operating under a license with the Blue Cross and Blue Shield Association, an association of independent Blue Cross and Blue Shield Plans (the "Association"), permitting BCBSND to use the Blue Cross and Blue Shield Service Marks in the state of North Dakota, and that BCBSND is not contracting as an agent of the Association. NDPERS further acknowledges and agrees this Agreement was not entered into based upon representations by any person or entity other than BCBSND and that no person, entity, or organization other than BCBSND shall be held accountable or liable to NDPERS for any of BCBSND's obligations to NDPERS created under this Agreement. This paragraph shall not create any additional obligations whatsoever on the part of BCBSND other than those obligations created under other provisions of this Agreement.
- 11.9 If NDPERS or BCBSND creates benefit communications for Members, relating to the Certificate of Insurance attached as Exhibit A, such communications will be sent to BCBSND or NDPERS for comment prior to distribution. Either party will have 5 business days to comment on the communication. If one party fails to advise the other within that 5-day period, it will be presumed there are no comments on the communication. If NDPERS has a digital or online version of the Certificate of Insurance available to its Members, NDPERS agrees that it will not alter, modify or change the language of the Certificate of Insurance, and further agrees the Certificate of Insurance, attached as Exhibit A, will be the controlling document in the event of any conflict or liability that might arise as the result of any alterations, modifications or changes made by NDPERS. In the event a claim is paid based on NDPERS's modified or altered digital or online Certificate of Insurance, NDPERS is liable for all such claims. NDPERS further agrees that no waiver of this agreement is valid unless in writing and approved by BCBSND.
- 11.10 BCBSND will prepare Summaries of Benefits and Coverage for distribution to applicants and Members by NDPERS so that BCBSND, the Plan and NDPERS may all satisfy related disclosure obligations under federal law. It shall be the sole responsibility of NDPERS to distribute the Summaries of Benefits and Coverage in accordance with federal law, and the Plan Administrator acknowledges and agrees that BCBSND will rely upon NDPERS for compliance with the requirements for distribution of the Summaries of Benefits and Coverage to applicants and Members.
- 11.11 When coverage under this Agreement is terminated, BCBSND will, within a reasonable period of time, issue a Certificate of Creditable Coverage to the Subscriber. Upon notification by the Subscriber of the ineligibility of a dependent, a Certificate of Creditable Coverage will be issued to the affected Member within a reasonable period of time. Certificates of Creditable Coverage may also be obtained from BCBSND upon request within 24 months after coverage is terminated. Certificates of Creditable Coverage will only reflect continuous coverage provided through BCBSND.
- 11.12 Upon the effective date of any final regulation or amendment to final regulations with respect to PHI, Standard Transactions, the security of health information or other aspects of the Health

Insurance Portability and Accountability Act of 1996 applicable to this Agreement, this Agreement will automatically amend such that the obligations imposed on the Plan Sponsor, the Plan Administrator and BCBSND remain in compliance with such regulations, unless BCBSND elects to terminate this Agreement by providing the Plan Sponsor and the Plan Administrator notice of termination in accordance with this Agreement at least thirty-one (31) days before the effective date of such final regulation or amendment to final regulations.

12. DISPUTES AND INDEMNIFICATION

If litigation is filed regarding denial of benefits or otherwise, and BCBSND is named as the sole defendant, BCBSND will have the right to manage and have full control of litigation and to determine whether to pay, compromise, litigate or appeal the litigation. Except as otherwise provided in this Agreement, NDPERS and BCBSND each agree to assume their own liability for any and all legal or equitable claims of any nature including all costs, expenses and attorneys' fees which may in any manner result from or arise out of this Agreement.

NDPERS agrees that all Retrospective Discount Payments will be made to Members of the Plan. BCBSND agrees to indemnify NDPERS for any judgments against NDPERS solely arising out of NDPERS' decision to participate in the Retrospective Discount Payment program.

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

1. Commercial general liability, including premises or operations, contractual, and products or completed operations coverages (if applicable), with minimum liability limits of \$250,000 per person and \$1,000,000 per occurrence.
2. Professional errors and omissions with minimum liability limits of \$1,000,000 per occurrence and in the aggregate, BCBSND shall continuously maintain such coverage during the term of the Agreement and for three years thereafter. In the event of a change or cancellation of such coverage, BCBSND 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 \$500,000 per occurrence.
4. Workers compensation coverage meeting all statutory requirements.

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

1. Any deductible or self-insured retention amount or other similar obligation under the policies shall be the sole responsibility of BCBSND. The amount of any deductible or self retention is subject to approval by NDPERS, upon request.
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 NDPERS. The policies shall be in form and terms approved by NDPERS, upon request.
3. BCBSND shall furnish a certificate of insurance to the undersigned NDPERS representative, upon request.
4. Failure to provide insurance as required in this Agreement is a material breach of contract entitling NDPERS to terminate this Agreement immediately.

BCBSND shall not cancel or modify the insurance coverage required by this Agreement without thirty (30) days' prior written notice to the undersigned NDPERS representative.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed, in their names by their undersigned officers, the same being duly authorized to do so.

**NORTH DAKOTA PUBLIC EMPLOYEES
RETIREMENT SYSTEM (PLAN ADMINISTRATOR)**
PO Box 1657
Bismarck, North Dakota 58502

BLUE CROSS BLUE SHIELD OF NORTH DAKOTA*
4510 13th Avenue South
Fargo, North Dakota 58121

By: _____

"Signature"

Title: _____

[Its Interim President and CEO]

Date: _____

"Date"

**NORTH DAKOTA PUBLIC EMPLOYEES
RETIREMENT SYSTEM (PLAN SPONSOR)**
PO Box 1657
Bismarck, North Dakota 58502

By: _____

Title: _____

Date: _____

Administrative Service Agreement
07/01/2013-06/30/2015

*An Independent Licensee of the Blue Cross and Blue Shield Association.

Exhibit "A"



**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: May 15, 2014
SUBJECT: Health Plan Bid

At the last board meeting Deloitte was selected as the consultant to assist with the health plan bid. As of this date the Attorney Generals Office/Risk Management and Deloitte are working on the contract. When this is completed I forward to you a separate memo before the board meeting. Given the extend discussions



Memo

To: NDPERS Board
From: Bryan T. Reinhardt
Date: 4/1/2014
Re: 2013 BCBS Claims Review

Each year we conduct an audit to check the accuracy of BCBS claims processing. On March 6-7th, I was at the BCBS corporate office in Fargo to review a sample of 100 NDPERS claims. A list of the claim specifications is attached. Note that this is not a random sample of all claims, but a select sample from specific areas that we felt needed to be looked at. I focused on claims incurred in the year 2013. BCBS did a good job of having everything ready for me and having staff available to answer my questions and explain the claims payment process. The 2013 BCBS audit resulted in a greater number of errors, when compared to other recent reviews. These findings are detailed below:

Review Error Findings:

1. Deductible was credited on a claim paid 100% by WSI.
2. The Medicare High Charge and Paid Amounts were keyed transposed. This did not make an error in payment, only coding.
3. A WSI COB claim did not process when WSI denied services.
4. A WSI COB claim did not process when coded as partially paid by WSI.
5. A WSI COB claim did not process when coded as partially paid by WSI.
6. A WSI COB claim processed incorrectly with discounts and copayment taken even though the claim was paid in full by WSI.
7. A system error occurred when an outside lab was used. The modifier was coded, but the system still used the payment profile of the billing provider.

Attached is a response from BCBS on the higher number of errors for this audit.

All five of the mammograms, Flu vaccinations, and HPV vaccine claims for Gardasil were paid 100% under the screening benefits. Three of the five cholesterol tests, blood sugar tests, and PAP tests, four of the five fecal occult tests, and none of the five PSA tests, and were paid at 100% under the screening benefits. Note that the PSA tests are processed differently. The new screening benefits effective 7/1/09 need the 'routine' or 'preventative' diagnosis, but after the \$200 allowance diagnostic procedures will be covered subject to member cost sharing. Note that if an office visit is charged along with the screening benefits, the office visit is not included in the \$200 allowance and the member is charged the \$25 copayment.

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

NDPERS 2013 Audit of 1/2013 – present BCBS Claims Processing

1. Blue Shield Chiropractic (2 claims)
2. Blue Cross COB (1 claim)
3. Blue Cross COB (3 with Medicare Member age 65+)
4. Blue Cross COB (3 with Medicare Member age <65)
5. Blue Cross COB (5 with Workers Compensation)
6. Blue Shield COB (3 claims)
7. Blue Shield COB (2 with Medicare)
8. Blue Shield COB (5 with Workers Compensation)
9. Blue Cross Psych (2 claims)
10. Blue Shield Psych (2 claims)
11. Blue Cross CDU (2 claims)
12. Blue Shield CDU (2 claims)
13. Blue Shield PAP (5 claims)
14. Blue Shield Mammograms (5 claims)
15. Blue Shield Fecal Occult Test (5 claims)
16. Blue Shield Cholesterol Screening (5 claims)
17. Blue Shield Blood Sugar Testing (5 claims)
18. Blue Shield PSA Testing (10 claims)
19. Blue Shield Colonoscopy (5 claims)
20. Prescription Drug Formulary (2 claims)
21. Prescription Drug Non-Formulary (2 claims)
22. Prescription Drug for “Gardasil” (HPV drug) (5 claims)
23. Prescription Drug for Flu Vaccine (5 claims)
24. Prescription Drug Medicare Part-D claims (4 claims)
25. Blue Cross 'Denied Experimental' (1 claims)
26. Blue Shield Physical Therapy (2 claims)
27. Claims for Durable Medical Equipment (2 claims)
28. Blue Shield from HDHP member (5 claims)

Total 100 Claims

From: Kevin Schoenborn [mailto:Kevin.Schoenborn@bcbsnd.com]
Sent: Wednesday, March 12, 2014 11:19 AM
To: Reinhardt, Bryan T.; Denise Belling
Cc: Onalee Sellheim
Subject: RE: Scheduled claims review

Bryan, below is the outline you requested.

After further review of the audit results, we feel this was an isolated case as most of these claims were processed by the same adjudicator. This representative has been trained on the correct processes and additional training was conducted in a January 2014 staff meeting. In 2013, NDPERS experienced a high level of turnover, a new coordinator and 6 new representatives were hired. I also want to share the procedures that the NDPERS Service Unit follows when an audit error occurs.

- The team leader reviews the error with the representative that processed the claim. The rep is then responsible for correcting/adjusting the claim error.
- The overall errors are analyzed by the Team Leader for trends, documentation changes, educational/training issues, process improvements, etc.
- Monthly team meetings are held to review and discuss accuracy results. Team leader shares performance graphs, trends, training issues, documentation changes, and process improvements with the entire team.
- Individual accuracy results are shared with the employee via the team leader each month.
- Focused audits are conducted on employees that are not meeting the accuracy measures.
- Audit alert emails are issued to staff as items come up – this allows immediate communication to staff prior to a regular scheduled meeting.
- Stand up meetings are held when audit issues need to be shared as soon as possible.

With the increased staff awareness of accuracy results as well as the audit procedures that we currently have in place, we are confident that this will have a positive impact on claims accuracy measures moving forward.

Let me know if you have any other questions.

Kevin Schoenborn
Manager Marketing Consulting Services
BLUE CROSS BLUE SHIELD OF NORTH DAKOTA
701-282-1172 (work) | 701-793-8131(mobile)
kevin.schoenborn@BCBSND.com





**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 & Sparb

DATE: May 12, 2014

SUBJECT: Delta Dental Plan Renewal

At its April 29, 2014 meeting the Board was presented with the renewal proposal from Delta Dental of Minnesota. The contract expires December 31, 2014. The Board was provided the following options in the renewal proposal:

- A premium neutral proposal for a one-year period from January 1, 2015 through December 31, 2015.
- A two-year proposal with a 2% premium increase for the period January 1, 2015 through December 31, 2016.

The Board moved to offer a counter proposal requesting that Delta Dental consider renewing our current contract with a 1% premium increase for the period January 1, 2015 through December 31, 2016.

Delta Dental has responded and underwriting has approved the Board's request for the 1% premium increase for the aforementioned time period. A copy of the Delta response, which includes the revised rates, is included for your information.

BOARD ACTION REQUESTED

Approve Delta Dental's renewal proposal for a 1% increase for the period January 1, 2015 through December 31, 2016.



RECEIVED

MAY 12 2014

ND PERS

www.deltadentalmn.org

VIA CERTIFIED MAIL - RETURN RECEIPT REQUESTED

May 9, 2014

Revised Renewal Letter
Contract Term and Rate Change

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

Re: Group Dental Plan # 537482
North Dakota Public Employees Retirement System
Contract Term: January 1, 2015 – December 31, 2016 (24-months)

Dear Sparb:

Delta Dental of Minnesota has been pleased to provide dental benefits to your employees under our Delta Dental contract. We look forward to the renewal of your dental program for the above noted Contract Term.

Payment of the renewal rates listed below constitutes acceptance of this renewal offer. If you wish to cancel the contract with Delta Dental or any reason, we must have notification 60 days prior to the renewal date. The proposed renewal rates are:

	<u>Current Rates</u>	<u>Renewal Rates</u>
Employee:	\$38.26	\$38.64
Employee + Sp:	\$73.84	\$74.58
Employee + Ch(n):	\$85.72	\$86.58
Family:	\$122.08	\$123.30

We thank you for your business and look forward to servicing your group. If you have any questions, please contact your Delta Dental representative, Mark Keller, at 612-224-3271.

Sincerely,

Valerie J. Sorenson
Vice President, Account Management

Copy: Mark Keller

<i>Corporate Headquarters</i>	<i>Mailing Address</i>	<i>Delivery Address</i>	<i>Telephone</i>
Delta Dental of Minnesota 500 Washington Avenue South Suite 2060 Minneapolis, MN 55415-1163	Delta Dental of Minnesota PO Box 9304 Minneapolis, MN 55440-9304	Delta Dental of Minnesota 3560 Delta Dental Drive Eagan, MN 55122-3166	651-406-5900 1-800-328-1188



RECEIVED

MAY 12 2014

ND PERS

REVISED RENEWAL CALCULATION
24 MONTH CONTRACT

Group Name North Dakota Public Employees Retirement System
 Group Number 537482
 Renewal Period: January 1, 2015 through December 31, 2016
 Experience Period: March 1, 2013 through February 28, 2014

Paid Premium \$6,355,767

Incurred Claims \$5,223,526

Estimated Unpaid Claim Liability*: \$82,199

* EUCL has already been added to the incurred claim total

Average Experience Period Enrollment:	Employee	3,389
	Ee + Sp	1,825
	Ee + Ch (n)	542
	Family	1,798
	Total	<u>7,554</u>

Trend Factor: 6.68%

Trend is calculated from the mid-point of the experience period to the midpoint of the renewal period using the following trend factors:

4.00%	in 2012 & 2013
3.50%	in 2014 & 2015

Benefit Adjustment Factor (BAF): 0.00%

Benefit Adjustment Factor is needed if any benefit changes are proposed for the upcoming contract period.

Projected Incurred Claims: \$5,572,526

Proposed Increase: 1.00%

Rates:	Current Rates	New Rates
Employee	\$38.26	\$38.64
Employee+Sp	\$73.84	\$74.58
Employee+Ch(n)	\$85.72	\$86.58
Family	\$122.08	\$123.30

Revised renewal reflects a decrease to the needed increase effective 1/1/15.

If the number of enrolled employees deviates from the above enrollment by 10% or more during the contract period, Delta reserves the right to re-evaluate the fees/rates and restrict funding options.

Note: Our rates include all applicable taxes and fees

N/A Broker Commission	BPM
88.68% Target Loss Ratio	5/8/14



**North Dakota
Public Employees Retirement System**
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(701) 328-3900
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FAX: (701) 328-3920 • EMAIL: NDPERS-info@nd.gov • www.nd.gov/ndpers

Memorandum

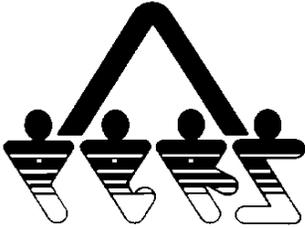
TO: NDPERS Board

FROM: Kathy

DATE: May 14, 2014

SUBJECT: TIAA-CREF Update

Representatives of TIAA-CREF will be present at the meeting to give an update of its administrative activities relative to the NDPERS 401(a) defined contribution and 457 Deferred Compensation plans.



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

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1-800-803-7377

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

Memorandum

TO: NDPERS Board

FROM: Kathy

DATE: May 13, 2014

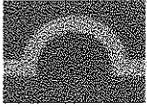
SUBJECT: Disability Consultant Contract

The contract with Mid Dakota Clinic for disability consulting services expires June 30, 2014. The Board must determine whether to renew the current contract or go out for bid. Mid Dakota Clinic has indicated they wish to continue to perform these services for NDPERS at the rate of \$200 an hour for the July 1, 2014 through June 30, 2015 contract period. This represents no increase in the hourly rate from the current contract period. This is the seventh year wherein no increase was requested. A copy of the clinic's proposal is included for your information.

The amount paid in consulting fees for this contract period beginning July 2013 through April 2014 is \$7,300 involving 36.5 hours and 60 cases. Staff is satisfied with the service provided by Mid Dakota and recommends that we renew the disability consulting contract for the period July 1, 2014 through June 30, 2015 at the rate of \$200 an hour.

Board Action Requested

Approve staff's recommendation.



Mid Dakota Clinic
WorkLife Occupational Medicine
PrimeCare

RECEIVED

APR 29 2014

ND PERS

April 28, 2014

Kathy M. Allen
NDPERS
400 East Broadway, Suite 505
Bismarck, ND 58502-1657

RE: North Dakota Public Employees Retirement System (NDPERS)
Disability Contract Renewal

Dear Kathy,

Per your request, Mid Dakota Clinic respectfully submits the following proposal for the disability determination services contract for the period of July 1, 2013 through June 30, 2014.

1. Mid Dakota expresses a desire to continue to perform these services for NDPERS, and
2. The proposed rate is to remain the same at \$200 per hour for the upcoming contract period.

Thank you for your assistance.

Respectfully,

Greg Cagle, MPT
WorkLife Manager



**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 & Bryan
DATE: May 22, 2014
SUBJECT: PERS Investment Committee Recommendation

At the February 20, 2014 Board meeting it was decided to put the Parnassus Small Cap fund (PARSX) on Formal Fund Review pursuant to a recommendation from the PERS Investment Committee. We notified TIAA-CREF and had the following announcement put on the NDPERS micro-site:

Feb 20, 2014 – The NDPERS Board placed the Parnassus Small Cap fund (PARSX) on Formal Fund Review due to its poor performance when measured against its benchmark and peer funds.

The following article appeared in the Spring 2014 PERSpectives newsletter and the Q1 2014 investment reports available on the NDPERS web site:

Formal Fund Review: NDPERS 457 Companion and Defined Contribution Plans

Due to poor performance relative to its benchmark and peer funds, the NDPERS Board has placed the Parnassus Small Cap fund (Ticker Symbol: PAR SX) on Formal Fund Review.

When a fund has been placed under formal review, it indicates the board will be monitoring the fund, its operations, and its performance. The outcome of this monitoring may be to:

1. Remove the fund from the "Formal Fund Review."
2. To close the fund to all new contributions.
3. To remove the fund from the PERS investment options, select a new fund and move existing accounts to the new fund.

NDPERS will post any future actions relating to this fund to its website at www.nd.gov/ndpers.

The Parnassus Small Cap fund is a Small Cap Blend fund. The NDPERS core investment lineup currently also has the Allianz Small Cap Value (Ticker Symbol: PVADX) and Brown Capital Small Company Growth (Ticker Symbol: BCSIX) as Small Cap investment options.

We also noted that the fund was "On Watch" on the web site investment list.

The Investment Subcommittee met on May 14 and again reviewed the Parnassus fund and is recommending that we remove the fund from the investment options, select a new fund, and move existing accounts to the new fund for the following reasons:

1. After placing the fund on Formal Fund Review, the fund underperformed its benchmarks by almost 5 percentage points in the first quarter 2014.
2. The fund's performance continues to lag the benchmarks across all periods.
3. TIAA-CREF presented alternative funds with a lower expense ratio (currently 1.20%).

The Parnassus Small Cap fund started in 2005, has less than \$250,000 in NDPERS assets and a total of only \$660 million in assets. The fund has a 1-star rating from MorningStar.

The Investment Subcommittee reviewed several possible replacement funds suggested by TIAA-CREF. The Investment Subcommittee recommends adding the DFA U.S. Small Cap Blend (DFSTX) fund to the core lineup.

The DFA Small Cap fund started in 1992, has an expense ratio of .37%, and about \$8.4 billion in assets.

Board Action Requested

1. Close & remove the small cap blend fund option from the core investment options – Parnassus Small Cap Fund (PARSX).
2. The Committee recommends adding the DFA U.S. Small Cap fund (DFSTX) to the core lineup as the replacement fund.

DFA U.S. Small Cap Portfolio

Institutional Class (DFSTX)

As of 03/31/14

Portfolio Strategies

The investment seeks long-term capital appreciation. The fund, using a market capitalization weighted approach, purchases a broad and diverse group of readily marketable securities of U.S. small cap companies. A company's market capitalization is the number of its shares outstanding times its price per share. In general, the higher the relative market capitalization of the U.S. small cap company, the greater its representation in the Portfolio.

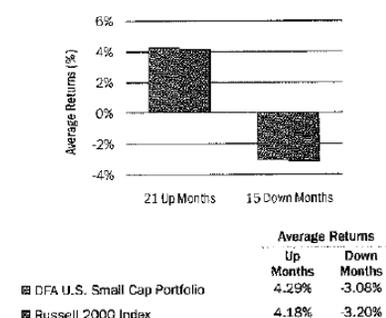
Performance							
Fund Name	Total Return		Average Annual Total Return				SI
	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	
DFA U.S. Small Cap Portfolio	0.83%	0.83%	27.45%	14.78%	27.71%	9.61%	11.11%
Russell 2000 Index	1.12%	1.12%	24.90%	13.18%	24.31%	8.53%	9.66%
Morningstar Peer Group: Small Blend							
Median Quintile	1.15%	1.15%	24.18%	12.92%	24.16%	8.55%	-
Percentile Rank	-	-	18	23	9	27	-
Number of Funds in Peer Group	-	-	687	612	554	335	Overall: 612
Morningstar Rating	-	-	-	★★★★	★★★★★	★★★	★★★★

Calendar Year Performance										
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
DFA U.S. Small Cap Portfolio	17.87%	6.09%	16.61%	-3.06%	-36.01%	36.34%	30.70%	-3.15%	18.39%	42.21%
Russell 2000 Index	18.33%	4.55%	18.37%	-1.57%	-33.79%	27.17%	26.85%	-4.18%	16.35%	38.82%

Portfolio Characteristics		
	Fund	Benchmark
# Holdings	2,192	-
Average Market Cap	\$1.45	\$1.40
Price/Book	2.13	-
Price/Sales	1.01	-
ROE (1 Yr Average)	11.21	7.53

Descriptive Information	
Ticker	DFSTX
CUSIP	233203843
Share Class	Institutional Class
Portfolio Inception Date	03/19/1992
Fund Inception Date - Share Class	03/19/1992
Net Expense Ratio	0.37%
Revenue Share	0.00%
Total Net Assets (As of 01/31/14)	\$7.96 billion
Turnover (As of 10/31/13)	10.0%
Manager Name	Team Managed
Manager Tenure	6.01 years

Up/Down Market Chart 04/01/11 - 03/31/14



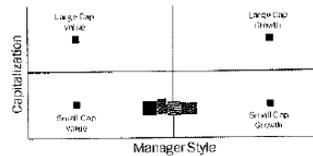
Financial Services

DFA U.S. Small Cap Portfolio

As of 03/31/14

Institutional Class (DFSTX)

Style Map 04/01/11 - 03/31/14

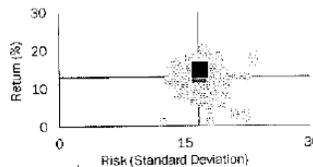


Style History
 ■ Mar-2014
 ■ Average Style Exposure
 ■ Benchmark

Top 10 Holdings As of 01/31/14

Alliant Techsystems Inc	0.31%
Manitowoc Co Inc	0.28%
Spirit Airlines Inc	0.28%
Huntington Ingalls Industries Inc	0.27%
ARRIS Group Inc	0.24%
DigitalGlobe Inc	0.24%
PolyOne Corp	0.24%
Middleby Corp	0.23%
VCA Antech Inc.	0.23%
Western Refining Inc	0.23%
Total	2.55%

Peer Group Scattergram As of 03/31/14



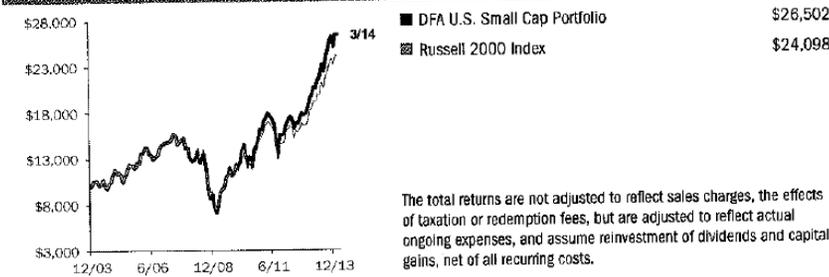
	Standard Return	Standard Deviation
■ DFA U.S. Small Cap Portfolio	14.78%	16.89
■ Russell 2000 Index	13.18%	16.78
— Median	12.92%	16.70

Historical Statistics 04/01/11 - 03/31/14

	Return	Standard Deviation	Sharpe Ratio	Alpha	Beta	R ²	Tracking Error	IR
DFA U.S. Small Cap Portfolio	14.78%	16.89	0.90	1.42	1.00	0.99	1.77	0.90
Russell 2000 Index	13.18%	16.78	0.82	-	-	-	-	-
Peer Group Median	12.92%	16.70	0.81	0.18	0.97	0.96	3.60	-0.11

Risk Statistics are calculated using a category benchmark and may not be the same as the benchmark index shown.

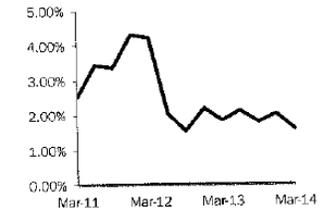
Growth of \$10,000 12/31/03 - 03/31/14



Sector Allocation As of 01/31/14

	Fund	Benchmark	Difference
Industrials	20.58%	15.52%	5.06%
Technology	18.39%	17.98%	0.41%
Consumer Cyclical	17.19%	13.15%	4.04%
Financial Services	15.70%	14.57%	1.13%
Healthcare	8.66%	12.66%	-4.00%
Basic Materials	5.83%	5.40%	0.43%
Consumer Defensive	4.53%	3.99%	0.54%
Energy	4.33%	4.34%	-0.01%
Utilities	3.18%	3.09%	0.09%
Real Estate	0.88%	8.38%	-7.50%
Communication Services	0.73%	0.92%	-0.19%

3 Yr Rolling Under/Over Performance 03/31/11 - 03/31/14



■ DFA U.S. Small Cap Portfolio
 ■ Russell 2000 Index

Market Cap Breakdown As of 01/31/14

	Fund	Benchmark	Difference
Giant	0.00%	0.00%	0.00%
Large	0.00%	0.00%	0.00%
Medium	8.91%	11.43%	-2.52%
Small	65.59%	59.35%	6.24%
Micro	25.50%	29.22%	-3.72%

Current Asset Allocation As of 01/31/14

U.S. Equity	98.41%
Short Term Investments	0.88%
International Equity	0.71%
Other	0.01%



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: May 16, 2014
SUBJECT: Job Service Retirement Plan

At the last meeting the Board adopted the following motion:

MR. SANDAL MOVED THAT NDPERS ADMINISTER THE JOB SERVICE RETIREMENT PLAN USING THE CURRENT METHODOLOGY AND ADJUST THOSE AFFECTED MEMBER'S MONTHLY RETIREMENTS EFFECTIVE JUNE 1, 2014 BY THE MONTHLY UNIFORM DIFFERENCE, MONITOR AND PROCESS FUTURE RETIREMENTS MANUALLY, AND WAIVE THE CURRENT OVERPAYMENTS. THE MOTION WAS SECONDED BY MR. TRENBEATH.

Ayes: Ms. Smith, Ms. Wassim, Mr. Sandal, Mr. Trenbeath, and Mr. Sage
Nays: Ms. Ehrhardt

Staff is going to review with the audit committee on May 21 our progress in doing the final calculations to implement the above. It is staffs perspective that the June 1 date should be moved to July 1 to insure that all final calculations have been fully reviewed.

We will bring forward for your consideration at the board meeting the suggestions of the Audit Committee.



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Memorandum

TO: NDPERS Board
FROM: Kathy & Sparb
DATE: May 12, 2014
SUBJECT: ADP Plan Renewal

Effective January 1, 2013, ADP was awarded the bid for administrative services for our FlexComp plan. The contract expires December 31, 2014. We have included the ADP renewal proposal effective January 1, 2015. Following is the current and the proposed rate:

Current	Proposed 1/1/2015
\$2.85 PPPM	\$3.00 PPPM

The proposed rate represents approximately a .05% increase over the current rate and ADP has guaranteed the rate for a 3-year period from January 1, 2015 through December 31, 2017.

The Board has the option to accept the renewal proposal, further negotiate with ADP, request additional information, or go out to bid for the administrative services. The Board may also consider whether it wishes representatives of ADP to be present or available for the June 19 meeting to respond to any questions.

BOARD ACTION REQUESTED

Direct staff as to what course of action the Board wishes to staff to pursue.



kallen@nd.gov

Authenticated by adp.com Valid Signature

From: kimberly.wright@adp.com
To: kallen@nd.gov
Sent: May 12, 2014 3:34:06 PM EDT
Subject: State of North Dakota (NDPERS) Pricing for contract renewal-

Kathy, I have obtained the pricing for the contract renewal for NDPERS that will go into effect 1/1/2015. Please see below.

FSA only \$3.00 PPPM

Since your current rate is \$2.85- ADP is willing to lock the 3.00 rate in with a 3 year contract renewal for NDPERS.

The basis for price increase at ADP relates to our continued commitment to service excellence, superior products, ongoing regulatory compliance and safeguarding of client data. We are focused on investments in these areas to continue to be the best in class provider for all human capital management needs.

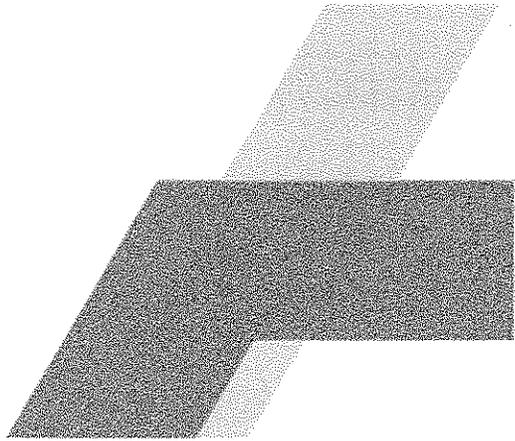
Please let me know if there are questions or concerns about the pricing.

Thanks



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www.adp.com



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April 7, 2014 – 1st e-mail for Financial Literacy Month: How will you pay for tomorrow's life expenses?

April 14, 2014 – 2nd e-mail for Financial Literacy Month: How much more should you save for retirement?

April 15, 2014 – “Test Your Financial IQ” online challenge for 457 plan participants to run through May 15, 2014

April 23, 2014 – 3rd e-mail Financial Literacy Month: How long until your investments double? Discover the 'Rule of 72'

May 12, 2014 – E-mailed webinar “Spending within Your Means” & Reminder for “Test Your Financial IQ” online challenge for 457 plan participants



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Memorandum

TO: NDPERS Board

FROM: Election Committee:
Mike Sandal, Chair
Tom Trenbeath
Kim Wassim

DATE: May 13, 2014

SUBJECT: Election Update

The Election Committee met on May 9, 2014 to review the validity of a candidate's nomination petitions that were received after the filing deadline on May 2, 2014 and to review and validate the nomination petitions received in compliance with the filing deadline for the active and retiree openings on the Board. A copy of the minutes from that meeting are included your information.

Following is the schedule for the remainder of the election process:

- May 16, 2014 – Last date for candidate to withdraw from election
- 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 20, 2014 – Notify candidates of election results

MINUTES

North Dakota Public Employees Retirement System Election Committee

Friday, May 9, 2014
NDPERS Conference Room
400 E Broadway, Suite 505
Bismarck, ND 58502
8:30 A.M.

Members Present: **Mike Sandal – Chair**
 Tom Trenbeath
 Kim Wassim

Others Present: **Sparb Collins, NDPERS**
 Kathy Allen, NDPERS

Meeting convened at 8:30 a.m.

The Election Committee met to discuss the receipt of nomination petitions after the filing deadline and to validate the nomination petitions received for the active and retiree openings on the NDPERS Board.

The committee had been provided, prior to the meeting, information regarding the late petitions received by an active member which included the e-mail interchanges between the member and the PERS office, the applicable election rules, various communication pieces wherein the deadline for submitting petitions was specified, and a determination provided by the Attorney General's office. The e-mail sequence and Attorney General's determination are included as an attachment to these minutes.

Kathy Allen provided an outline of the sequence of events based on the e-mail interchanges and stated that the petitions were received by the PERS office on May 6, 2014. The deadline for filing petitions was 4:00 p.m. on Friday, May 2, 2014.

A discussion followed regarding the events related to this incident and the Attorney General's determination. It was suggest by Kim Wassim that in the future, rather than using the term 'petitions must be filed with NDPERS' that we state 'petitions must be received by NDPERS' and cite the relevant date and time.

The committee decided that its decision should be based on the context of the AG's written determination which stated that the petition was not submitted by the deadline and should not be considered.

Tom made a motion to decline the nomination petitions on the basis they were received late and are void.

Kim seconded the motion.

Ayes: Mike Sandal, Tom Trenbeath, Kim Wassim
Nays: None

The second item for the committee's action was validation of nomination petitions. Kathy reported that there were three candidates for the active opening and three candidates for the retiree opening. She reported that staff had confirmed that each of the active petitions had the required 100 valid signatures and each of the retiree petitions had the required 25 valid signatures.

Kim made a motion to validate the nomination petitions.

Tom seconded the motion.

Ayes: Mike Sandal, Tom Trenbeath, Kim Wassim
Nays: None

The following were validated as eligible candidates for the active position on the Board:

Levi Erdmann
Casey Goodhouse
Taylor Lee

The following were validated as eligible candidates for the active position on the Board:

David Clinton
Alan Person
Yvonne Smith

The meeting Adjourned at 8:45 a.m.

Prepared by:

Kathy M. Allen
Assistant to the NDPERS Election Committee



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Memorandum

TO: PERS Board
FROM: Sharon Schiermeister
DATE: May 14, 2014
SUBJECT: PERSLink Challenges

At the April Board meeting, we discussed the challenges we have been facing with the PERSLink system and presented some options for making an investment in the system to resolve the backlog of system refinements. Attached is the April memo.

The Board indicated a desire to talk with someone from ITD regarding our system and the need for this additional investment. Dirk Huggett, who was the ITD oversight project manager for our PERSLink project, will be available at the May meeting to talk about PERSLink and answer any questions you may have.

Since the last Board meeting, we have received an updated estimate from Sagitec for the backlog of system refinements. They have estimated this effort to be 7200 hours for a cost of \$323,250. This estimate assumes that the fee arrangement for this effort would be fee for service, with a not to exceed amount.

If it is still the desire of the Board to make an investment in the system to resolve the backlog, the following decisions will need to be made:

1. Should this work effort start in the 2013-15 biennium or 2015-17 biennium?

Staff would recommend that work begin in the current biennium, around October/November 2014. This would allow the same team of developers that Sagitec has dedicated to the ESS/employer project to continue working on our system, rather than being re-assigned to another client. In addition, it was acknowledged at the January planning meeting that resolving the backlog as soon as possible would be most beneficial.

2. If work begins in the current biennium, it would be necessary to transfer appropriation authority from the Contingency line item to the Operating Expense line item. The Contingency line item has \$250,000 of appropriation authority. How much appropriation authority should be transferred from the Contingency line item?

Staff would recommend that no more than \$200,000 be transferred at this time so that a balance of \$50,000 remains in the Contingency line item and that the remaining balance of the work effort be included in the 2015-17 budget request.

3. If work begins in the 2015-17 biennium, how much appropriation authority should be included in the budget request?

As mentioned above, the updated estimate from Sagitec is \$323,250. Staff would recommend that the amount from the updated estimate, plus an additional amount to cover potential refinements uncovered between now and July 2015 and a potential increase in hourly rates, be included in the 2015-17 budget request. This assumes that no work is done on the backlog during the current biennium.

Board Action Requested: Take action on staff recommendations listed above.



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Memorandum

TO: PERS Board
FROM: Sharon Schiermeister
DATE: April 22, 2014
SUBJECT: PERSLink Challenges

At the Board planning meeting held in January, an overview was provided of the challenges that we are facing with the PERSLink system. Since going live in October 2010, there have been several accomplishments, which include the following:

- January 2011** – Transitioned to new vision insurance vendor
- July 2011** – Transitioned to new life insurance vendor
- November 2011** – Transitioned to new recordkeeper for the DC and Companion Plans
- January 2012** – Implemented new HDHP plan and HSA vendor; deployed Member Self Service (MSS) for retirees
- June 2012** – PERSLink Framework upgrade
- September 2012** – MSS pilot for active employees
- January 2013** – Transitioned to new dental insurance vendor; transitioned FlexComp claims processing to a third-party administrator
- April – September 2013** – Deployed MSS to all active employees
- October 2013** – MSS available for annual enrollment; expanded eligibility for the DC plan

Although we have experienced much success with our system implementation, we have identified some concerns. These concerns include: backlog of system refinements that are not getting resolved; new enhancements/changes lead to more issues; system performance issues; and deterioration of user confidence. We shared these concerns with Sagitec, our software vendor, and asked that they perform an analysis to determine the root cause and identify solutions to address these concerns.

Their analysis identified three main areas which they felt were the cause for our concerns: high volume of enhancements in a short timeframe has restricted the amount of time available to review and test as thoroughly as possible; impact analysis and testing have not

been adequate to identify and prevent new issues; and team size is inadequate to manage the workload. They came back with an action plan that included process improvements for testing and releasing changes into Production, an investment in the system by Sagitec, and an investment in the system by NDPERS.

The process improvements that were recommended were implemented in January 2014 and seem to be working so far. The investment by Sagitec includes dedicating 2.5 additional developers to work on a redesign of the Employer Self Service (ESS) functionality and complete system refinements related to employer payroll reporting. This effort began in January and will continue through October 2014. The investment by NDPERS would involve authorizing additional expenditures to retain the additional developers to work on the backlog of system refinements. This was estimated to cost \$244,000 and take approximately 8 months to complete. At the January planning meeting, the Board indicated their support to make this investment in the system starting in this biennium, if possible.

If it is still the desire of the Board to make an investment in the system to resolve the backlog, the following decisions will need to be made:

1. Should this work effort start in the 2013-15 biennium or 2015-17 biennium?

Staff would recommend that work begin in the current biennium, around October/November 2014. This would allow the same team of developers that Sagitec has dedicated to the ESS/employer project to continue working on our system, rather than being re-assigned to another client. In addition, it was acknowledged at the January planning meeting that resolving the backlog as soon as possible would be most beneficial.

2. If work begins in the current biennium, it would be necessary to transfer appropriation authority from the Contingency line item to the Operating Expense line item. The Contingency line item has \$250,000 of appropriation authority. How much appropriation authority should be transferred from the Contingency line item?

Sagitec previously provided a high level estimate of \$244,000 and 8 months of effort to work through the backlog. They are currently working on updating this estimate. Staff would recommend that no more than \$200,000 be transferred at this time so that a balance of \$50,000 remains in the Contingency line item and that the remaining balance of the work effort be included in the 2015-17 budget request.

3. If work begins in the 2015-17 biennium, how much appropriation authority should be included in the budget request?

As mentioned above, Sagitec previously provided an estimate of \$244,000 and is currently working on updating this estimate. Staff would recommend that the amount from the updated estimate, plus an additional amount to cover potential refinements uncovered between now and July 2015 and a potential increase in hourly rates, be included in the 2015-17 budget request. This assumes that no work is done on the backlog during the current biennium.

4. What type of fee arrangement should be set up for these additional services?

Currently, we purchase a set amount of hours from Sagitec at a fixed fee (\$330,200/year for \$7,200 hours of support). Staff would recommend a different arrangement for the back log work effort since it is difficult to estimate the exact number of hours it may take to fix an issue. We want to make sure that there is a guarantee that a set number of items will be resolved for a set price. For example, if Sagitec estimates that it will take 300 hours to fix 30 items and the cost for this is \$30,000 (300 hours X \$100/hour), but it actually takes the developers 320 hours to resolve the items, NDPERS would only pay the \$30,000. If it only takes 270 hours to fix the 30 items, NDPERS would only pay \$27,000 (270 hours X \$100/hour). Staff would recommend that a fee for service, with a not to exceed amount, be set up for the backlog project.

Board Action Requested: Take action on staff recommendations listed above.



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Memorandum

TO: PERS Board

FROM: Sharon & Sparb

DATE: May 8, 2014

SUBJECT: Budget Guidelines for 2015-17 Biennium

On May 7, 2014, the Governor and OMB met with agencies and released the budget guidelines for the 2015-17 biennium. The Governor is again requesting that agencies submit a hold-even budget for the upcoming biennium. Any budget increases or requests for additional staff must be submitted as an optional package.

BACKGROUND

At the Board planning meeting in January, several initiatives were discussed which could be submitted as optional packages. The Board asked staff to develop these concepts further for the Board's consideration. The following are the results of those staff discussions.

I - Salary equity package. We continue to face a serious salary compression issue with staff. Attachment 1 shows the C-Ratio and years of service for each of our staff positions. There are 18 positions in the first quartile and 6 in the second quartile. We have several positions with similar C-Ratios, but with a wide range of years of service. Staff identified the goal of establishing a salary equity package to move staff up in the pay grades, so their C-Ratio is comparable to the average C-Ratio for all State Employees in the same pay grade with similar years of service. We feel this is important for both employee retention and recruitment. We are currently working with HRMS to get the statewide averages to help estimate the amount needed for our equity package and should have this by the Board meeting. Last session, our requested equity package was \$350,532 and we are expecting it to be similar this session.

II - Website Redesign. At the April 29, 2014 Board meeting, a proposed action plan for modernizing and enhancing the PERS website was approved. The estimated budget for this project is \$63,090 for the initial development and \$11,340/year for maintenance.

Therefore, the total for this optional package would be \$86,000. We will also roll the action plan discussed at the last meeting about Long Term Care and ancillary benefits into this effort.

III - PERSLink. The estimate to complete the backlog of system refinements is \$323,000. The amount that would need to be included in the 2015-17 budget request will depend on whether this initiative is started in the current biennium. If the Board authorizes work up to \$200,000 to start in the current biennium, then the amount that would need to be included in the optional package would be approximately \$123,000. If work is delayed until the 2015-17 biennium, this would increase to the full \$323,000 plus an allowance for possible rate increases and additional refinements that may arise between now and July 2015. ITD will be at the May meeting to discuss this with the Board as requested at the last meeting.

IV - Staffing. Since the January Board meeting, staff has met to identify areas where we feel we are not performing to our expectations due to our existing resources being already fully allocated. The areas identified are:

1. Member Services - The number of walk in's to the office continues to increase (as reflected in the number of retirements in #5 below) and our call volume remains high.

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
2010	2010	1761	2063	1571	1326	1596	1560	2328	1826	3093	2630	2303	24,064
2011	2590	2638	2321	2056	2167	2120	1841	2274	2210	2503	2134	1943	26,797
2012	2779	2134	2033	1864	1658	1776	1848	2310	1735	2400	2349	1801	24,687
2013	2461	1873	1682	1921	1883	1759	1876	2161	1837	2573	2166	1738	23,930

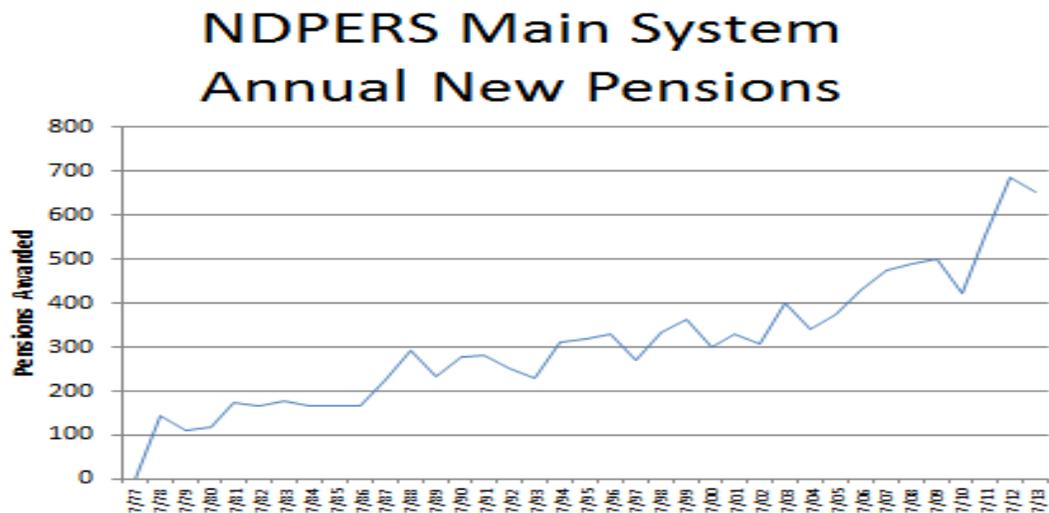
- > Summary does not include calls received by staff other than member services that have covered the front desk.
- > Calls connected to various service units are included in calls assisted tally.
- > Totals based upon contact tickets entered into PERSLink by 3 member service representatives.

Presently one of our call center employees greets walk in members and handles calls. We have two other call service employees in the call center in private offices away from the waiting area. The dilemma is that we now have more members sitting in the waiting area when our call center rep is on the phone. We have had to become more sensitive to what is discussed so confidential information is not inadvertently disclosed. One solution to this situation would be to hire a receptionist and move our call center rep into an office.

2. Content Management – PERS maintains thousands of pages of material in paper form, on our web site and other media. It has become increasingly difficult to keep all the material consistently current. We have noted that the solution for many other entities is to hire what is called a “content specialist”. This would be an individual that keeps all information up to date. This option would require a position to be dedicated between a quarter to half time to this endeavor.
3. PeopleSoft – When the PeopleSoft system went live, PERS was given the responsibility of maintaining the Benefits Module. Since no new staff was added, that work effort within our office has been divided between three staff. The result is that we are not meeting the expectations of OMB. When upgrades come, we do not have

the resources to complete adequate testing within the timeframes required. When something is not working as expected in the system, we are not able to adequately troubleshoot the underlying cause and correct it. We are not able to do things until the last minute for OMB. In addition, we are not always able to get back to employers quickly. OMB has been very understanding, but we know we do not meet expectations and do not want to damage our working relationship with OMB or other employers. The proposed solution would be to dedicate a quarter to half time level of effort to this area.

4. Compliance – Internal audit noted that with the number of federal and state statutes and rules we must now follow, having a central compliance specialist would be beneficial for the agency. This would potentially reduce the risk to the agency of non-compliance, reduce errors and improve consistency in our processes.
5. Retirements – The number of retirements processed by our agency continues to increase. The following table shows the change:



The number of members eligible is significant as well:

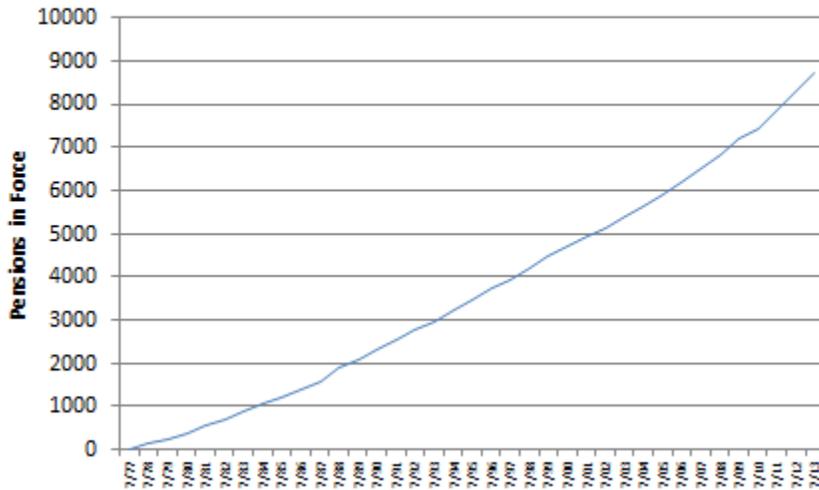
NDPERS Main System Active Members (Does not include deferred vested)

13-May-14

870	Age 65+
1,413	Rule of 85
523	Age 64 or Rule in 1 year
4,091	Age 55-63 Early Eligible
9,543	Vested
5,967	Non-Vested
<hr/>	
22,407	Actives
2,806	Eligible in the next year

In addition, the number of retirees continues to increase:

NDPERS Main System Receiving Retirees/Spouses



We presently have 2 benefits specialists and a Retirement Programs Administrator who work in this area. The Retirement Programs Administrator has broad responsibilities in this area and therefore is only able to devote a part-time effort to member services. We have had that number since 2001. We have been able to meet this additional workload over the past years due to the processes in PERSLink.

As we look to the future, we would expect the number of member retirements could increase even more due to a combination of factors: a) able to find better paying jobs in the private sector, and when combined with a retirement benefit, allows a member to substantially enhance their lifestyle and savings. b) With the implementation of HB 1058, members who are retired before July 1, 2015 will be able to maintain their eligibility for the Pre-Medicare Retiree plan. Those who retire after will not. c) If state employees have to pay part of their health insurance and a higher retirement contribution, it could substantially offset any average salary increase which may motivate more to retire, and d) If the PERS Hybrid/DB plan is closed and its continued viability becomes questionable, we know from our legal analysis (see following chart) that the only way a member who has met their normal retirement age can guarantee their accrued retirement is to be retired, which may also motivate more members to leave.



Legal Considerations?

MEMBER BENEFIT CHANGES

Red (clearly illegal)  Green (clearly legal)

RETIREES	ACTIVE AND INACTIVE EMPLOYEES					NEW EMPLOYEES
No Benefit Changes	Vested Retirement Eligible (Normal)	Vested Retirement Eligible (Early)	Vested Accrued Benefits	Vested Future Benefits	Nonvested Any Benefits	Any Benefits
6,466	1,056	1,068	7,667		1,698	700 per yr (est.)

The solution to handling the existing increase and future increases is to add more effort in this area, possibly a full time level of effort.

6. Agency Management – In recent years the Board has asked that we refine the agency administrative structure to allow more support for management if one of the team leaves or is out for an extended period. The agency structure was modified to add a Chief Operating Officer which is Sharon. However, in order to accomplish this without additional staffing, she maintained her existing role as Chief Financial Officer including oversight of IT. Consequently, with this transition, we have not allowed the COO functions to develop due to the requirements of the existing job. The solution would be to add a full time level of effort in the accounting area that would allow Sharon to give up some day to day duties and have someone else appointed CFO.
7. Retiree Health Credit – Beginning in July of 2015, the retiree health credit becomes portable as approved last session. This means that retirees will be able to apply for direct reimbursement of their credit. Presently, the credit is limited to PERS health insurance only and processed on the PERSLink system. With NDPERS getting out of the pre-Medicare health insurance business, we expect that all of those reimbursements will now need to be processed directly instead of on the PERSLink system, which will ultimately be 800 – 1,000 members. We also expect that of the existing retirees, up to several thousand of them may request direct reimbursements as well. In total, we could be processing 1,000-4,000 reimbursements a month in addition to existing workload. The solution would be to dedicate a half time level of effort to this area.

V - Electronic devices.

At the January planning meeting, the Board indicated a desire to move away from paper to electronic Board materials. To accomplish this, the agency would purchase a mobile device for each Board member that would be used to download the Board meeting materials and

bring to each Board meeting. Staff would make the Board materials available electronically for you to download, rather than sending out paper. The total cost to purchase a mobile device for each Board member would be approximately \$3,500. About 80% of this cost would be recovered over a 4 year period from the cost savings of not having to prepare and distribute paper materials. Since this investment represents only a small fraction of our operating budget, it is very possible this expenditure could be made during the current biennium within our current appropriation authority.

VI - Self-funded staffing.

If the PERS Health Insurance Plan was to become self funded, it would clearly add additional administrative efforts and PERS accountability for the plan would increase substantially. Today, most all of our administrative and financial/operational risk is transferred to BCBS. However, on a self-funded basis, that would become the Board's responsibility. Until all the proposals are in and a decision is made, it is difficult to estimate the additional level of effort, since we do not know what the offers are by the vendors.

STAFF ASSESSMENT

Like all agencies our needs are great. As staff reviewed the above, we concluded the following:

1. **Efforts to maintain the existing operation should have priority.** This includes maintaining our existing efforts, reducing turnover and making sure that when we have turnover, we are able to attract competent staff. With this in mind, we feel the salary equity package (#I above) and PERSLink (#III above) efforts should have top priority.
2. **One time efforts may be considered positively.**
 - a. Add electronic devices for Board & staff(#V above) – this will substantially reduce the paper necessary for Board books and other Board staff interactions.
 - b. The website redesign (#II above)would be a one time development effort with the exception of ongoing operations. Since this would be a limited effort and a great enhancement for our members, we think this should have a second priority
 - c. Concerning our call center rep and walk-ins (#IV.1 above), we could add to the budget one time funds to redesign our entry area to better insure any conversations are not overheard. This would eliminate the need to add staff. The second purpose would be to increase our office security. We could add doors to the two hallways leading from our entry way to secure the rest of the office. We could also add equipment to our small conference room off the waiting area to allow staff to meet with members there instead of always in their offices. This would secure the office areas further, since the small conference room could be outside the security doors. We think this should be a second priority effort as well.
3. **Agency management needs to be addressed (#IV.6 above).** Staff is suggesting that our third priority should be to add a lower level position in the Accounting area and increase the responsibilities of existing staff by having them assume some of the duties Sharon presently has and have someone else be the CFO. This would

allow her to more fully develop the COO position. In addition, we would suggest workload adjustments for staff affected as a result of the shifting of duties.

4. **We need to meet future needs.** Staff would break this down into the following priorities.
 - a. We presently have a .5 FTE open. During this last biennium, we have added a temporary employee and not filled this as an FTE until we could determine the best way to go forward. This temporary position has been working almost full time assisting us in a variety of efforts in the agency, including helping the benefits specialists so they can spend more time assisting clients. We would suggest making our existing partial FTE full time and assume the duties of our existing temp employee. This position would continue to provide the support to the benefits specialist's that is currently being provided by the temporary position, as well as assist us in meeting the challenge in #IV.5 above.
 - b. PERSLink and Peoplesoft (#IV.3 & III above). As has been noted above, we have not been successful in meeting our responsibilities for PeopleSoft and staff time available for PERSLink has not met the need there as well. As we are able to integrate more of the system improvements and develop a higher level of understanding by our participating employers, the workload in this area may stabilize more. Therefore, we would suggest adding more funding for temporary salaries to bring in someone in this area.
 - c. Content Management (#IV.2 above). Similar to the above, we would suggest adding more funding for temporary salaries to allow us to hire someone on a limited basis.
 - d. Retiree health credit (#IV.7 above). We feel we are gaining efficiency within some existing positions as a result of PERSLink, so we will attempt to add this new effort to those positions going forward. Since this would be a new responsibility, it would be positive if we could add funding for a workload adjustment for them. Three staff would be affected.
 - e. Self-funding (#VI above). We include this as an option, but identify it as our last priority since we are uncertain of the outcome of the bidding process. However, due to the required timeframe for submitting budget requests and to acknowledge the potential staffing requirements, we would suggest requesting 2 FTE contingent upon whether we would need them. One would be for a high level professional and the other for someone with a medical background.
5. **We need to insure compliance** (IV.4 above). Concerning compliance, we would continue to monitor this. Internal audit would continue to be focused internally on the agency which would help. Allowing the COO position to more fully function within the agency should strengthen this area as well.

Staff is seeking the Board's guidance on the above concepts and suggestions. Based upon that guidance, we will develop a specific budget number for your final consideration at the June Board meeting.

Board Action

Provide direction on how to proceed with the budget. Based upon that direction staff will develop optional packages for your final consideration at the next board meeting..

NDPERS C-Ratios - Jan 2014

