

NDPERS BOARD MEETING

Agenda

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

June 18, 2015

Time: 8:30 AM

I. MINUTES

A. May 21, 2015

II. FLEX COMP

A. ADP Annual Report – (Information)

III. GROUP INSURANCE

- A. BCBS Quarterly Executive Summary – (Information)
- B. Health Plan Implementation Update – Deb (Information)
- C. Wellness Renewal – Rebecca (Information)

IV. RETIREMENT

- A. Direct Deposit for Pension Payments – MaryJo (Board Action)
- B. Disability Consulting Contract – Kathy (Board Action)
- C. RHIC Implementation Update – Bryan (Information)
- D. DC 401(a) Tracking - Bryan (Information)

V. MISCELLANEOUS

- A. Attorney General's Opinion – Sparb (Information)
- B. Agency Operations – Sharon (Board Action)
- C. Quarterly Consultant Fees – (Information)
- D. February 18, PERS Audit Committee Minutes – (Information)

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



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

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

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

Memorandum

TO: NDPERS Board

FROM: Kathy

DATE: June 11, 2015

SUBJECT: ADP

Representatives of ADP will be at the Board meeting to present its annual review of our FlexComp plan.



IN THE BUSINESS OF YOUR SUCCESS®

NDPERS

Annual Review Meeting

June 18, 2015

HR. Payroll. Benefits.

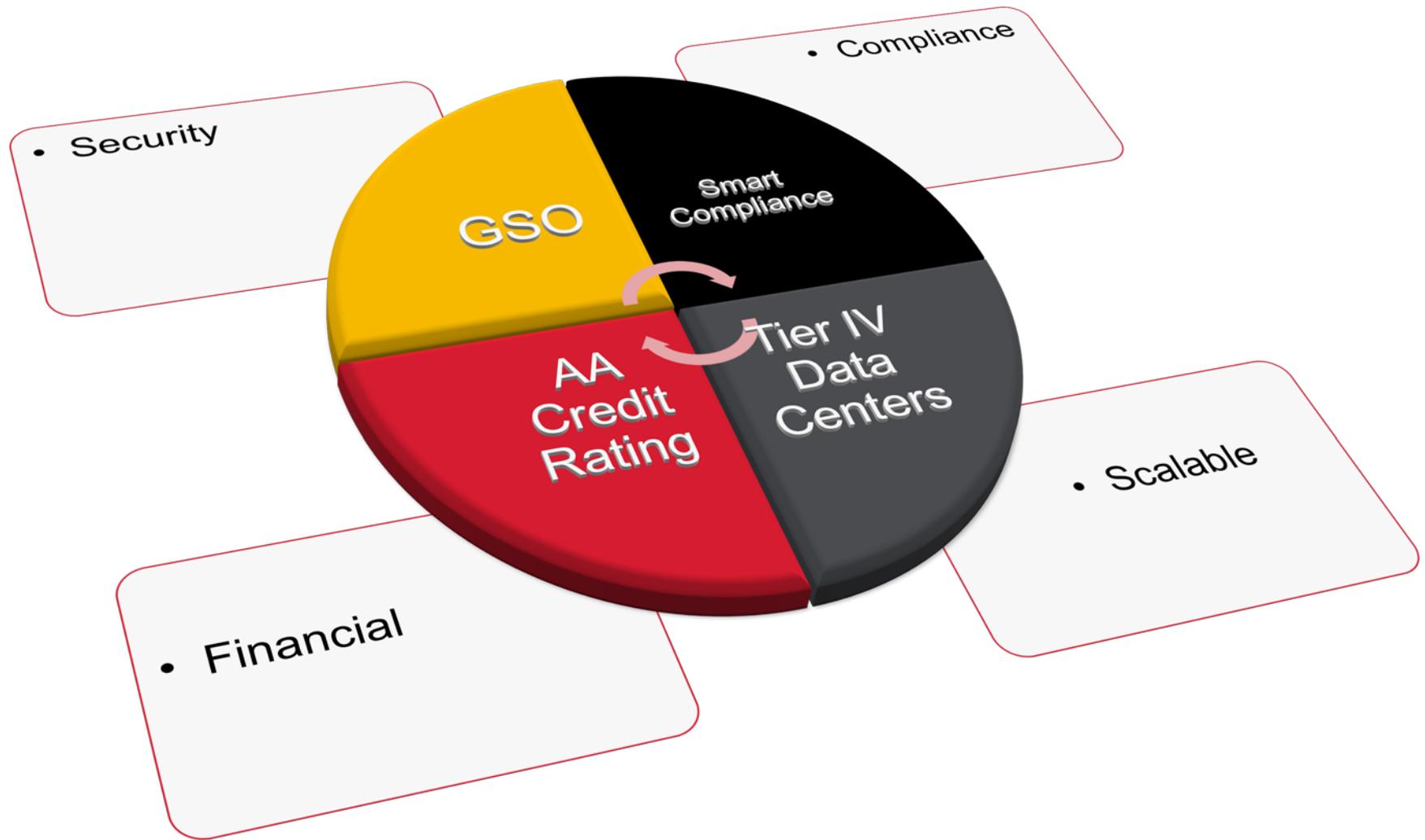
Who is ADP?

Partnering For Success

- Partnering For Success
- ADP Supporting Your World
- What's Ahead For NDPERS

Who is ADP?

The Value of ADP



Human Capital Management: Our Vision

HUMAN CAPITAL MANAGEMENT

We focus on our clients' biggest investment, challenge and opportunity – people.



Technology



Service



Support



Compliance



Insights



Innovation



IN THE BUSINESS OF YOUR SUCCESS

THERE'S A REASON MORE THAN 6,800 CLIENTS USE
ADP CONSUMER HEALTH AND SPENDING ACCOUNTS
STRENGTH IN NUMBERS.

1.6

Million

Consumer Accounts

7:1

7 Accounts | 1 Financial Process

HSA | HRA | FSA | LFSA | DCA | TRN | PRK

Save **Time** | Save **Money**

09 – 2M

Serving Clients
of All Sizes

\$2

Billion

Payments Reconciled

2 Day

Claims Processing

97%

Consumers Extremely Satisfied

Tier IV

Data Center

85

Compliance Updates

30 million

Claims Processed

ADP and NDPERS

Partnering for Success



Partnering for Success

Success	Description
NDPERS Webinars	ADP hosted 3 webinars. These webinars include tips on how to use your debit card, how to use the Mobile App and manage your FlexComp Plan, Important information in regards to substantiating debit card swipes and more.
NDPERS Email Blast Reminders	ADP worked with NDPERS to draft communication to send out to participants who had remaining balances in Health Care/Dependent Care Flex Comp Plans .
Decision Support Tool	Dollar amounts increased for both Health Care and Dependent Care FlexComp Plans which means increased FICA Tax Savings for NDPERS.

Serving Your World

- Completely onshore participant contact center, 7 a.m. to 7 p.m. Central Time
- Designated team tied to NDPERS toll-free number
- Decision Support Tool
- Call monitoring software/case management system
 - Tracks and records audio and screen captures of participant call experience for training and quality review
 - Call Survey results
- Transactional Excellence
 - Processed over \$5.5 million in FSA claims for 2014
 - ADP has exceeded both Claims Processing Timeliness and Accuracy since 2013





IN THE BUSINESS OF YOUR SUCCESS®

FSA Engagement Tool

Usage Statistics & Savings Estimates for
NDPERS Annual Enrollment
2015 FSA Plan Year

HR. Payroll. Benefits.

©2015 ADP
Proprietary & Confidential

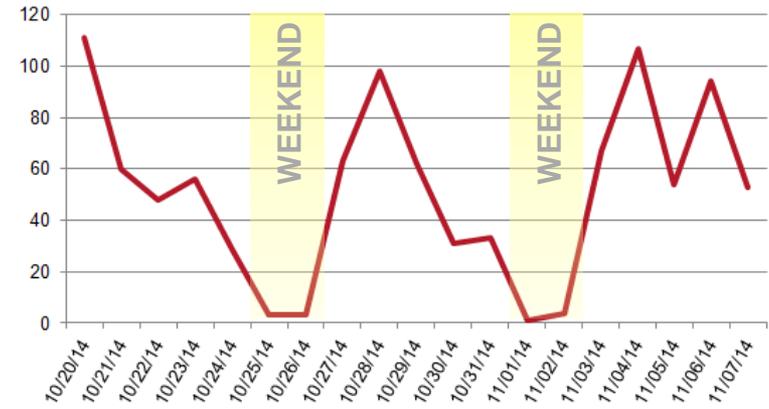
FSA Engagement Tool – Usage During Open Enrollment

Flexible Spending Accounts Leave You More Money for Your Wants
 Health Care and Dependent Care flexible spending accounts let you pay for things you need while leaving you more money for the things you want. Learn how FSAs work and start saving now. Select the way you like to make decisions and we'll take you to the best place to start.

- I like to get right to it.
GET ME SAVING NOW
- I like to read up on the details first.
LEARN HOW FSAs WORK
- I like to hear what others think.
MEET FSA USERS

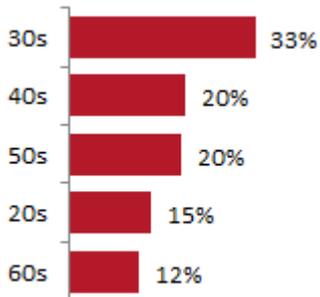
• REPLAY INTRO

977 Total Sessions

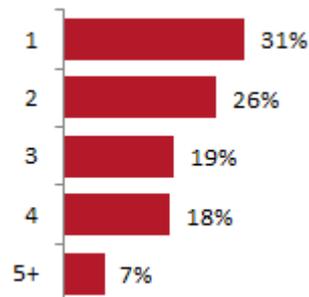


Peak day = 10/20/14 (111 sessions)

Users by Age



Users by Family Size



FSA Engagement Tool con't

- 92% Health Care and 38% Dependent Care estimated eligible expenses that exceeded the minimum account contribution
- 32% Average FSA users calculated the tax savings rate
- Average Employee Savings: \$446.00 for Health Care and \$1094.00 for Dependent Care
- Average Employee Expenses: \$3608.00 for Dependent Care and \$1436.00 for Health Care
- Average Estimated Employer FICA Saving per FSA user: \$206.10
- 341 Eligible Expense searches

2014 Performance Results

ADP Key Performance Service Measurements

Key Performance Service Measurements							
Performance Measurement	Target	Q1 2014	Q2 2014	Q3 2014	Q4 2014	YTD 2014	KPSM Met
Claims Processing Timeliness	90%	99%	100%	100%	100%	100%	✓
Claims Processing Accuracy	96%	99%	99%	99%	100%	99%	✓
Telephone Abandonment Rate	5%	9%	5%	2%	16%	8%	X
Average Speed of Answer	85%	69%	77%	75%	40%	65%	X
Technology- Web and IVR Availability	N/A	100%	100%	100%	100%	100%	✓

Spending Accounts – Enrollment Summary

The numbers below depict enrollment summaries from 2013-present. Decreases in participation and annual election amounts equal a decrease in FICA savings and forfeiture dollars for NDPERS.

Employee Counts	2013	2014	2015	Variance from 2013 to 2014	Variance from 2014 to 2015
HCFSA	2,711	2,763	2,650	+53	-113
DCFSA	452	451	438	-1	-13
Average election	2013	2014	2015	Variance from 2013 to 2014	Variance from 2014 to 2015
HCRA	\$1492.48	\$1465.15	\$1494.86	-\$27.33	+29.71
DCFSA	\$3650.00	\$3747.70	\$3908.25	+\$97.70	+\$160.55

FSA Spend Details

NDPERS 2014	Elections	Deposits	Claims Paid	Remaining Funds
HCFSAs	\$4,048,211.62	\$3,943,390.90	\$3,955,335.32	\$-11,944.42
DCFSAs	\$1,690,213.62	\$1,634,032.68	\$1,625,144.57	\$8,888.11

NDPERS 2015	Elections	Deposits	Claims Paid	Remaining Funds
HCFSAs	\$3,961,379.18	\$1,622,882.02	\$1,699,809.00	\$-76,986.98
DCFSAs	\$1,711,811.92	\$686,888.45	\$423,238.85	\$263,649.60

Data as of 5/29/15

2014 FSA Financial Summary

1. At a Glance Financial

Pre-Tax Contributions for 2014: **\$5,577,423.58**

Claims Reimbursement Payments in 2014: **\$5,580,479.80**

2. Net Benefit for NDPERS

Estimated Payroll Tax Savings thru 2014: **\$438,577.00**

3. Employee Savings (assuming tax rate of 25%)

Total estimated taxes saved for participants: **\$1,394,355.90**

Average Participant Annual Contributions: **\$1465 HC/ \$3447 DC**

Average Tax Savings per Participant: **\$366 HC/ \$936 DC**

Our Partnership

***You're dedicated to satisfying your customers' desires and needs.
We're dedicated to satisfying yours.***



- Our relationship has grown and developed over past 3 years.
- We've focused on providing excellent service and enhancing your programs to the benefit of your employees and NDPERS.



June 18, 2015

North Dakota Public Employees Retirement System
Board of Directors
400 E Broadway Ave Suite 505
PO Box 1657
Bismarck, ND 58502-1657

Dear North Dakota Public Employees Retirement System (NDPERS) Board Members,

I'd like to take this opportunity to thank you for your membership in Blue Cross Blue Shield of North Dakota (BCBSND) over the past 37 years.

As we look back at our history together, we have achieved several notable accomplishments. We've developed partnerships that positively impact the NDPERS member experience through the installation of Member Education programs and a dedicated claims processing and member services unit. We've also navigated federal programs that created widespread changes in health insurance administration, such as the enactment of Health Insurance Portability and Accountability Act (HIPAA) and Medicare Part D. We've offered new products to support the broad spectrum of members needs through Exclusive Provider Organization products, Medicare Supplements and High Deductible Health Plan/Health Savings Account products. Lastly, we've instilled an importance of worksite wellness throughout North Dakota with the creation of a Wellness Consultant, the online HealthyBlue resource, Health Club Credit, Diabetes Disease Management and Tobacco Cessation programs.

In our time together the NDPERS membership has seen significant growth. In 1991, NDPERS had approximately 15,000 contracts with 38,000 members. Today, the account represents 29,437 contracts representing 66,619 members.

As we reflect on our many accomplishments over the years, I thank you for your partnership and for your work in shaping the health and wellness of North Dakota state employees. We have considered it a great privilege to provide high-quality health care access to NDPERS for the past 37 years.

Sincerely,

A handwritten signature in black ink, appearing to read "Tim Huckle".

Tim Huckle
President and CEO
Blue Cross Blue Shield of North Dakota

4510 13th Avenue South, Fargo, North Dakota 58121

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

NDPERS Executive Summary

Q1-2015 | Presented June 2015

Table of Contents

Dashboard	2
Financial/Trend Analysis	3-4
Membership & Health Utilization Summary	5
High Dollar Claims	6
Prescriptions Drugs & Specialty Rx	7
Health Management	8
Wellness Programs	9-10
Performance Guarantees	11
Opportunities and Activities	12



Restricted and/or Confidential



NORTH DAKOTA
PUBLIC EMPLOYEES
RETIREMENT SYSTEM

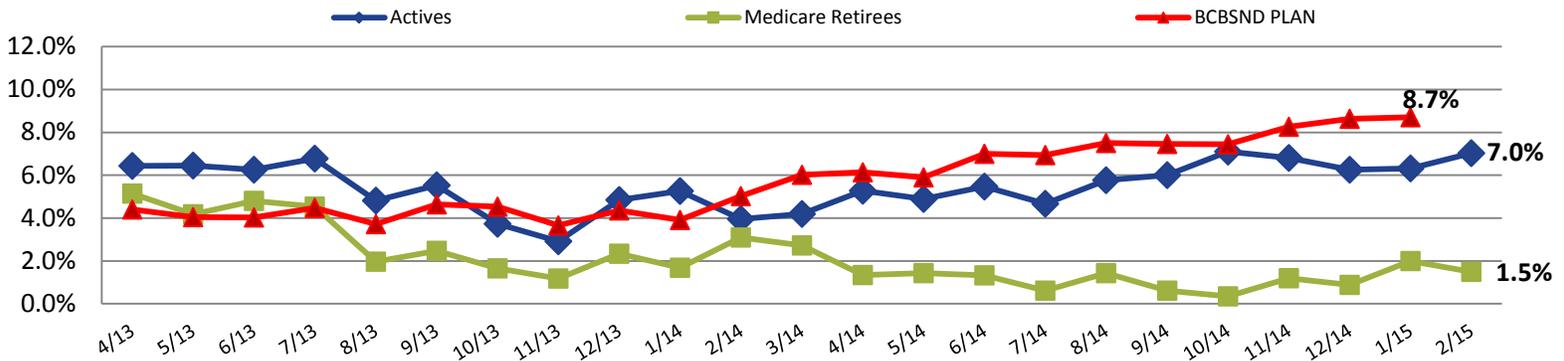


ND

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

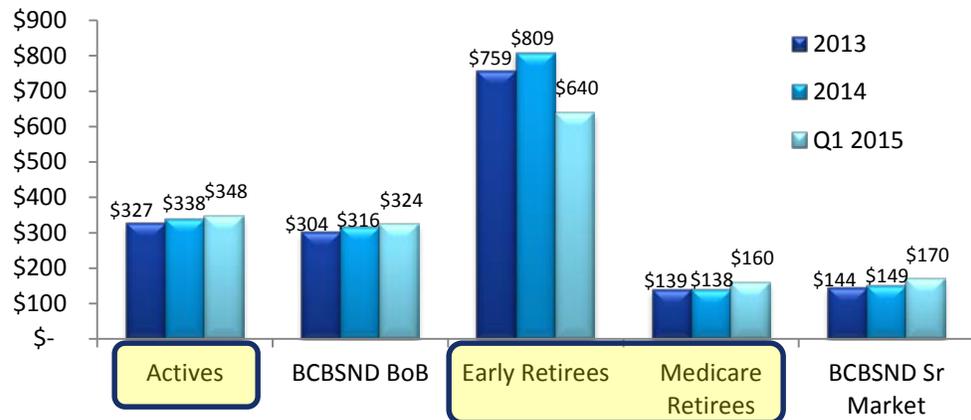
Noridian Mutual Insurance Company

Trend Analysis - Twelve Month Moving Average

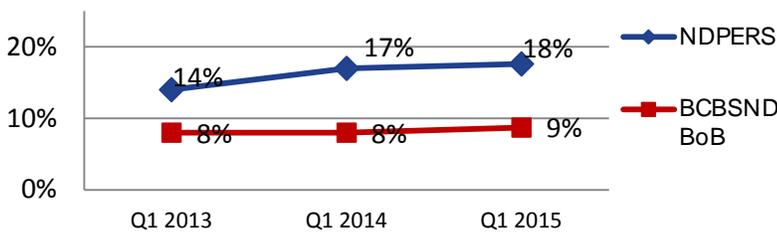


Membership Comparison		
	CY 2014	Q1 2015
Actives	55,801	56,647
Early Retirees	1,193	1,190
Medicare Retirees	8,309	8,605

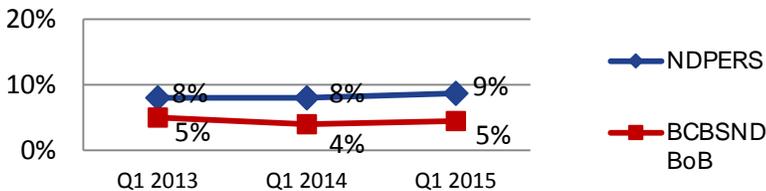
Paid Per Member Per Month



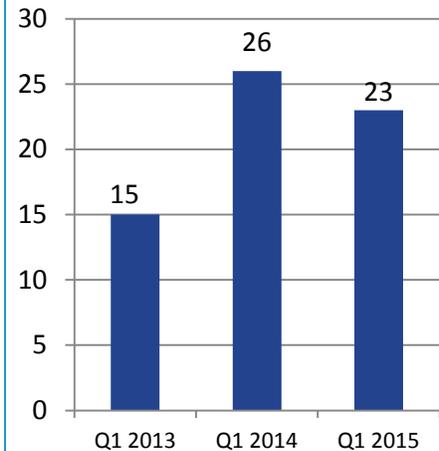
Healthy Blue Participation



Health Club Credit Participation



Number of Unique Employers by Year Participating in Member Education



Actives include Political Subs and State Employees

Quarters are cumulative since beginning of year



NDPERS Biennium Comparison Paid through April 30, 2015

	Premium	Admin Fee	PPACA Fees	Interest on Surplus	Estimated Incurred Claims	Gain (Loss)	Gain (Loss) as a % of Premium	Biennium Gain/Loss	% of Premium
July 09 - Feb 11	\$351,100	\$18,589	0	\$325	\$296,491	\$36,346	10.4%	\$38,075	9.0%
July 11 - Feb 13	\$391,200	\$20,834	0	\$102	\$359,497	\$10,970	2.8%	\$11,040	2.3%
July 13 - Feb 15	\$454,642	\$24,966	\$9,688	\$169	\$413,509	\$6,649	1.5%	N/A	N/A

Note: Reported in thousands

Biennium gain(losses) are prior to risk sharing. It is important to note that the biennium 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.

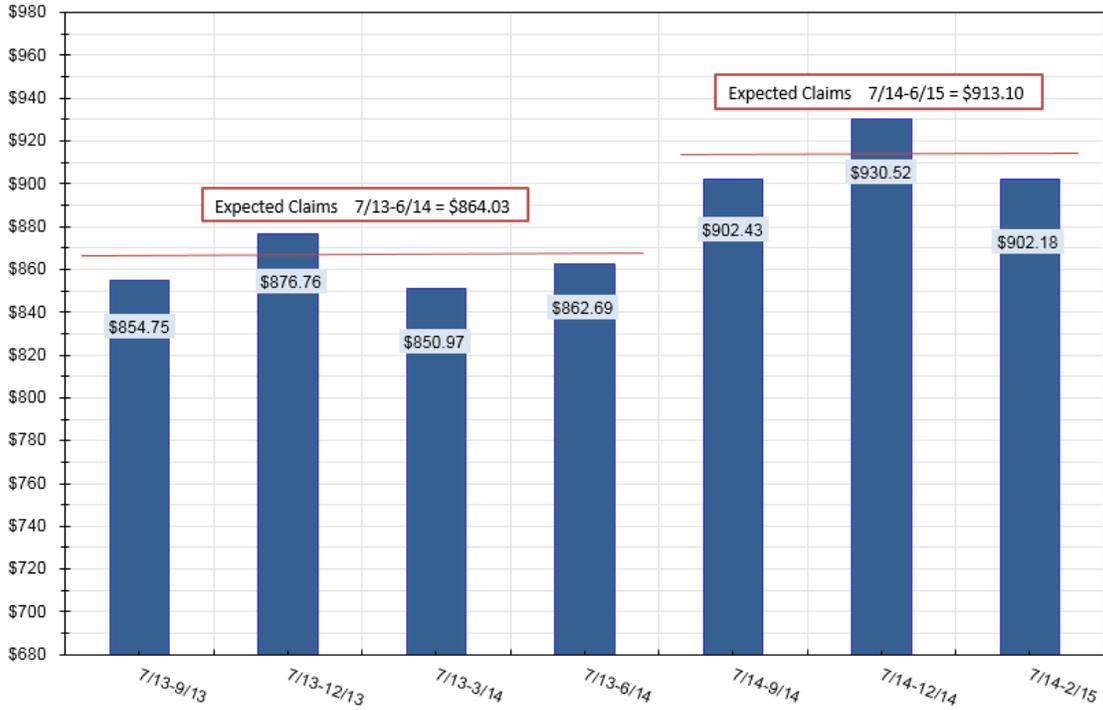
NDPERS Quarterly Trend Analysis Paid through April 30, 2015

Incurred Month	Twelve Month Moving Average			
	Est. Incurred Claim/Contract		Annual Trend	
	Actives	Med Retirees	Actives	Med Retirees
4/13	811.81	181.02	6.4%	5.1%
5/13	815.98	181.40	6.5%	4.2%
6/13	818.01	181.77	6.3%	4.8%
7/13	826.50	182.92	6.8%	4.5%
8/13	820.85	180.78	4.8%	2.0%
9/13	825.08	182.11	5.5%	2.5%
10/13	823.36	182.75	3.7%	1.6%
11/13	824.66	181.76	2.9%	1.2%
12/13	837.33	183.21	4.9%	2.3%
1/14	841.43	182.87	5.3%	1.7%
2/14	838.22	184.11	4.0%	3.1%
3/14	843.86	183.81	4.2%	2.7%
4/14	854.69	183.44	5.3%	1.3%
5/14	855.83	183.98	4.9%	1.4%
6/14	862.69	184.19	5.5%	1.3%
7/14	865.06	184.04	4.7%	0.6%
8/14	868.21	183.37	5.8%	1.4%
9/14	874.61	183.23	6.0%	0.6%
10/14	881.80	183.38	7.1%	0.3%
11/14	880.79	183.92	6.8%	1.2%
12/14	889.70	184.82	6.3%	0.9%
1/15	894.63	186.51	6.3%	2.0%
2/15	897.17	186.85	7.0%	1.5%

NDPERS Quarterly Trend Analysis
Paid through April 30, 2015

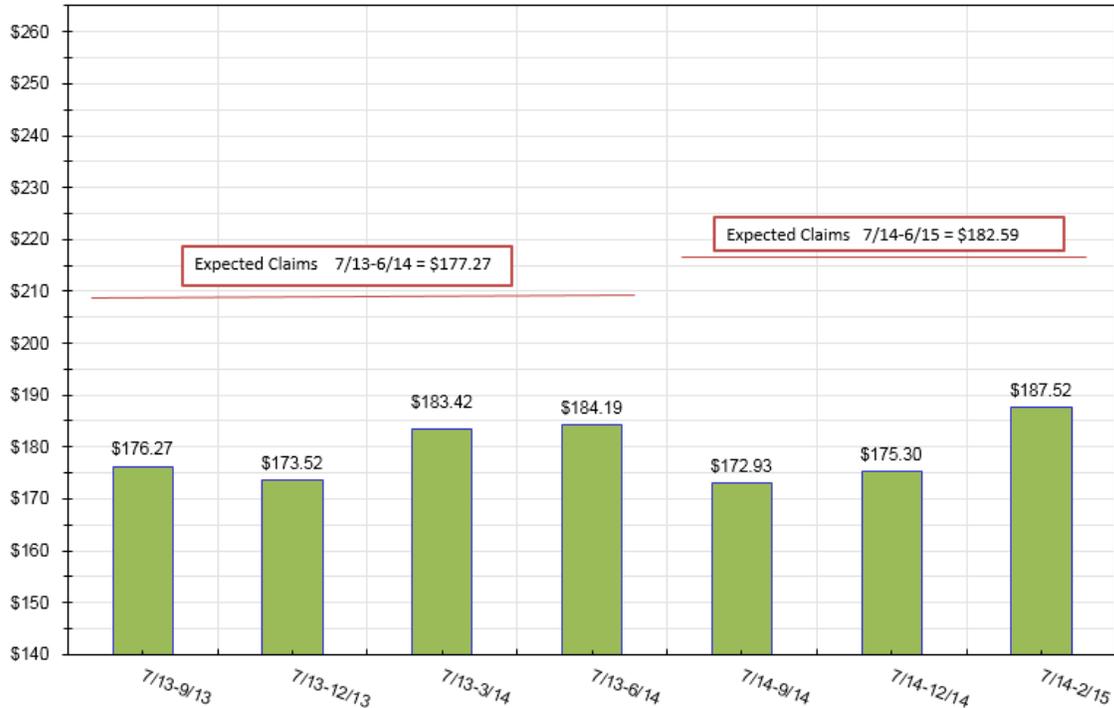
NDPERS - Actives

AVERAGE MONTHLY INCURRED CLAIMS PER CONTRACT



NDPERS - Medicare Retirees

AVERAGE MONTHLY INCURRED CLAIMS PER CONTRACT



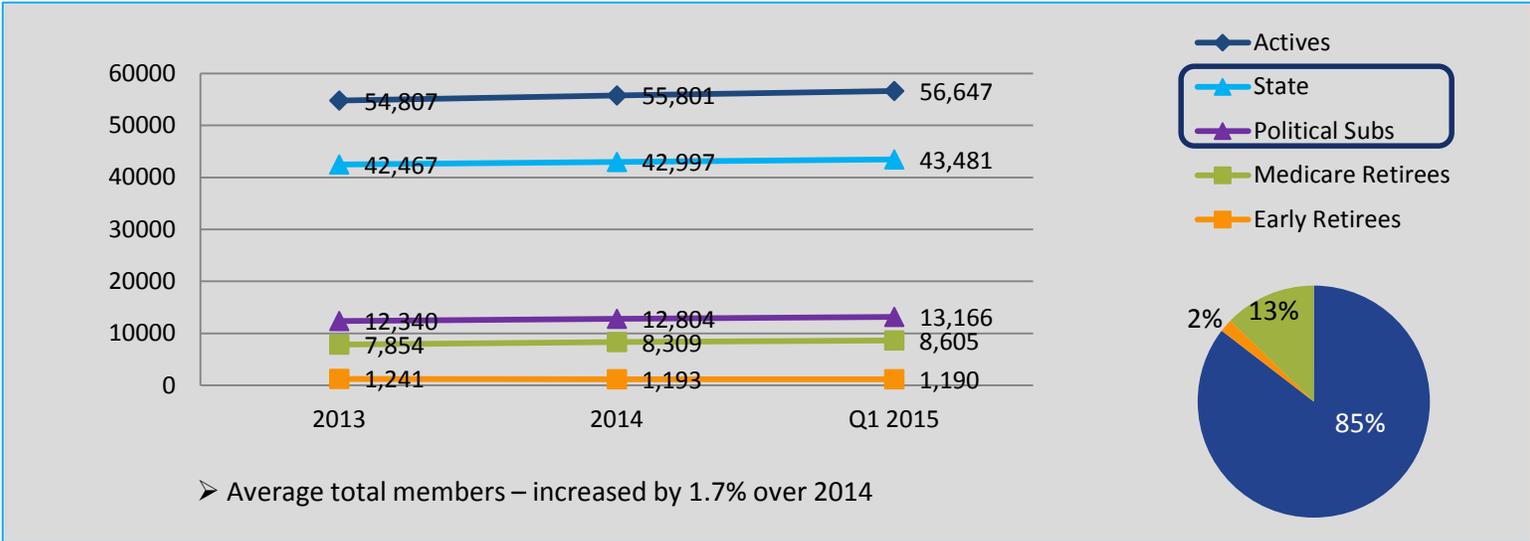
Membership & Health Utilization Summary

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

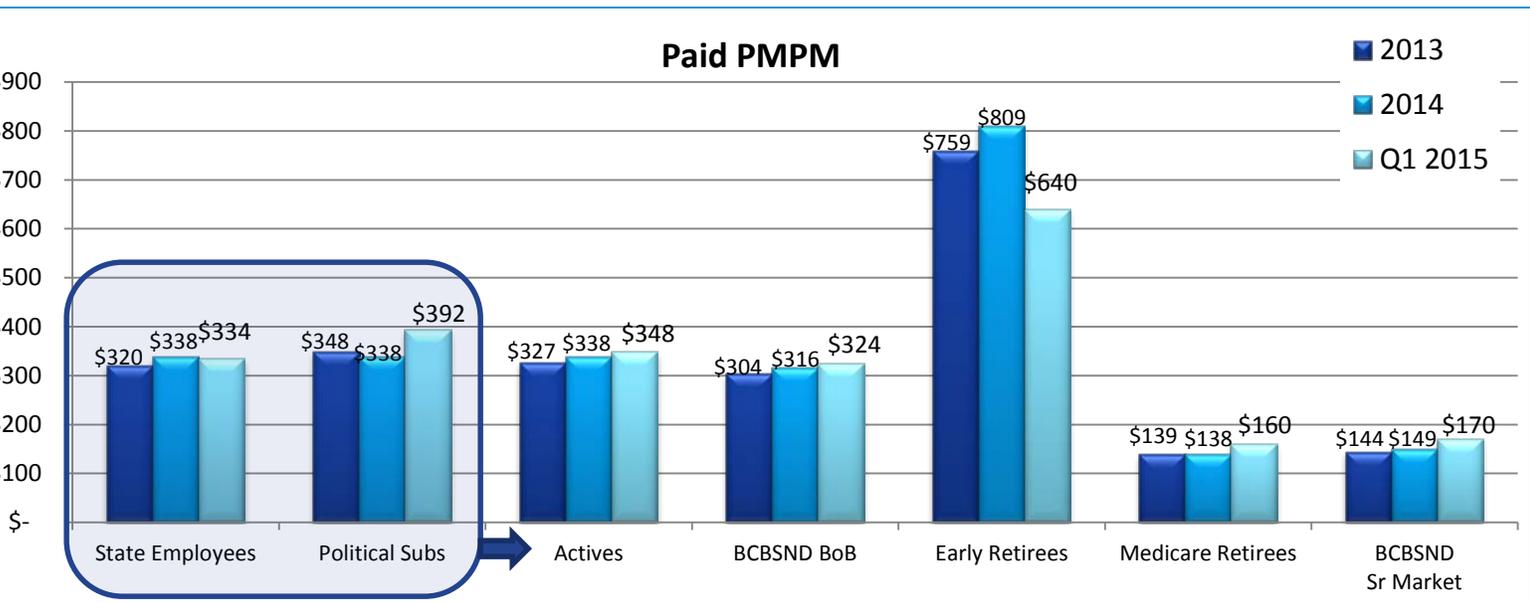
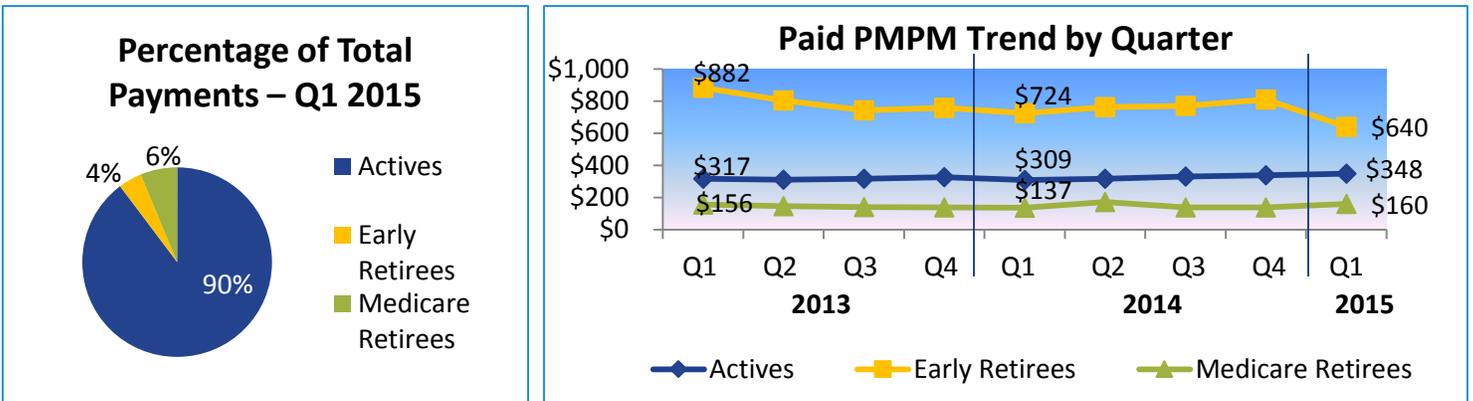


ND

Membership

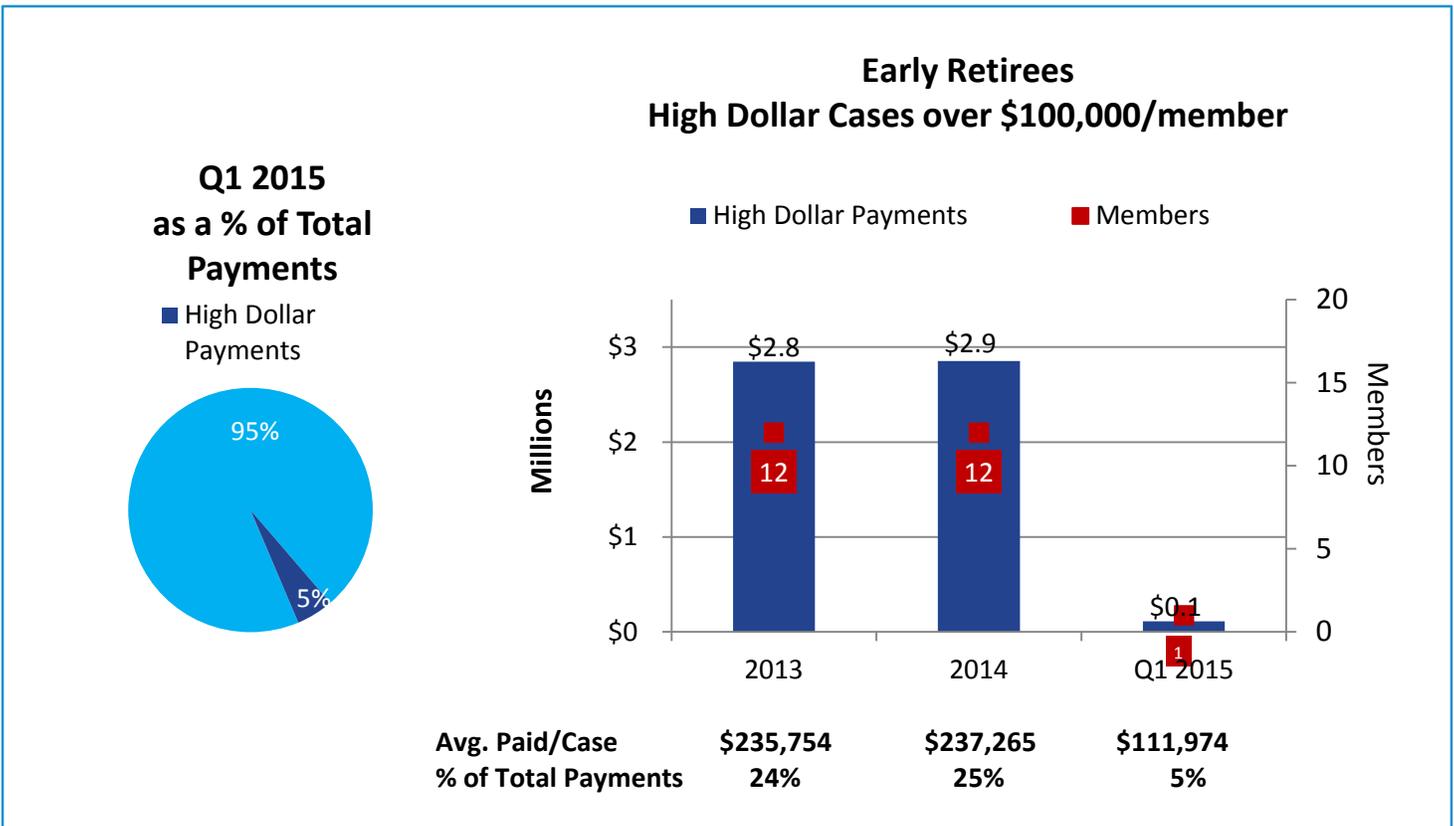
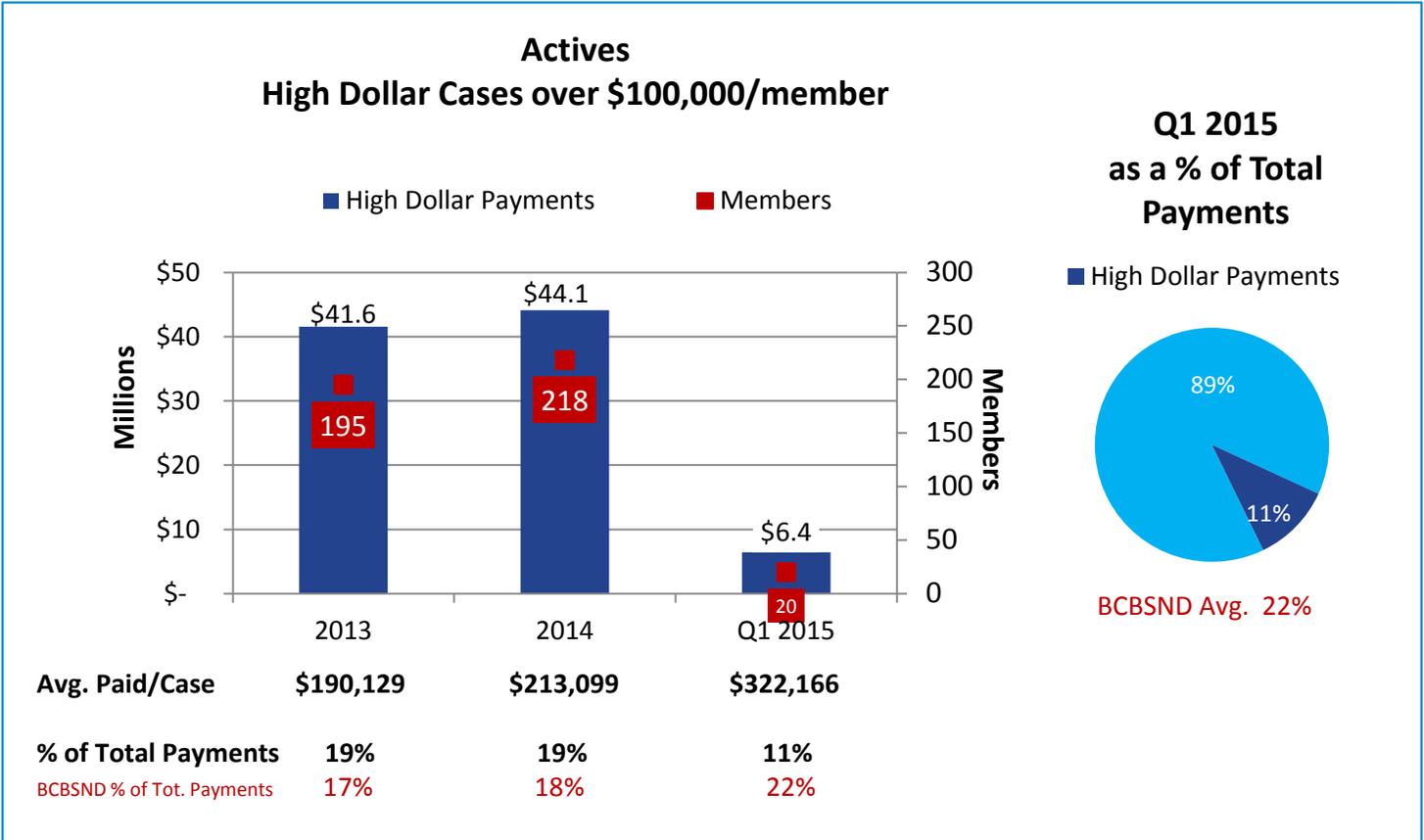


Claims Paid Per Member Per Month (PMPM)



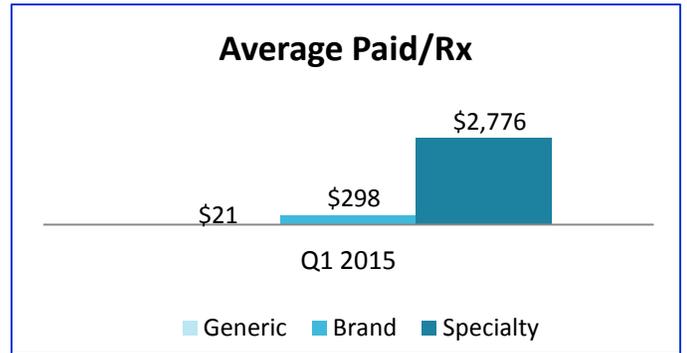
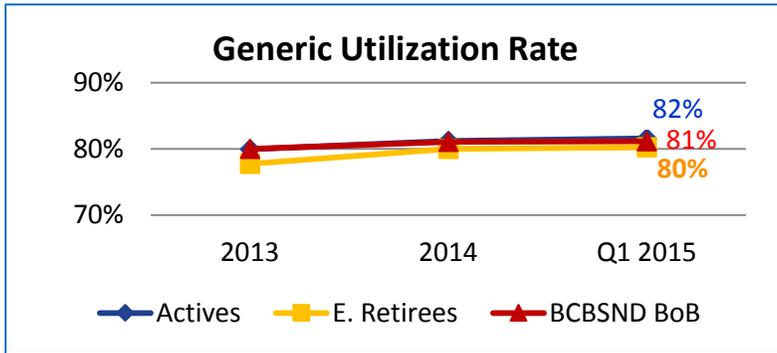
Actives include Political Subs and State Employees
 Quarters are cumulative to calendar year end
 BoB = Book of Business

High Dollar Cases

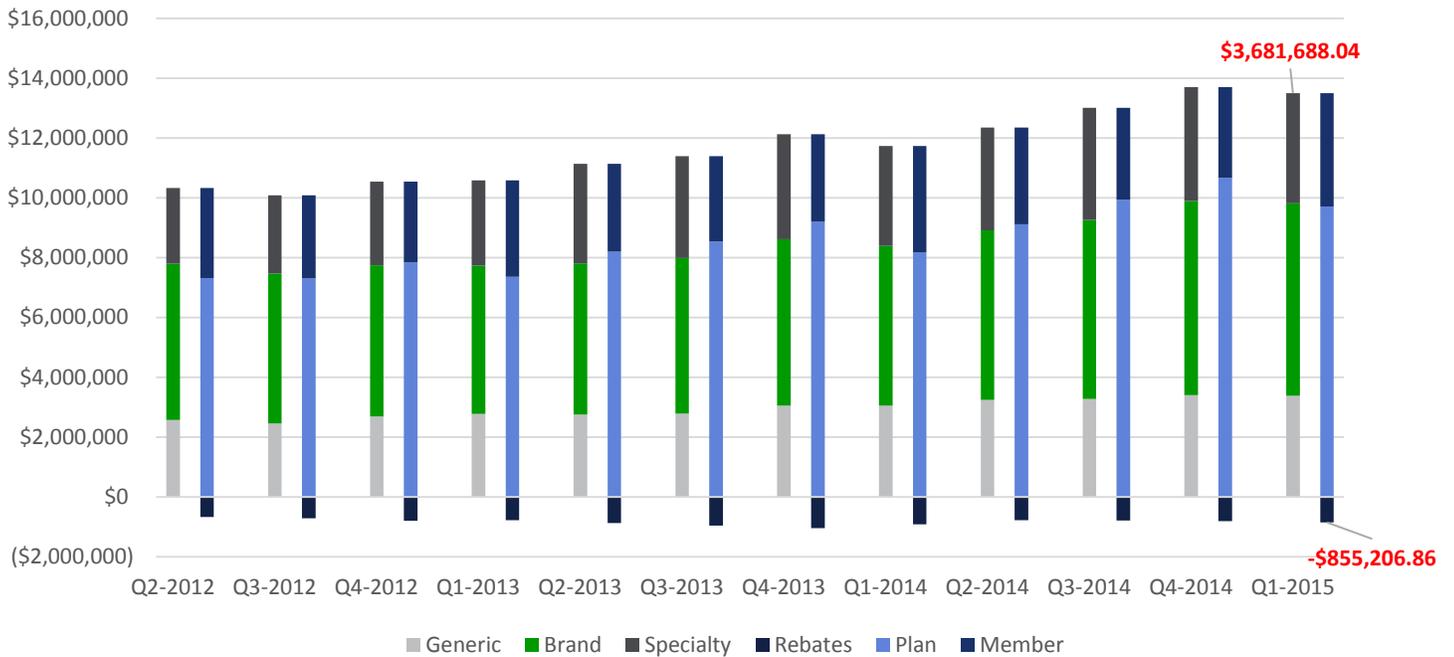




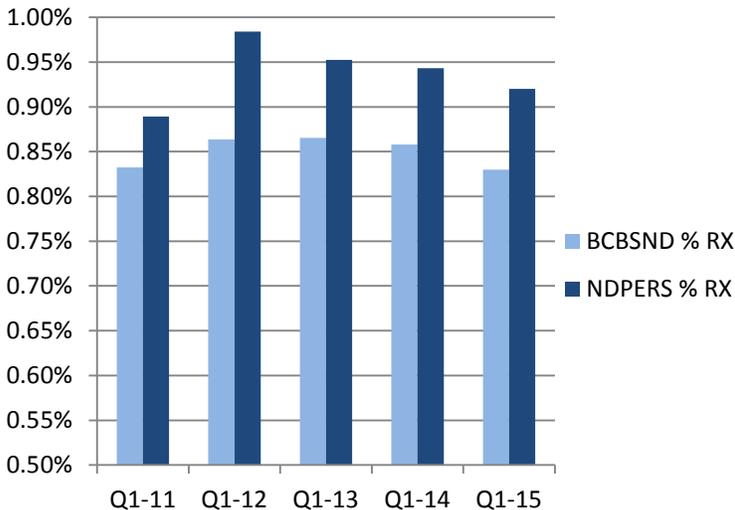
Prescription Drugs



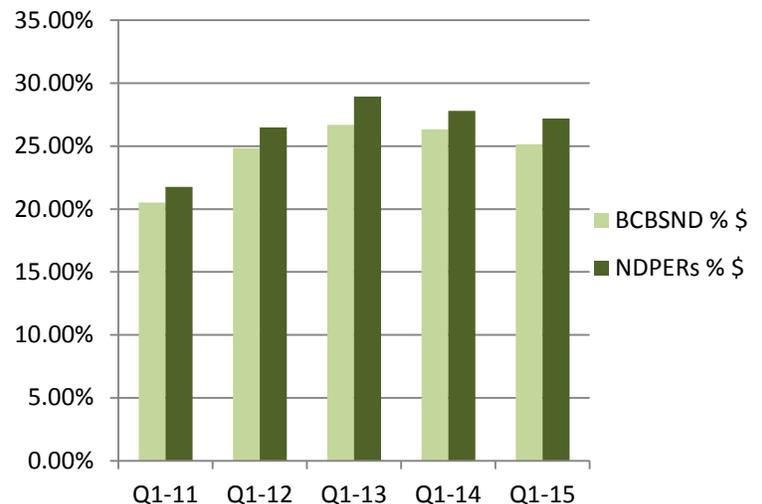
Quarterly Drug Spending and Payment Trend



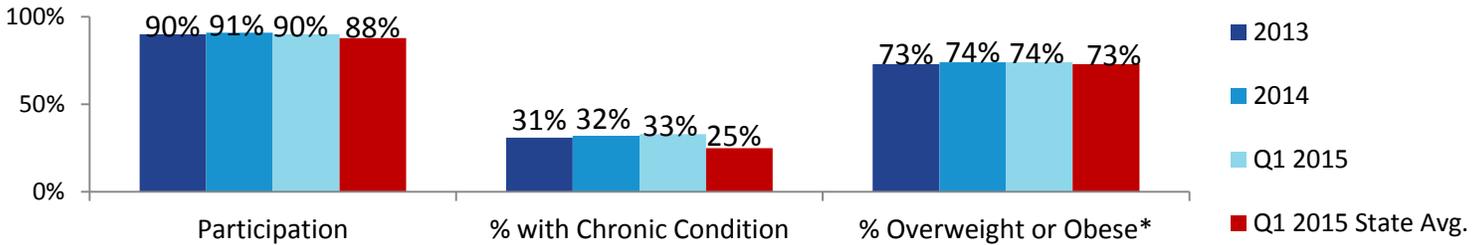
Specialty Claims



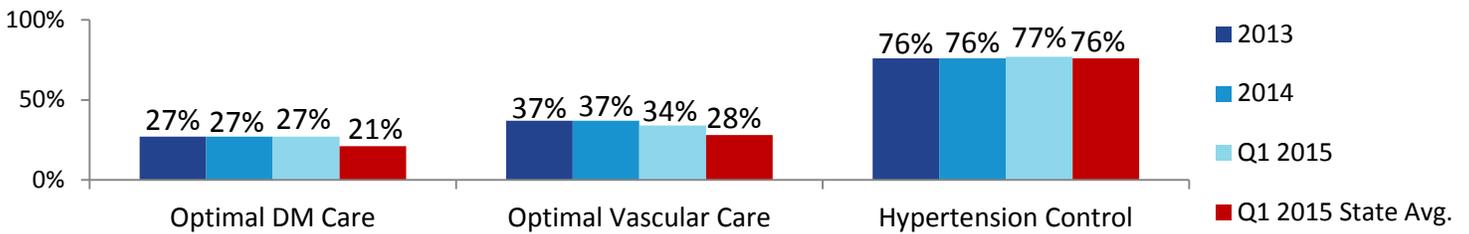
Specialty Dollars



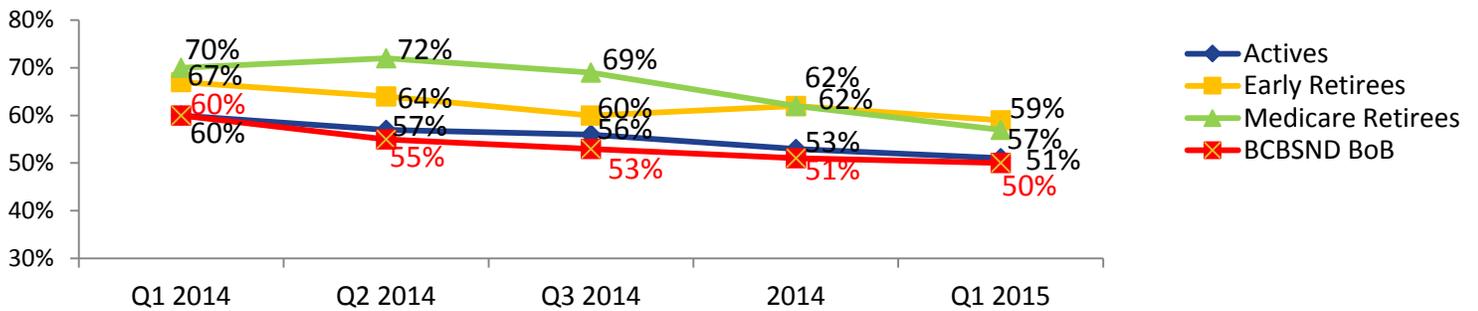
MediQHome Key Measures



MediQHome Outcome Measures



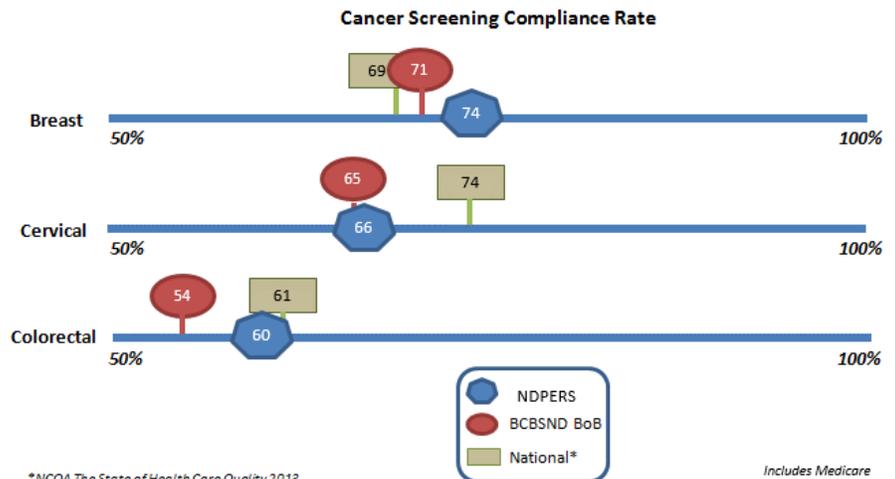
AccordantCare Participation – Rare and Complex Disease Management



- 571 eligible, 295 participating (overall average participation 52%)
- Overall participation % is slightly lower than 2014 (55%)
 - Due to small population of the retirees, addition or decline of a few members could change participation percentage significantly

Preventive Cancer Screenings

- NDPERS **breast** cancer screening compliance (74%) is higher than both National and BCBSND book of business (BoB)
- NDPERS **cervical** cancer screening compliance (66%) is lower than National avg. and about the same as BCBSND BoB
- NDPERS **colorectal** cancer screening compliance is higher than both BCBSND BoB and about the same as the National average

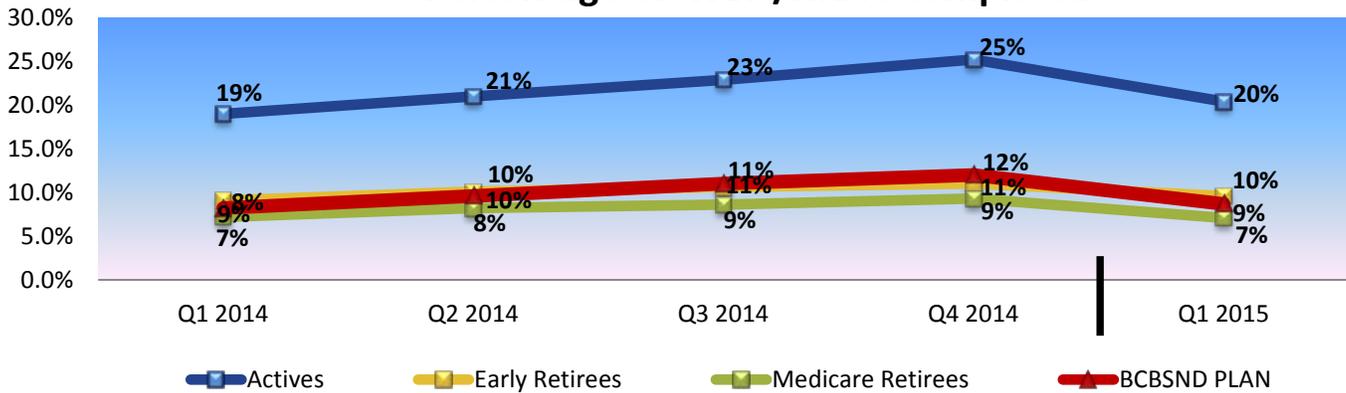


Through end of the year 2014, there was a total of 44,480 members eligible for the wellness programs, HealthyBlue and Health Club Credit. NDPERS member participation in both wellness programs is higher than the BCBSND Plan average.

HealthyBlue

- 18% (down from 22% year-end 2014) of total eligible members have completed a Health Risk Assessment (7,951 members) however, all are inline with Q1 of 2014.
 - BCBSND Plan HRA completion rate was 9% (down from 12% from 2014)
- Point redemption through Q1 2015 - \$82,497 in redeemed prizes

Percentage of WBA/HRA's completed



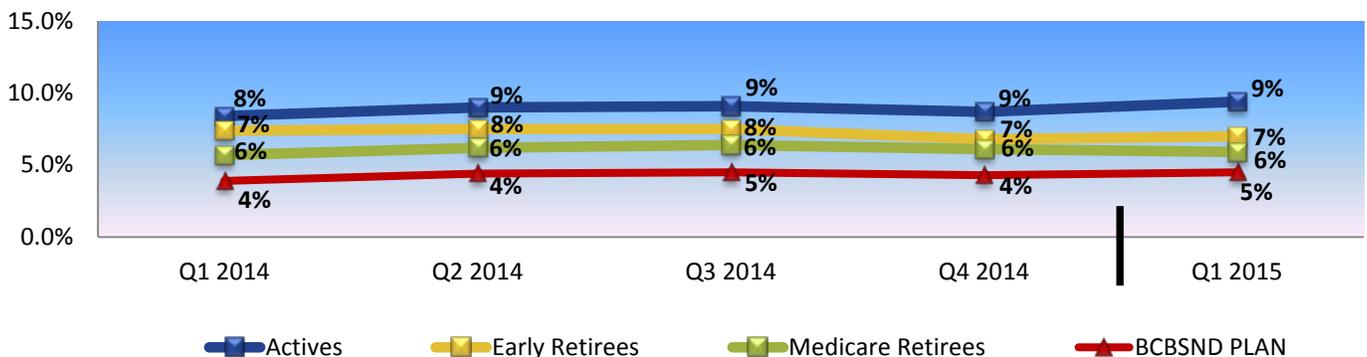
Q1 2015 begins over due to annual HRA completion requirement.

Quarters are cumulative to calendar year end

Health Club Credit

- 9% (1% increase from year-end 2014) participate in the Health Club Credit Program (3,927 members)
 - BCBSND Plan average is 5% (also up 1% from 2014)
- Members receiving credit 54% (same as 2014) - those participating in HCC exercise 12 or more days per month (2129 members)
 - BCBSND Plan average is 55% (up from 53% 2014)
- Health club credits paid through Q1 2015 - \$118,876

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
- CPR and First Aid Basics

2015 through Q1, 23 employer groups have held these educational programs and 8 employer groups had a benefit overview meeting.

	Number of Employers	Member Education Programs & Benefit Overview	Q1 Member Attendance
Q1 2015	14	HealthyBlue /HCC	291
	16	Other	435
	8	Benefit Overview	

NDPERS Wellness Specialist

- ✓ Completed “New Year New You Weight Loss and Physical Activity Challenge” in February – 1,823 NDPERS members participated in challenge
- ✓ Targeted high blood pressure email campaign was sent out during the month of February
- ✓ Silver Sneaker survey was mailed to retirees – results were reported to board in February meeting
- ✓ Annual wellness coordinator survey was sent out – overall positive feedback received; coordinators appreciate the service they receive

Looking ahead:

- ✓ Step Up to the Challenge – Step Challenge
- ✓ NW@L Day – Lt. Governor Drew Wrigley and his wife Kathleen spoke at event and led the walk
- ✓ Vouchers due April 15 and uploaded on or around June 1
- ✓ Wellness Coordinator points uploaded on or around June 1
- ✓ HealthyBlue points expire messaging – points will expire on June 30



Measure	Goal	12/31/2014
Cost Management <i>(goal completion of 12/31/14)</i>		
HRA Completions	17%	22%
HRA Score	5% point increase in the 2013 NDPERS group aggregate HRA wellness score Goal = 55	60
HealthyBlue – incentives paid	10% increase over 2013 incentives paid Goal = \$581,798	\$722,906
Health Club Credit – members receiving credit	10% increase over 2013 members receiving credit Goal = 2,177	1950 (missed)
		Q1 2015
Health Outcomes:		
Members enrolled in a Medical Home	80%	90%
Breast Cancer Screening Rates*	80%	74%
Cervical Cancer Screening Rates*	85%	66%
Colorectal Cancer Screening Rates*	60%	60%
Operational Performance:		
Claims Financial Accuracy	99%	100%
Payment Incident Accuracy	97%	97%
Claim Timeliness	99%	100%
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	99.9%
Provider Discount (non-Medicare contracts)	30% or more	52%

Green – meeting goal

Red – below goal

*Cancer screening rate calculation changed to use data from Health Intelligence tool only

Completed

- Completed “New Year New You Weight Loss and Physical Activity Challenge” in February – 1,823 NDPERS members participated in challenge
- Targeted high blood pressure email campaign was sent out during the month of February
- Silver Sneaker survey was mailed to retirees – results were reported to board in February meeting
- Annual wellness coordinator survey was sent out – overall positive feedback received; coordinators appreciate the service they receive
- Last MyHealthConnection file sent for DM
- Test files sent to Sanford and schedule for ongoing data files set

Ongoing Activities

- Transition files are being sent to Sanford and ESI as agreed upon scheduled dates
- There are currently 15 members in the Member Advocacy Program (MAP)
- Bi-monthly HealthyBlue Highlights
- Monthly NDPERS Wellness Coordinator calls and newsletters
- Did You Know targeted flyers sent monthly to target specific health topics
- Weekly Consultant’s Tips posted in HealthyBlue
- Caught in the Act of Wellness
- Member Education hosting bimonthly HealthyBlue/Health Club Credit and mini benefits overview webinar
- Case Management proactive outreach to members/providers
- Specialty Pharmacy
 - NDPERS enrollment in Prime Specialty Pharmacy Care Management
 - Targeted mailings continue to identify new specialty users
- Accordant Care – continue to identify newly eligible members



**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: Deb Knudsen
DATE: June 11, 2015
SUBJECT: Health Plan Implementation Update

Staff continues to work with the Sanford Health Plan (SHP) team. Below is an update in each of the areas we have teams working.

- a. **Data file layouts and other data and reporting requirements.**
 - The testing of systems has been completed successfully for this group and they continue to focus on operational items.
 - ID cards have been generated off of the data files and are currently in the mail, going out at approximately 4,000 per day starting on June 5 and expected to be complete by June 19.
 - A business processes group has identified and prioritized processes and reports. Subject matter experts are working within this framework to ensure identified processes and reports are established correctly.
 - SHP has met with ADP and sent initial test files to them. Weekly file feeds will commence on July 15.
- b. **Marketing/communication –**
 - i. All meeting and webinars have concluded. We held a total of 82 live meetings and approximately 15 webinars. The recorded version of these information meetings remain on our website as well as the powerpoint presentations that went along with the presentation.
 - ii. Email-blasts, postcards have been mailed to homes with information regarding the information meetings, voucher and Healthy Blue points redemption and ID cards. The “What You Need to Know” brochure is also out on the website along with the videos of the information meetings. Messages will continue to be sent to notify participants that they must redeem their wellness points earned on Healthy Blue no later than June 30, 2015. Related to this, similar information is posted on the Healthy Blue site (rotator area). The Healthy Blue site is scheduled to be closed down as of midnight on June 30, 2015. Similarly, BCBS is

taking steps to remove NDPERS information from their website effective June 30, 2015 as well.

- iii. There is an information booklet that will be sent shortly after the ID cards have been received and should be in members' hands by July 15th, but no later than July 30th. Retiree packets will be mailed first and are expected to be in the mail by the week of June 22. In addition, a mailing from our office has been sent to the HDHP participants and a mailing from SHP is expected to be in the mail to them by the end of June.
 - iv. A notice informing all participants of the Disease Management Program has been included in the welcome packet. In addition, after July 1st, participants will be receiving a letter from SHP notifying them of the transition from BCBS to SHP. This is a slight change from what I originally reported, but made sense to the team so the change was adopted.
 - v. Staff continues to work with The ND Pharmacy Association and SHP to formulate and communicate the transition from About the Patient administered by BCBS to the program administered by SHP and the \$8 minimum fee issue.
- c. **Certificate of Insurance (COI) finalization** – Staff was notified that the COI's and Summary of Benefits and Coverage (SBC) were approved by the State Insurance Commissioner's office on June 5, 2015.
 - d. **Benefits Configuration/Claims Processing** – As of Tuesday, June 9, SHP had concluded the majority of its configuration and claims processing testing. They project that they will be entirely finished by June 12th, as the last testing they had to perform was on the retiree plan, which is identical to another line of business they have. Bryan is scheduled to go to Fargo on June 25 to perform an audit on specific claims items to ensure that the claims are processed in the manner that is consistent with our plan.
 - e. **Wellness** – Weekly meetings have been held in this area and information about this program has been shared and discussed. This has continued to be an area of concern as staff originally noted that the wellness portal was possibly not as robust as our existing portal. SHP has provided us with samples of the information they propose to provide in the wellness portal they intend to use, called BWell administered by Social Wellth. It is staff's opinion after the demo and meetings that the portal definitely is not as robust or dynamic and feedback from members and employers should be expected. Rebecca will cover this area more specifically at the Board meeting to ensure that you have as much information as possible. We have been notified that the top Wellness Position, Director of Wellness and Business Development has been filled internally. As of the date of this memo, the first coordinator meeting with SHP was held and approximately 50 people were on the call. The second one will be provided very soon and has at least as many pre-registered to attend as the first one.
 - f. **Pharmacy and Care Management** – This committee continues to meet and refine existing issues. SHP has received the files for disease management from BCBS and will have them loaded by July 1. However, they indicated the

numbers seem low, so they will be touching base with BCBS to verify that the numbers are correct. SHP will work with the Pharmacy Association to ensure that the About the Patient Website is updated to reflect SHP connection. In addition, SHP will be providing an eligibility file and codes specific to About the Patient monthly so program can be administered at point of sale. Although the About the Patient will not be incorporated into the Diabetes Toolkit used by Sanford in their other lines of business, there will be a flyer created to go to NDPERS participants who receive the toolkit. Express Scripts reports to SHP that they are fully built and loaded and will begin testing this week, using an extensive script, and are confident they will be completed with this by June 30, 2015.

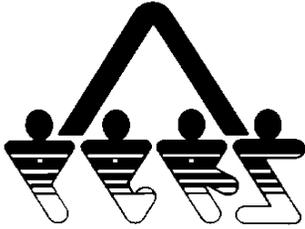
- g. **Staff continues to meet with the BCBS transition team to facilitate the exit of the BCBS system.**
- An internal working group at NDPERS has been working with BCBS team to transition the HSA provided by Discovery Benefits. An extension to the existing contract has been reviewed by Jan, and Onalee Sellheim is facilitating the contracting process between Discovery Benefits and NDPERS.
 - Staff is also beginning to work on the Medicare Blue RX issues related to transitioning this benefit at the end of the year. The Thor database will be provided by BCBS through the end of the year so internal procedure will remain the same. An automated exception report is being created and a training date of June 25 has been set for accounting staff to work with BCBS staff in the transition.
 - Details are being worked out regarding claims processing, and data continues to be requested and successfully provided to SHP. The ongoing claims information is provided three times per BCBS's standard operating procedure and SHP indicated it will require additional files, so an agreement has been reached that the files will be provided biweekly at the rate of \$750 per run from June 15 through September 21st. Staff will determine at that time whether reporting will still be required at this frequency.
 - Both NDPERS Staff and BCBS staff have been working to close existing Medicare Secondary Payer claims but have come to the realization that this will be an ongoing process, as this program operates in arrears. A standing committee has been set up with Bryan, Onalee and Deb Dietz to address any new MSP claims that come up as well as to continue to work to close existing ones.
 - At the time of this memo, we are still working with BCBS to determine what information will remain on both the NDPERS and BCBS websites for individuals who may need information on services prior to July 1st. "Warm transfers" between BCBS, NDPERS and SHP have been implemented with success to facilitate member transfers. BCBS staff continue to be very helpful during these meetings and there are no areas of concern to report.

Weekly meetings are held with the internal PERS transition team to address issues that are specific to NDPERS and do not require involvement from BCBS or SHP. Internal transition issues for NDPERS continue to be identified and tracked and addressed by this team.

The existing transition/project plan drafted by Sanford will be transitioned into a new document to remove completed tasks and to track the remaining items that have a due date later than July 1.

Progress continues to be made in the staffing areas in Fargo, Sioux Falls and Bismarck, specifically, member services and claims processing departments are fully staffed in the Fargo office. There will be a ribbon cutting ceremony for the new SHP building with the Fargo Chamber of Commerce on June 29th.

This is provided for your information and I will be at the Board meeting if you have any further questions or concerns or please feel free to call me.



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

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

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

Memorandum

TO: PERS Board
FROM: Rebecca
DATE: June 9, 2015
SUBJECT: Wellness Renewal

NDPERS staff has completed the renewal of the Employer Based Wellness Program for the plan year July 1, 2015 to June 30, 2016. This renewal determines those employers that will qualify for the 1% health insurance premium discount during the plan year. Employers are given the opportunity to combine efforts with another NDPERS employer in order to qualify.

At this time, there are a total of 195 out of 270 employers electing to participate in the wellness program. This is an employer participation rate of 72%. However, approximately 97% of employees covered on the insurance plan are working for employers that are offering wellness programs and activities to their employees.

The break-down of the participating employers is as follows:

- 103 state agencies, universities and district health units
- 38 counties
- 17 schools
- 17 cities
- 20 political subdivisions

Rebecca will be available at the Board meeting to answer any questions that you may have regarding the wellness program renewal process.



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

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

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

Memorandum

TO: NDPERS Board
FROM: MaryJo
DATE: June 9, 2015
SUBJECT: Direct Deposit for Retirees

The NDPERS Authorization for Direct Deposit for Annuity Payments SFN 18379 requires authorization by the financial institution. This signature authorization allows NDPERS the right to reclaim all amounts paid in error to the member or an authorized institution. This required financial institution authorization prevents the use of alternate methods for signing up for direct deposit, such as use of a voided check or the secure online NDPERS Member Self Service (MSS) portal.

NDPERS has had financial institutions either complete the form incorrectly or decline signing the authorization form, due to the language stating "We agree to notify NDPERS upon becoming aware of the death of the payee." Bank representatives have chosen to either cross out the language or provide other written documentation verifying account information for the member. NDPERS is sent a direct deposit error report from the Bank of North Dakota that notifies us of an account closed due to a member death. This does not require a bank to contact NDPERS directly to report a death.

In reviewing the information with Jan, "if it is not NDPERS intent to pursue an overpayment claim against the financial institution, such notice isn't necessary. The language used in N.D.C.C. 54-52.6-19 and 20, N.D.A.C. 71-02-04-10 and 71-05-05-10 evidence intent to pursue an overpayment against the recipient of the funds, being either a person or an estate. However, the member death notification can be moved from the financial institution side to the member side in the form of a member authorization."

NDPERS most often receives notice of a death through a member's family rather than the member's financial institution. Within 5 days from the date NDPERS is notified of a death, we can attempt to reclaim benefits paid to a member for the months following his/her death. If this attempt is unsuccessful, NDPERS corresponds to the member's spouse, beneficiary,

or estate to request the funds. NDPERS pursues overpayment claims against the deceased person's beneficiary or estate rather than the financial institution itself.

Another matter regarding direct deposit includes retirees residing in foreign countries. A few retirees have requested payment to foreign bank accounts. NDPERS has encouraged retirees to utilize bank accounts within the United States and have funds transferred. Due to variable exchange rates between the exchange bank and the receiving bank, additional transaction fees, and the inability to reclaim an accurate amount of funds with losses and gains, this process can become very complicated. If a retiree has a change in monthly benefit and questions the amount deposited and/or the currency exchange rate, this can also cause confusion. Currently, there are two retirees using U.S. banks to transfer funds to a foreign account and one retiree requesting a check be mailed to a foreign address.

Staff Recommendation:

- Allow retirees to provide a voided check or use MSS to set up direct deposit for pension payments.
- Move the death notification requirement on the direct deposit authorization form to the member side and remove bank representative required signature.
- Only allow deposit to banks within the United States to eliminate currency exchange issues for deposited funds.

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



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

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

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

Memorandum

TO: NDPERS Board

FROM: Kathy

DATE: June 10, 2015

SUBJECT: Disability Consultant Contract

The contract with Mid Dakota Clinic for disability consulting services expires June 30, 2015. 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, 2015 through June 30, 2016 contract period. This represents no increase in the hourly rate from the current contract period. This is the eighth 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 2014 through May 2015 is approximately \$8,000 involving 41 hours and 69 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, 2015 through June 30, 2016 at the rate of \$200 an hour.

Board Action Requested

Approve staff's recommendation.



May 20, 2015

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 submits the following proposal for the disability determination services contract for the period of

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

Thank you for your consideration,

Respectfully,

Wesley Woodbury
WorkLife Clinic 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: NDPERS Board

FROM: Bryan Reinhardt

DATE: June 18, 2015

SUBJECT: Retiree Health Insurance Credit Implementation

The implementation team from NDPERS and ASIFlex are working on the Retiree Health Insurance Credit Program. The contract, implementation document, plan design, informational mailings and initial enrollment have been completed. Information is available on the NDPERS web site. The team is finishing the data file testing (behind schedule) and ASI is setting up the direct deposits. Direct deposits appear to be low with about 1/3 of the retirees signed up to date. Attached is the implementation timeline.

We are experiencing unprecedented call volume with questions on the RHIC after sending out the informational material. This has resulted in longer hold times for incoming calls, as well as longer delays returning calls when a member leaves a message. This is being addressed by routing calls to staff outside of the benefits division and using temporary staff to return calls. We continue to monitor the phone situation on a daily basis.

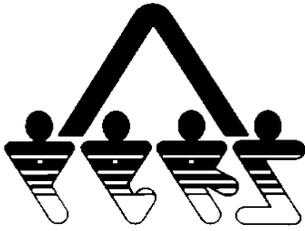
If you have any questions, we will be available at the NDPERS Board meeting.

Description of Task	Responsible Party	Completion Date	Actual Date
Award of Contract	NDPERS	February 27, 2015	2/20/2015
Schedule Implementation Kick-Off Call or On-Site Meeting; Implementation Document, Contract, Business Associate Agreement provided to NDPERS	ASI/NDPERS	March 2, 2015	2/23/2015 thru 3/9/2015
Implementation Document and Plan Design Completed	ASI/NDPERS-Bryan MaryJo to Update	March 9, 2015 Resend: 5/01/15	Pending: Final Meeting 3/25@1:00pm 3/30: Completed Update:
Schedule Weekly Touch-Point Calls	ASI	March 16, 2015	3/9/2015
Contract Offer Document Reviewed and Executed	ASI/NDPERS-Sparb	March 23, 2015	3/11/2015
Business Associate Agreement Reviewed and Executed	ASI/NDPERS-Sparb	March 23, 2015	3/11/2015
Provide eligibility and contribution/deposit file formats to NDPERS	ASI	March 13, 2015	3/10/2015 3/23, 4/1: Meeting to discuss
Establish Secure Employer Portal	ASI	March 30, 2015	4/9/2015
Discuss Communication Strategy and provide sample material to NDPERS	ASI	April 13, 2015	3/9/2015: Samples provided. 3/17: Customized RHIC overview and claim form to Kathy & MaryJo
RHIC Overview Mailing RHIC Overview Web Site	NDPERS – MaryJo	April 10, 2015	Two different versions of the RHIC Overview.
Final Decision – To offer or not offer Pay Cards as reimbursement option	NDPERS	April 15, 2015	Not at this time 3/30/2015
ND Initial Welcome Letter Finalized Confirmation Letter Changes to ASI	NDPERS – MaryJo Bryan to Send	May 1, 2015	Done
RHIC Overview & Claim Form	NDPERS – Kathy/MaryJo	May 1, 2015	Done
Complete data file testing	NDPERS- Sharmain/Ron/ASI	May 4, 2015?	
Establish dates to release participant communication and method of dissemination	NDPERS-MaryJo/ASI	May 11, 2015	Done

Release of Employee Communication	NDPERS-Kathy/ASI – Anita Checking on who sends this. Eligibility test file may not be ready?	May 15 – June 1, 2015 MaryJo setup printing/mailing with Lori at NDPERS.	Done May 15
Negative Payee Accounts	Sharmain	After May 15 letter mailings. May 30?	Done
PERSLink RHIC reprogramming	Sharmain/Sagitec	May 30, 2015?	
Finalize ASIFlex generated confirmation letter	Anita & MaryJo	June 1, 2015	Done 5/26
H/D/V letters for language on RHIC	NDPERS- MaryJo/Sharmain (PERSLink Letters)	June 1, 2015	
Handbooks, Kits, Forms, Letters modification of RHIC language	NDPERS – MaryJo – Handbooks & Sharmain-Forms	Immediately (Sharmain already gathering) with publishing on June 15th	
Provide initial eligibility to ASI	NDPERS-Sharmain/Ron	June 8, 2015	Sent June 1st
Notice for missed retirees	MaryJo / Sharmain	June	Done
Notice for missed retirees	MaryJo / Sharmain	July	
Notice for missed retirees	MaryJo / Sharmain	August	
Research Bank Info on monthly enrollment file	Anita/Sharon NDPERS Policy	June 8	Keep Form Process
Provide NDPERS contribution/deposit files/expenses verification file for NDPERS paid premiums to ASI	NDPERS – Sharmain/Ron	June 22-26, 2015	
ASI processes initial files and sends confirmation letter to participants	ASI	June 15, 2015	
Who/How claims are processed in case of death	NDPERS – MaryJo	June 15?	
Plan Start Date		July 1, 2015	
Direct Deposit 2 nd Mailing	MaryJo	July 1 st	
Review/Validation of accounts through ASI management reports	NDPERS- MaryJo/Sharmain	July 6, 2015	
Non-discrimination Testing Completed	NDPERS-Bryan	July 31, 2015	Bryan verified with Segal. On May Board Agenda.
Communications – possible use of MSS for instruction links & vendor link	NDPERS – Sharmain	? Tabled	

Green – Completed

Pink - Overdue



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

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

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

Memorandum

TO: PERS Board

FROM: Bryan

DATE: June 18, 2015

SUBJECT: Defined Contribution Plan Reporting – May 2015

Attached is a summary of the DC 401(a) enrollments. The plan opened up to all new State employees in October 2013. Employees are initially enrolled in the DB plan and have 180 days to make an irrevocable election to transfer to the DC plan.

The first table shows that 452 members have elected the DC plan since it started in 2000. Of these, the second table shows that 233 are still active (51%). With the DC plan now open to all new employees, the graph shows a big increase in the number eligible for the plan. The bottom table shows that only 54 members (out of 2064 since 10/2013) have elected the DC 401(a) plan through May 2015.

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

Defined Contribution Reporting - May 2015

DC Enrollment			
Start Date	Frequency	Percent	
Before 2013/07	399	88.47	
2013/08	1	0.22	
2013/09	2	0.44	
2013/10	2	0.44	
2013/11	1	0.22	
2014/01	1	0.22	
2014/02	1	0.22	
2014/03	2	0.44	
2014/05	5	1.10	
2014/06	2	0.44	
2014/07	6	1.32	
2014/08	2	0.44	
2014/09	3	0.67	
2014/11	3	0.67	
2014/12	3	0.67	
2015/01	3	0.67	
2015/02	7	1.55	
2015/03	4	0.88	
2015/04	4	0.88	
<u>2015/04</u>	<u>1</u>	<u>0.22</u>	
Total	452	100	

One new enrollment in May 2015.

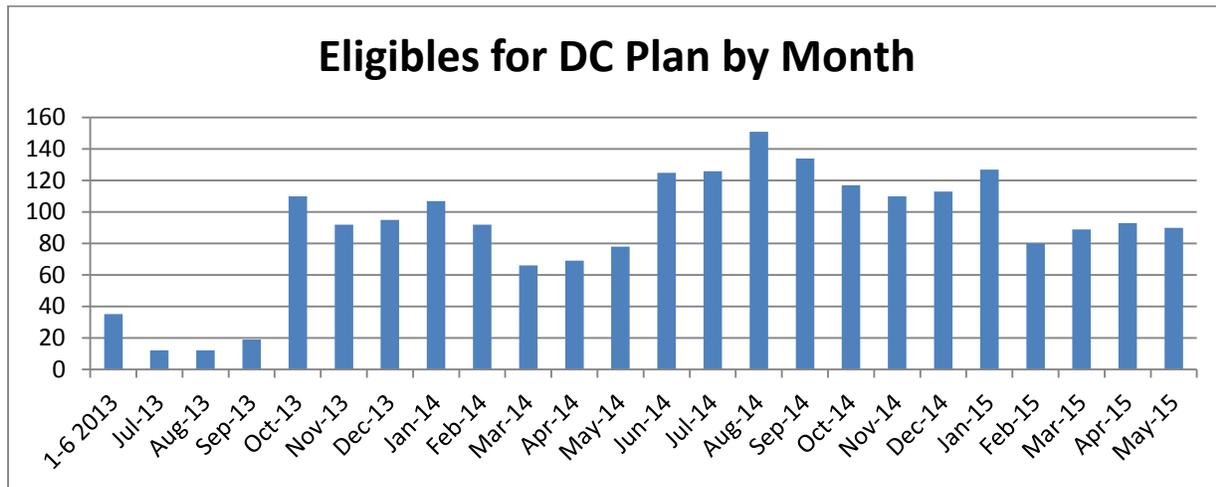
Current Status	Frequency	Percent
Enrolled	233	50.76
Retired	20	4.36
Suspended	74	16.12
Withdrawn	132	28.76

50.76% of those electing the DC 401(a) plan are still active.

NDPERS DC 401(a) Active MEMBERS – May 2015
--

Agency	Frequency	Percent	Cumulative Frequency	Cumulative Percent
Workforce Safety & Insurance	78	33.48	78	33.48
Adjutant General ND National Guard	12	5.15	90	38.63

Agency	Frequency	Percent	Cumulative Frequency	Cumulative Percent
Legislative Council	11	4.72	101	43.35
North Dakota State University	11	4.72	112	48.07
Department Of Commerce	9	3.86	121	51.93
Information Technology Dept	8	3.43	129	55.36
Others (47 groups)	104	44.64	233	100.00



New employee DB/DC estimates sent out	Eligible	Elections to Date (180 days to elect)
2013 October - 104	110	1
2013 November - 91	92	6
2013 December - 92	95	1
2014 January - 119	107	3
2014 February - 90	92	4
2014 March - 73	66	2
2014 April - 79	69	2
2014 May - 81	78	4
2014 June - 112	125	3
2014 July - 136	126	4
2014 August - 111	151	3
2014 September - 140	134	4
2014 October - 138	117	2
2014 November - 117	110	1
2014 December - 117	113	8
2015 January - 110	127	4
2015 February - 89	80	1
2015 March - 76	89	1
2015 April - 103	93	0
2015 May - 89	90	0
	2064	54 (2.6%)



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: June 11, 2015

SUBJECT: Attorney Generals Opinion

Attached is the Attorney General Opinion that was recently released. Jan will be at the next Board meeting to answer any questions you may have concerning the opinion.

**LETTER OPINION
2015-L-04**

June 4, 2015

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

Mr. Dave Hunter
Retirement and Investment Office
PO Box 7100
Bismarck, ND 58507-7100

Dear Mr. Collins and Mr. Hunter:

Thank you for your letter requesting my opinion on whether and to what extent the North Dakota Public Employees Retirement System and the North Dakota Retirement and Investment Office are authorized to make expenditures during the 2015-2017 biennium, without a biennial appropriation approved by the Legislature.

For the following reasons, it is my opinion that the express continuing appropriation authority granted these particular agencies, governed by boards which have fiduciary responsibilities over funds held in trust, carries with it the implied authority to expend funds for the salaries and associated operating expenses of the individuals needed to effectuate those appropriations, to the extent the implied authority is not prohibited under state law.

ANALYSIS

You have indicated that the Sixty-Fourth Legislative Assembly adjourned without approving Senate Bill 2022, and that this bill contained the biennial appropriations for both the North Dakota Public Employees Retirement System (NDPERS) and the North Dakota Retirement and Investment Office (NDRIO).¹ As introduced, S.B. 2022 proposed to appropriate funds to these agencies for salaries and wages, operating expenses, and

¹ See S. and H. Journals, S.B. 2022, 2014 N.D. Leg.

contingencies during the 2015-2017 biennium.² Subsequent to its introduction, various amendments were made to S.B. 2022 unrelated to the biennial appropriation for these agencies.³ Ultimately the Legislature adjourned without passing S.B. 2022.⁴ The Legislature did not, however, repeal, rescind, or otherwise alter the responsibilities of these agencies toward program participants and investment clients.

AGENCY RESPONSIBILITIES

While the Legislature did not approve a biennial appropriation for the salaries and wages of agency employees, board members, or other operating expenses, these agencies are and continue to be charged with the management, investment, and processing of total funds in excess of \$10.5 billion on behalf of the state, various political subdivisions, and public employees.⁵ Unlike many other state agencies, NDRIO and NDPERS are governed by boards that function in a fiduciary capacity and must satisfy the legal obligations of that role. Pursuant to state law, NDPERS is responsible for the administration of a myriad of programs that provide benefits to public employees, retirees, and their dependents and beneficiaries. These programs include the North Dakota public employees defined benefit hybrid retirement plan (“defined benefit plan”),⁶ the defined contribution retirement plan, the highway patrolmen’s retirement system, the job service retirement plan established under N.D.C.C. § 52-11-01, the deferred compensation plan, the pre-tax benefits program, and the uniform group insurance program.⁷ The NDRIO is responsible for administration of both the North Dakota Teachers’ Fund for Retirement (NDTFFR) plan and the investment program overseen by the North Dakota State Investment Board (NDSIB).⁸ The retirement plan established to provide retirement benefits to the teachers of this state and their beneficiaries is NDTFFR.⁹ The NDSIB is the body charged with the investment of multiple funds on behalf of the state and political subdivisions including NDPERS, NDTFFR, and the Legacy fund.¹⁰

² As introduced, S.B. 2022 proposed a total biennial appropriation of slightly more than \$15 million for salaries and wage, operating expenses, and contingencies, as well as 55.50 full-time equivalent positions, for these two agencies.

³ S. and H. Journals, S.B. 2022, 2014 N.D. Leg.

⁴ Id.

⁵ The Investment Performance Summary published by NDRIO indicates that the NDSIB for the quarter ended March 31, 2015 has over \$10.5 billion of assets under management; NDPERS and the NDTFFR are included in the funds under management.

⁶ The defined benefit plan encompasses the North Dakota judges retirement plan under N.D.C.C. § 54-52-06.1 and the law enforcement and national guard security officers and firefighters retirement plans under N.D.C.C. §§ 54-52-06.2, 54-52-06.3, and 54-52-06.4.

⁷ N.D.C.C. §§ 54-52-04, 54-52.3-02, 54-52.6-04.

⁸ N.D.C.C. § 54-52.5-01.

⁹ N.D.C.C. § 15-39.1-09.

¹⁰ N.D.C.C. § 21-10-06.

APPROPRIATION AUTHORITY

Under these unique circumstances, your question requires an examination of what, if any, appropriation authority these agencies have absent a specified biennial appropriation from the Legislature. An appropriation “is the setting apart from the public revenue of a definite sum of money for the specified object in such manner that officials of the government are authorized to use the amount so set apart, and no more, for that object.”¹¹ The Legislature is not prohibited, however, from enacting continuing appropriations.¹² “A continuing appropriation is an appropriation running from year to year, without further legislative action, until the purpose of the levy and appropriation is accomplished.”¹³ The North Dakota Supreme Court has stated that a continuing appropriation is a valid appropriation first made by the Legislature, and it remains continuing only if future legislative assemblies choose not to repeal or modify it.¹⁴ In a prior opinion I observed that continuing appropriations have long been recognized as valid in this state and are nothing new to the legislative process.¹⁵

NDPERS CONTINUING APPROPRIATION AUTHORITY

Previous legislative assemblies have granted NDPERS express continuing appropriation authority for almost all of the payments associated with the programs it is responsible for administering. For example, NDPERS has express continuing appropriation authority for: the payment of the benefits, consulting fees, and making of investments for the defined benefit plan;¹⁶ costs related to the making of investments and payments to beneficiaries of the North Dakota highway patrolmen’s retirement system;¹⁷ the administrative and consultant expenses of the defined contribution plan;¹⁸ the payment of consultants, vendors providing claims administrations services, any insurance costs associated with the medical spending account, and medical reimbursement for the medical spending account if necessary, and payments to the employees participating in, the pretax benefits

¹¹ Gammons v. Sorlie, 219 N.W. 105, 108 (N.D. 1928).

¹² N.D.A.G. 2004-L-78.

¹³ 81A C.J.S. States § 405.

¹⁴ Gange v. Burleigh Cnty. Dist. Ct., 429 N.W.2d 429, 436 (N.D. 1988).

¹⁵ N.D.A.G. 2004-L-78.

¹⁶ N.D.C.C. §§ 54-52-04(6), 54-52-13, 54-52-13.1, 54-52-14.1.

¹⁷ N.D.C.C. § 39-03.1-05.

¹⁸ N.D.C.C. § 54-52.6-06. This section provides for an explicit continuing appropriation for a consultant for the plan and indicates that any administrative expenses must be paid by the plan participants and authorizes the board or its contracted vendor to charge and deduct those expenses directly from the participants’ account.

program;¹⁹ the consulting fees and insurance benefits related to the uniform group insurance program, including investments of and contributions toward benefits permitted under the retiree health benefits fund, the payment of claims and costs as provided under the contingency reserve fund, the acceptance and expenditure of third party payments for the benefits, premiums and administrative expenses of the uniform group insurance program, and use of funds that may become available from various sources for a collaborative drug therapy program.²⁰

Notably, there is no express continuing appropriation authority for the payment of benefits for the deferred compensation plan established under N.D.C.C. § 54-52.2-01 or the retirement plan established under N.D.C.C. § 52-11-01 and administered by NDPERS (“job service retirement plan”). For the following reasons, however, there exists sufficient authority under state law to permit the payment of benefits under these programs.

Generally funds held in trust are not subject to the appropriation power of the Legislature:

To be subject to the appropriation power of the Legislature, funds held by state officers or agencies must belong to the state. Funds held in trust to be distributed according to legislatively prescribed conditions are not subject to appropriation, even though they are received on account of the state and the state treasurer is designated custodian.²¹

Both the deferred compensation program and job service retirement plan are comprised of funds held in trust by NDPERS.

Prior opinions of this office have observed that the administration of the deferred compensation program is for the benefit of the employees and involves the deferral of the employees’ compensation pursuant to the employees’ direction.²² State law requires NDPERS to act as administrator and fiduciary for the deferred compensation program.²³

¹⁹ N.D.C.C. §§ 54-52.3-03, 54-52.3-06. While this section does provide a continuing appropriation for many of the costs associated with the pre-tax benefits program, this continuing appropriation authority is not unlimited. N.D.C.C. § 54-52.3-03 goes on to state that “[a]ll other expenses of administering the program must be paid in accordance with the agency’s appropriation authority as established by the legislative assembly.” The language is indicative of a requirement for a biennial appropriation for the remaining administrative expenses of the program. N.D.A.G. Letter to Collins (May 16, 1990).

²⁰ N.D.C.C. §§ 54-52-04(6), 54-52.1-03.2, 54-52.1-04.3, 54-52.1-06, 54-52.1-06.1, 54-52.1-15, 54-52.1-16.

²¹ 63C Am. Jur. 2d Public Funds § 28.

²² N.D.A.G. Letter to Rolfson (Mar. 29, 1985); N.D.A.G. Letter to Person (Oct. 14, 1988)(1).

²³ N.D.C.C. § 54-52.2-03.

Further, administrators of the program are authorized to make payments or investments as specified by the employee, and, by statute such payments or investments are not a prohibited use of the general assets of the state, county, city, or other political subdivision.²⁴ Given that the funds of the deferred compensation program are held in trust for the participating employees, NDPERS is a fiduciary of those funds and has the authority to disburse and invest them, and state law specifically designates that such disbursement will not constitute a prohibited use of general assets of a governmental body, the investment and benefit payments of the deferred compensation program are not subject to the Legislature's appropriation authority.

Likewise, the job service retirement plan is a pension plan that was established for employees of Job Service North Dakota having assets held in trust for its members.²⁵ In another prior opinion, this office has observed that "it has been successfully argued that the assets of a state pension plan are owned by the members of the system and not the state."²⁶ As a result, the payment of benefits from the job service retirement plan is also not subject to legislative appropriation authority.²⁷

Additionally, it should be noted S.B. 2022 did not contain a biennial appropriation for benefits payable under the job service retirement plan. In finding appropriation authority was intended in a situation where a biennial appropriation was not made, the North Dakota Supreme Court has opined:

Where the meaning of a statute is doubtful, the construction placed upon it by the officers charged with the administration thereof is entitled to considerable weight; and this is especially so if it is apparent that the members of the state Legislature in dealing with the subject must have been aware of the construction which had been placed upon the statute by those administering it and failed to indicate any disapproval of such construction.²⁸

²⁴ N.D.C.C. § 54-52.2-05.

²⁵ N.D.C.C. § 52-11-01.

²⁶ N.D.A.G. Letter to Person (Jan. 11, 1988).

²⁷ Also, it is reasonable to conclude that there is continuing appropriation authority for benefit payments from the job service retirement fund. N.D.C.C. §§ 54-52-04(6) and 54-52-13.1 each provide continuing appropriation for benefit payments from a retirement fund administered by NDPERS. State statutory construction principles allow singular words to be interpreted to include the plural, so likewise it is reasonable to conclude there is continuing appropriation authority for benefit payments from the job service retirement fund as well. N.D.C.C. §1-01-35.

²⁸ Gammons v. Sorlie, 219 N.W. 105, 108 (N.D. 1928).

In this case, the administrators and legislators exhibited agreement that NDPERS had appropriation authority to make payments from the job service retirement plan and did not need additional legislative action to effectuate it.

NDRIO CONTINUING APPROPRIATION AUTHORITY

The governing boards supported by NDRIO have also been granted express continuing appropriation authority for almost all of the payments associated with the programs the agency is responsible for administering. The responsibility for the administration of NDTFFR and for the investment program overseen by NDSIB lies with NDRIO. Express continuing appropriation authority has been granted for NDTFFR for the payment of benefits and consultant fees.²⁹ The NDSIB is charged with the investment of various funds, and the board is granted continuing appropriation authority for the associated investment costs and “all moneys required for the making of investments of funds under the management of the board.”³⁰ Additionally, NDRIO itself also has some continuing appropriation authority for the cost of operation of the agency. Section 54-52.5-03, N.D.C.C., establishes the state retirement and investment fund and provides a continuing appropriation from the funds managed by the NDSIB to the state retirement and investment fund for the actual amount of administrative expenses incurred by NDRIO for services rendered. This section goes on to state that the actual amount of administrative expenses incurred by NDRIO must be paid from the fund in accordance with the agency’s appropriation authority.³¹ This statute provides continuing appropriation authority to transfer money to the retirement and investment fund from investment clients for the payment of administrative expenses but restricts disbursement from the fund to an amount established by the Legislature.

IMPLIED AUTHORITY

Given that the Legislature had granted these agencies continuing appropriation authority, and adjourned without approving a biennial appropriation, but left in place the appropriation authority and the responsibility to administer the programs, it is necessary to consider whether the continuing appropriation authority can be effectuated without funding for staff and other operational expenses.

While appropriation acts are strictly construed, they should not be construed so strictly as to defeat their manifest objects.³² Further, “an appropriation for a stated purpose or object may be used for any matter reasonably included within that purpose or object.”³³ “An

²⁹ N.D.C.C. § 15-39.1-05.2(4).

³⁰ N.D.C.C. §§ 21-10-05, 21-10-06, 21-10-06.2.

³¹ N.D.C.C. § 54-52.5-03.

³² 81A C.J.S. States § 409.

³³ 81A C.J.S. States § 410.

agency has only those powers given to it by the Legislature or necessarily implied therefrom.³⁴ In the absence of a state law to the contrary, an implied power may exist for an action if an express power cannot be effectuated without it.³⁵

As previously noted, NDPERS and NDRIO are expressly charged with the management, investment, and processing of funds on behalf of the state, various political subdivisions, and public employees. The boards supported by NDPERS and NDRIO act as fiduciaries for the funds invested and the programs overseen.³⁶ As fiduciaries holding funds in trust for the members, beneficiaries, and clients, the boards and their supporting agencies have legal obligations to administer those funds prudently. Those obligations must be fulfilled as long as there are member, beneficiary, and client funds managed by the agencies.³⁷ For the reasons below, those fiduciary obligations and the agencies' express authority to administer the funds give rise to the agencies' implied authority for the wages and operating costs of the individuals necessary to effectuate the continuing appropriations.

As fiduciaries, these boards and their supporting agencies must prudently administer the funds with which they are entrusted. The Legislature has provided continuing appropriations for most of the functions these agencies need to carry out as prudent plan administrators. To the extent these agencies lack express appropriation authority for necessary and prudent administrative and operating expenses, however, their legal obligations as fiduciaries would be frustrated without some implied appropriation authority.³⁸ For example, a continuing appropriation for the payment of any benefit under the programs is of no effect unless there is a person available to authorize the payment; nor is a continuing appropriation for the retention of consultants effective unless there is a person available and authorized to negotiate and sign the contract with the consultant; nor a continuing appropriation for the making of investments or payment of investment costs

³⁴ N.D.A.G. 2014-L-03.

³⁵ Id.

³⁶ N.D.C.C. chs. 54-52, 15-39.1; N.D.C.C. § 21-10-07; N.D.A.G. Letter to Omdahl (May 29, 1990).

³⁷ There is no indication in the legislative history that the Legislature's failure to pass a budget for these agencies was intended to defund or terminate the plans and programs the agencies administer.

³⁸ The failure of the Legislature to provide express appropriation authority for these activities places the agencies in a position where, absent implied appropriation authority, they could be subject to legal action by members, beneficiaries, and clients of the programs at issue.

unless there is a person available to authorize and monitor the investment.³⁹ It is not reasonable to conclude that these employees or board members could responsibly perform the necessary functions for administration of the various programs without incurring operating expenses including but not limited to expenses for office space, office supplies, appropriate equipment and technology support, necessary insurance, and being able to travel and engage in appropriate professional development activities.

The implied authority to effectuate express appropriation authority necessary to fulfill fiduciary obligations is strictly limited, however.⁴⁰ First, those same fiduciary obligations to plan beneficiaries that permit the existence of implied authority in this situation also circumscribe the agencies' authority to incur administrative and operating costs. By law, the boards must limit staffing and operating expenses to levels that do not exceed those which are required to prudently administer the programs for which these boards are responsible.⁴¹

Second, I have previously found implied authority may exist only when it is not prohibited by other law.⁴² While there is no express authority which generally prohibits a state agency from operating entirely on a continuing appropriation,⁴³ I refer to any limit specifically placed on the agencies' authority to expend funds for administrative expenses. Such explicit limitation would additionally curtail the agencies' implied appropriation authority.

³⁹ While I have found implied authority for these agencies to pay their board members, there is an argument to be made that the Legislature has already granted a continuing appropriation to these boards for board member pay. Generally "an unrepealed and unmodified legislative act which creates an office, fixes the salary, and designates the time, mode, or manner of payment constitutes a continuing appropriation." 63C Am. Jur. 2d Public Funds § 27; see State v. Jorgenson, 142 N.W. 450, 457 (N.D. 1913). The authority, amount, and frequency for payments to the board members of NDTFFR, NDSIB, and NDPERS are set forth in N.D.C.C. §§ 15-39.1-08, 21-10-01, 54-52-03.

⁴⁰ In an opinion provided to the North Dakota Wheat Commission I indicated that a theory of continuing appropriation could implicate the debt limit prohibition found in N.D. Const. art. X, § 13. N.D.A.G. 2004-L-78. I have considered, but do not find, the debt limit prohibition implicated here because the continuing appropriation authority relied on is still subject to repeal or modification by future legislative assemblies. See Lesmeister v. Olson, 354 N.W.2d 690, 700 (N.D. 1984).

⁴¹ It is reasonable to assume the current staffing levels and operating expenses fall within these limits.

⁴² N.D.A.G. 2014-L-03.

⁴³ For example there exist multiple state entities under N.D.C.C. title 4.1 that are wholly funded by continuing appropriations. N.D.C.C. §§ 4.1-02-19, 4.1-03-16, 4.1-04-17, 4.1-05-14, 4.1-06-18, 4.1-07-18, 4.1-08-05, 4.1-09-22, 4.1-10-15, 4.1-11-15, 4.1-12-08, 4.1-13-21, 4.1-52-11, 4.1-72-07.

Of particular note is the limitation on NDRIO's disbursement of funds otherwise appropriated for the payment of administrative expenses under N.D.C.C. § 54-52.5-03. This section provides continuing appropriation authority to transfer money to the retirement and investment fund for the payment of administrative expenses by NDRIO but limits disbursement of that money to amounts set by the Legislature. While the language of this limitation may be clear on its face, a latent ambiguity was created when read together with the continuing appropriation authority otherwise granted the investment and retirement programs it manages, and as applied to this particular set of facts. Statutes which contain a latent ambiguity when applied to a particular situation make it appropriate to consider the statute's meaning in light of extrinsic aids, which may include the object sought to be attained and the consequences of a particular construction.⁴⁴

The Legislature has granted NDRIO a continuing appropriation for the funds necessary to pay the benefits and consultants of the retirement program, the funds necessary to make and pay the cost of investments for the investment program, and the funds necessary to pay the administrative costs of these programs.⁴⁵ By adjourning without acting on S.B. 2022, the Legislature did not negate the funding of these programs, rather it failed to meet its obligation to advise NDRIO on how to spend the funds that had already been appropriated. There is no indication in the legislative history that the Legislature's failure to pass a budget for these agencies was intended to defund or terminate the plans and programs the agencies administer. A conclusion that this inaction prevents NDRIO from spending funds otherwise appropriated would result, for the reasons herein discussed, in a termination of the programs and a failure of fiduciary obligations. Therefore this latent ambiguity must be resolved in favor of NDRIO's implied authority to effectuate its continuing appropriations and fulfill the fiduciary obligations of the boards and the plans they administer.⁴⁶

⁴⁴ N.D.A.G. 2011-L-05.

⁴⁵ N.D.C.C. §§ 15-39.1-05.2(4), 21-10-05, 21-10-06.2.

⁴⁶ In addition, both the retirement and investment programs are responsible for administering funds having constitutional protection. The retirement program administers the TFFR plan, which is the successor fund to the teachers' insurance and retirement fund, assuming all of its money, rights and obligations. N.D.C.C. §§ 15-39.1-01, 15-39.1-02, and 15-39.1-03. N.D. Const. art. X, § 12 appropriates the funds necessary for payments required by law to be paid to beneficiaries of the teachers' insurance and retirement fund. Therefore, TFFR enjoys the special status conferred on the teachers' insurance and retirement fund. N.D.A.G. Letter to Hanson (Feb. 25, 1987). Likewise the investment program overseen by the NDSIB has a constitutional mandate to invest the legacy fund. N.D.A.G. 2011-L-05. Neither the Legislature nor the people may refuse to fund a constitutionally mandated function. N.D.A.G. 2011-L-05.

CONCLUSION

NDPERS and NDRIO are large, complex agencies governed by a myriad of state statutes. Among those statutes are a few laws that specifically require biennial legislative appropriation to pay certain expenses.⁴⁷ To the extent the agencies rely on their implied appropriation authority, they must recognize these express limits and, where practicable, avoid expending funds for activities that explicitly require biennial legislative action. Where such activities are inescapably intertwined with other agency activities, however, it would be unreasonable to require the agencies to separate them, especially considering that neither the agencies nor the members, beneficiaries, or clients of the funds they administer are responsible for the current circumstances necessitating this opinion.

Under these unique circumstances, it is my opinion that the express continuing appropriation authority granted these agencies combined with their independent legal obligations as fiduciaries of the plans they administer carry with them the implied authority to expend funds for the salaries and associated operating expenses of the individuals needed to effectuate those appropriations in order to fulfill their fiduciary obligations, to the extent the implied authority is not prohibited under state law. While I cannot, in a legal opinion, determine the actual amounts these agencies may expend pursuant to this implied authority, I will remind the governing Boards of these agencies that they are and remain fiduciaries, and any expenditure of funds must be done prudently.

Sincerely,

Wayne Stenehjem
Attorney General

This opinion is issued pursuant to N.D.C.C. § 54-12-01. It governs the actions of public officials until such time as the question presented is decided by the courts.⁴⁸

⁴⁷ See, e.g., N.D.C.C. §§ 54-52.3-03, 54-52-04(11), 39-03.1-04.

⁴⁸ See State ex rel. Johnson v. Baker, 21 N.W.2d 355 (N.D. 1946).



**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

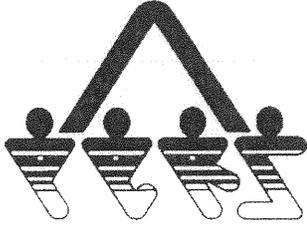
TO: PERS Board
FROM: Sharon Schiermeister
DATE: June 12, 2015
SUBJECT: Agency Operations

Back in March, we reviewed with the Board several initiatives that will be taking place prior to the end of the biennium. At that time, the need for additional temporary staffing, office space and workload adjustments was identified, which could require appropriation authority to be transferred from the Contingency line item to the Salary and/or Operating line items. The Board authorized staff to move forward with these initiatives and to report back with the amount of the line item transfer that is necessary. Here is an update:

- One Member Services Representative has been retained to answer incoming calls on the main phone line. This increases our call center from three to four.
- Three retired state employees were hired as presenters, to represent NDPERS at the Health Insurance Transition meetings and webinars that were held in April and May. These individuals are also assisting us with callbacks to retirees with questions on the RHIC change, Sanford transition and premium increases.
- Additional office space on the 5th floor was secured and is currently be used for the temporary staff.
- We are reviewing options for recognizing the increased work and responsibility placed on staff.
- We have been able to move forward on a very limited basis with work on the PIR backlog.
- We are anticipating some additional mailings to retirees regarding the Sanford transition and the RHIC changes.

In order to cover the expenditures for the remainder of the biennium, it will be necessary to request a line item transfer of \$25,000 from the Contingency line to the Salary line and \$25,000 from the Contingency line to the Operating line.

Board Action Requested: Approve the line item transfers



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

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

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

Memorandum

TO: PERS Board

FROM: Derrick Hohbein, CPA

DATE: June 11, 2015

SUBJECT: Consultant Fees for the Quarter Ended March 2015

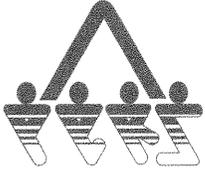
Attached is a quarterly report showing the consulting, investment, and administrative fees paid during the quarter ended March 2015.

Attachment

**North Dakota Public Employees Retirement System
Consulting/Investment/Administrative Fees
For the Quarter ended March 31, 2015**

Program/Project	Fee Type	Jan-15	Feb-15	Mar-15	Fees Paid During The Quarter	Fees Paid Fiscal Year-to-Date
Actuary/Consulting Fees:						
Callan and Associates	Fully insured RFP	-	-	-	-	5,000
Deloitte Consulting	Self insured RFP	-	-	-	-	5,000
Deloitte Consulting	Hourly billings regular rates	-	-	-	-	300
Deloitte Consulting	Hourly billings Composite rates	-	-	-	-	12,315
Mid Dakota Clinic	Retirement Disability Time charges	750	500	500	1,250	1,168
Eide Bailly	GASB 68/67 Time charges	3,000	3,000	3,000	3,000	5,350
Eide Bailly	Hourly Consulting Time Charges	175	175	175	175	5,450
Eide Bailly	Travel expenses	500	500	500	500	175
Gallagher Benefit Services Inc	fixed fee	-	-	-	-	868
Ice Miller	Legal fees ACA	24,821	-	-	24,821	3,000
Ice Miller	Legal fees Employee benefit matters	22,951	-	-	22,951	24,821
Linda Cahn	Project # 1	4,088	-	-	4,088	22,951
Linda Cahn	Project # 2	10,000	-	-	10,000	4,088
Linda Cahn	Project # 3	-	29,358	-	29,358	10,000
Linda Cahn	Project # 4	-	8,190	-	8,190	29,358
Linda Cahn	Project # 5	-	9,338	-	9,338	8,190
The Segal Company	Retirement (DB) Fixed Fee	18,025	-	-	18,025	9,338
The Segal Company	Ret Health Credit Fixed Fee	3,325	-	-	3,325	53,800
The Segal Company	FlexComp Time charges	140	-	-	140	9,925
The Segal Company	Job Service Fixed Fee	4,800	-	-	4,800	140
The Segal Company	QDRO/Compliance Time charges	2,870	-	-	2,870	14,350
The Segal Company	Legislation Time charges	39,620	-	-	39,620	9,800
The Segal Company	Retirement (DC) Time charges	-	-	-	-	134,890
The Segal Company	Def comp time charges	-	-	-	-	-
The Segal Company	GASB 67 disclosures Time charges	37,870	-	-	37,870	1,050
The Segal Company	Health savings account Time charges	980	-	-	980	88,340
The Segal Company	115 TRUST Consulting on ACA	350	-	-	350	-
The Segal Company	Dental RFP	-	-	-	-	8,470
The Segal Company	Travel Expenses Actual	\$ 170,590	\$ -	\$ 51,061	\$ 220,671	\$ 468,137
Audit Fees:						
Brady Mantz	Annual audit Fixed Fee	27,750	-	-	27,750	52,750
Legal Fees:						
ND Attorney General	Administrative Time charges	-	-	-	-	20,844
Calhoun Law Group	Administrative Time charges	-	-	-	-	-
Investment Fees:						
SIB - Investment Fees	Retirement (DB) % Allocation	76,238	818,270	566,710	1,461,218	8,046,880
SIB - Investment Fees	Ret Health Credit % Allocation	779	3,032	66,134	69,945	213,573
SIB - Investment Fees	Insurance % Allocation	390	578	411	1,379	4,033
SIB - Administrative Fees	Retirement (DB) % Allocation	23,075	25,192	23,783	72,050	227,716
		\$	\$	\$	\$	\$
		170,590	846,972	1,156,934	1,604,592	8,492,202
Administrative Fee:						
Blue Cross Blue Shield	Health Plan Fixed fee	1,764,297	1,766,690	1,767,906	5,298,893	15,755,800

* fees not yet available



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

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

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

MEMORANDUM

TO: NDPERS Board

FROM: Jamie Kinsella *Jamie*

DATE: May 20, 2015

SUBJECT: **February 18, 2015 PERS Audit Committee Minutes**

Attached are the approved minutes from the February 18, 2015 meeting. Those who attended the meeting are available to answer any questions you may have.

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

The next audit committee meeting is currently scheduled for August 19, 2015 10:00 a.m., in the NDPERS Conference Room.

Attachment



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

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

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

MEMORANDUM

TO: Audit Committee
 Jon Strinden
 Arvy Smith
 Rebecca Dorwart

FROM: Jamie Kinsella, Internal Auditor

Jamie

DATE: March 24, 2015

SUBJECT: February 18, 2015 Audit Committee Meeting

In Attendance:

- Jon Strinden
- Arvy Smith
- Rebecca Dorwart
- Jamie Kinsella
- Julie McCabe
- Sparb Collins
- Sharon Schiermeister
- John Mongeon
- Lance Rambousek

The meeting was called to order at 1:00 p.m.

I. November 19, 2014 Audit Committee Minutes

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

II. Internal Audit Reports

A. Quarterly Audit Plan Status Report – A summary of the internal audit staff time spent for the past quarter was included with the audit committee materials. There is a new table added to the report entitled “Retirement Benefits & Refunds Audit; overall recap of results from July to the end of prior month.” This is to show the Audit Committee the potential number of errors in the total population of new retirees based on audit results to date.

B. Audit Recommendations Status Report – As stated in the Audit Policy #103, the Internal Audit Division is to report quarterly to management and the audit committee the status of the audit recommendations of the external auditors, as well as any found by the internal auditor. The report has been updated to reflect what has been accomplished during November 1, 2014 through January 31, 2015.

- C. Benefit/Premium Adjustments Report – The quarterly benefit adjustment report was provided to the audit committee. The report is in two sections, Retirement and Insurance. This report has eight retirement and four insurance adjustments.
- D. Internal Audit Report for 2014 – A copy of the Internal Audit Report for 2014 was given to the Audit Committee for their information. Discussion followed regarding new external auditors for 2015-2017.
- E. Internal Audit Plan for 2015 – A year ago an audit plan was developed for the 2014-2015 calendar year. The board was given an update on the progress of the two year plan. Discussion followed.

III. Administrative

- A. Audit Committee Meeting Date & Time – The next audit committee meeting is scheduled for May 20, 2015 at 10:00 a.m.
- B. Audit Committee Charter Revision Proposal – The Audit Committee Charter states that it will “17. Confirm annually that all responsibilities outlined in this charter have been carried out. Report annually to the Board, members, retirees and beneficiaries, describing the committee’s composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.”

To meet this requirement a matrix was developed to review against current practices to ensure that the audit committee is meeting its responsibilities. This will be provided to the board for their information.

- C. Internal Audit Charter Activity Review – An Internal Audit Charter matrix was provided to the audit committee for the activities performed during 2014 for their information.

The Internal Audit Charter will be reviewed to determine if updates are needed. If so, it will be brought to the audit committee for their review and approval.

- D. Confidential Meeting between Internal Audit and Audit Committee – The chief audit executive must report periodically to senior management and the board on the internal audit activity’s purpose, authority, responsibility, and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the board. The meeting between the audit committee and the internal audit division is scheduled to take place in February of each year. The meeting was held at the close of regular business.

IV. Miscellaneous

- A. Travel Expenditures Update – There are no travel expenditures incurred by the Board and/or Executive Director for out-of-state travel for the period November 1, 2014 through January 31, 2015.

- B. Risk Management Report – The Loss Control Committee will provide quarterly to the Audit Committee a copy of the Loss Control Committee's agenda from their last meeting as well as the approved minutes. Copies of the September 30, 2014 minutes and the agenda for the December 16, 2014 meeting were provided to the audit committee.
- C. Report on Consultant Fees - According to the Audit Committee Charter, the audit committee should "Periodically review a report of all costs of and payments to the external financial statement auditor. The listing should separately disclose the costs of the financial statement audit, other attest projects, agreed-upon-procedures and any non-audit services provided." A copy of the report showing the actuary/consulting audit, legal, investment and administrative fees paid during the quarter ended December 2014 is not available at this time. It will be provided when it becomes available
- D. Publications – The November/December 2014 publication of the Tone at the Top were provided to the Audit Committee for their perusal.
- E. Webinars and CPE's – Ms. Kinsella and Ms. McCabe have been participating in free Webinars that the Institute of Internal Auditors provides for their members. Each 1 hour webinar provides 1 hour of continuing professional education credits. The internal auditors have attended eight webinars from November 1, 2014 through January 31, 2015. These webinars are held during the lunch hour so the internal auditors remain available to staff during normal business hours.

Meeting adjourned at 1:55 p.m.