

# NDPERS BOARD MEETING

## Agenda

**Bismarck Location:**  
ND Association of Counties  
1661 Capitol Way  
**Fargo Location:**  
BCBS, 4510 13<sup>th</sup> Ave SW

**May 21, 2015**

**Time: 8:30 AM**

### **I. MINUTES**

- A. April 16, 2015

### **II. GROUP INSURANCE**

- A. Health Plan Implementation Update – Deb (Information)
- B. EAP Update – Bryan (Board Action)
- C. Certificates of Insurance and Summary of Benefits – Kathy (Information)

### **III. RETIREMENT**

- A. Experience Study Results – Segal
- B. DC 401(a) Reporting – Bryan (Information)
- C. RHIC Implementation Update – Bryan (Information)
- D. RHIC Nondiscrimination Testing – Bryan (Information)
- E. Investment Update – Sparb (Information)

### **IV. DEFERRED COMPENSATION & DEFINED CONTRIBUTION**

- A. 457 Plan Transfer – Kathy and MaryJo (Board Action)
- B. Quarter 1 Investment Report – Bryan (Board Action)

### **V. MISCELLANEOUS**

- A. Legislation Update – Sparb (Information)

### **VI. APPEALS**

- A. Group Insurance Appeal Case #252
- B. Deferred Compensation Hardship Case #248

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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

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

# Memorandum

**TO:** PERS Board  
**FROM:** Deb Knudsen  
**DATE:** May 13, 2015  
**SUBJECT:** Health Plan Implementation Update

Since our last Board meeting, staff has continued 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 working plan for May for this group is to concentrate on testing systems for the first two weeks and focus on operational items for the second half of May. Progress is good in this area with the initial file testing resulting in 98% accuracy. Specific scenario testing has commenced and the first real production file will go to SHP the week of 5/18. This will be used to generate ID cards and will be updated with weekly feeds thereafter. New requests for data continue to emerge and are coordinated with BCBS as they come up. We have confirmed that the HDHP can be integrated off of an existing file, which will result in a streamlined process as SHP is the administrator for the HSA. Subject matter experts are working to ensure processes and reports are established correctly and internal audit has also worked with this group to establish proper interest calculation report criteria and ensure questions are answered. Sanford will also be preparing a file for ADP to work with in the near future.
- b. **Marketing/communication –**
  - i. Additional meetings have been set up for Information meetings for employees of the State and political subdivisions as well as retirees around the state through May 20. (Schedule is attached)
  - ii. Email-blasts, postcards mailed to homes with information regarding the information meetings and posters have been utilized to promote the information meetings. There continues to be a pool of three NDPERS representatives presenting the information meetings with a SHP representative at various locations. A handout entitled “What You Need to Know” has been created and customized for actives and retirees to use at the meetings. In addition to live meetings, participants have the option to attend a webinar or watch a video of the meetings on either

the NDPERS or Sanford websites. Retirees are also being offered the opportunity to participate in conference calls as an alternative to attending a meeting. A separate mailing informing them of this will be sent at the end of next week.

- iii. Messages have been sent and 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, messages are being sent to Wellness Coordinators as well with similar information and this information is posted on the Healthy Blue site (rotator area).
  - iv. Member ID card formats have been finalized and are projected to be in the mail by the middle of June. There will also be an information booklet sent after the ID cards are sent. There will be two cards sent per family containing up to four names, but more cards can be requested, if needed. (sample attached) In addition, cards for the HSA plan have been approved and will also be sent in that timeframe.
  - v. Disease Management participants will be receiving a letter from SHP notifying them of the transition from BCBS to SHP. It is anticipated that they will receive this towards the early part of June.
  - vi. 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.
- c. **Certificate of Insurance (COI) finalization** Staff has worked with SHP staff to finalize the four COI's and SBC's which were submitted to the ND Insurance Commissioners office on April 27.
- d. **Benefits Configuration/Claims Processing** – Work has commenced on the configuration process and each COI will be the basis for the system they are building. As of Monday, SHP has indicated that the configuration for the grandfathered plan is 97% complete and the non-grandfathered and HDHP are 60% complete.
- e. **Wellness** – Weekly meetings have been held in this area and information about this program has been shared and discussed. 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 Wealth. Progress is being made, however, the bulk of this initiative remains to be developed. As of the date of this memo, the Wellness positions in North Dakota are filled and the top position is still vacant. However, work in this area continues with SHP staff assigned to this area.
- f. **Pharmacy and Care Management** – This committee continues to meet and refine existing issues. Staff has received the criteria for the Disease Management component and is drafting a program to send to SHP. EAP coordination has been added to the agenda of this working group to ensure it is understood and integrated into the plan as a resource. We have been notified that Express Scripts cannot do a point of service member rebate, but SHP is researching the options at this time. Additional clarifications are that SHP will not grandfather over the counter drugs and they will mimic the current process with specialty drugs. As reported last meeting, anyone who is on a drug that is not currently on the formulary Sanford has with Express Scripts

will have that drug grandfathered into the existing formulary to avoid any disruption due to the transition. However, any new prescriptions issued would be subject to the plan's existing formulary.

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 is with Jan for review at this time. SHP plans to be the administrator for the HSA and is in the process of building it now. Less reporting will be required of NDPERS as a result, so data will be received on the 834 file.
- 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 8 has been set for accounting staff to work with BCBS staff in the transition.
- Details are being worked out regarding claims processing, etc.
- Transitions from the Disease Management and Value Added programs are being planned as well as many other details as they emerge. BCBS staff have been very helpful during these meetings and we are facilitating the few reports that were not made available to SHP.

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.

A transition/project plan was drafted by Sanford and provided to staff and we receive regular updates to this tool.

Other significant areas that SHP is currently working towards are securing office space in Bismarck, and hiring efforts. Mike Klepatz, the new NDPERS Account Executive who will be located in Fargo, has begun working directly with staff. As of our weekly status meeting on May 15, 2015, there are 49.5 positions in Fargo, with 28 filled, 1 pending offer and 21 openings. In Bismarck there are 8 job openings with 4 positions filled and 4 open. In Sioux Falls there are 14 positions of which 7 have been filled and 7 remain open. Positions requiring extra recruiting efforts are Pharmacy Specialist and IT Analyst. As you know, Essentia has joined the SHP network and negotiations continue with Trinity Health Systems in Minot. Sanford expects to sign a contract with them in the next month or so.

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.

Underwritten by:



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

**Insured:**

Z1003000101 JOHN C DOE  
Z1003000102 JANE M DOE  
Z1003000103 JOHNNY C DOE  
Z1003000104 JANIE M DOE

**Grp:** ND01000101

**RxBIN:** 003858

**RxPCN:** A4

**RxGrp:** NDPA



**Copays:** \$25 PPO; \$30 Basic; \$50 ER

**Members:** For urgent or emergency care when you are out of the local service area, seek treatment at the nearest medical facility or call 911. Notify Sanford Health Plan of an admission as soon as it is reasonably possible and no later than 48 hours after physically or mentally able to do so. This card is for identification purposes only. It does not constitute proof of eligibility.

20141215

<b>View Provider Directory at:</b>	sanfordhealthplan.com/ndpers
<b>Benefits &amp; Eligibility:</b>	1-800-499-3416 or (701) 751-4125
<b>Precertification/Authorization:</b>	1-888-315-0885
<b>Pharmacy Use Only:</b>	1-800-824-0898
<b>Payor ID:</b>	91184
<b>Submit claims to:</b>	Sanford Health Plan * PO Box 91110 Sioux Falls, SD 57109-1110

\* If there is an address along with a network logo, please submit claims to that address.



The networks above are only available to members residing, traveling or attending school outside the Sanford Health Plan Service area.

# Schedule

Sanford Health Plan/PERS On-site Presentations  
State and Political Subdivisions (Actives)  
and Retirees

Please note that this schedule includes sessions for both Active Members and Retired Members. Those marked RETIREE MEETING will be covering health insurance topics specifically relating to retired members.

West Schedule	East Schedule
<p><u>Monday, May 4, 2015</u> <b>ACTIVE MEETING</b> Where: Heritage Center (Auditorium) 612 East Boulevard Avenue, Bismarck Time: 10:00 a.m. and 1:00 p.m. Contact: Beth Campbell Email: <a href="mailto:bcampbell@nd.gov">bcampbell@nd.gov</a> 701-328-2674 Projector available, just bring laptop</p>	<p><u>Monday, May 4, 2015</u> <b>ACTIVE MEETING</b> Where: North Dakota State Hosp. 2605 Circle Drive, Jamestown Time: 10:00 a.m. LaHaug Gym Time: 2:30 p.m. GM Conference Room #198 Contact: Gina Guthmiller Email: <a href="mailto:gguthmiller@nd.gov">gguthmiller@nd.gov</a> 701-253-3222</p>
<p><u>Tuesday, May 5, 2015</u> <b>ACTIVE MEETING</b> Morton County and City of Mandan Where: Morton County (Commissioners Meeting Room) 210 2<sup>ND</sup> Ave NW, Mandan Time: 8:30 a.m. and 10:00 a.m. Contact: Kathy Krance Email: <a href="mailto:Kathy.krance@mortonnd.org">Kathy.krance@mortonnd.org</a> 701-667-3304</p> <p><b>ACTIVE MEETING</b> Where: Bank of ND (Board Room) 1200 Memorial Highway Time: 4:00 p.m. Contact: Crystal Deringer Email: <a href="mailto:cderinger@nd.gov">cderinger@nd.gov</a> 701-328-5728</p>	<p><u>Tuesday, May 5, 2015</u> <b>ACTIVE MEETING</b> Where: Job Service Fargo 1350 32<sup>nd</sup> Street South, Fargo Conference Room Time: 3:00 p.m. Contact: Julia Schmaltz Email: <a href="mailto:jschmaltz@nd.gov">jschmaltz@nd.gov</a> 701-239-7302</p>

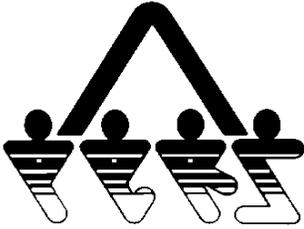
<b>West Schedule</b>	<b>East Schedule</b>
<p><u>Wednesday, May 6, 2015</u>  <b>ACTIVE MEETING</b>  Where: Job Service, Bismarck  1000 E Divide Ave  (Meeting room downstairs)  Time: 8:30 a.m.  Contact: Lori Berger  Email: <a href="mailto:lberger@nd.gov">lberger@nd.gov</a>  701-328-3106  (secure building, call before you arrive so  Lori can meet at the east door)</p> <p><b>ACTIVE MEETING</b>  Where: Bank of ND (Board Room)  1200 Memorial Highway  Time: 11:00 a.m.  Contact: Crystal Deringer  Email: <a href="mailto:cderinger@nd.gov">cderinger@nd.gov</a>  701-328-5728</p> <p><b>ACTIVE MEETING</b>  Where: Game and Fish, Bismarck  100 North Bismarck Expressway  (Enter Front Door and go to Auditorium  which is located by the front door)  Time: 1:30 p.m.  Contact: Melissa Long  701-328-6318  <a href="mailto:malong@nd.gov">malong@nd.gov</a></p>	<p><u>Wednesday, May 6, 2015</u>  <b>ACTIVE MEETING</b>  Where: Fargo DOT  503 38<sup>th</sup> Street South  Room: Cold Storage Room in SW building  Time: 9:00 a.m.  Contact: Kathy Lockwood  Email: <a href="mailto:klockwood@nd.gov">klockwood@nd.gov</a>  701-239-8902</p> <p><b>ACTIVE MEETING</b>  Where: Fargo DHS  2624 9<sup>th</sup> Ave South, Fargo  Use front door (Community Room)  Time: 1:30 p.m.  Contact: Phyllis Brandt  Email: <a href="mailto:pbrandt@nd.gov">pbrandt@nd.gov</a>  701-298-4401</p>
<p><u>Thursday, May 7, 2015</u>  <b>ACTIVE MEETING</b>  Where: Workforce Safety &amp; Insurance  (Board Room)  1600 E Century Ave, Bismarck  Time: 8:30 a.m. and 2:30 p.m.  Contact: Mary Selzler  Email: <a href="mailto:mselezler@nd.gov">mselezler@nd.gov</a>  701-328-3851</p>	<p><u>Thursday, May 7, 2015</u>  <b>ACTIVE MEETING</b>  Where: City of Grand Forks  Grand Forks County  6<sup>th</sup> Floor Conference Room  151 South 4<sup>th</sup> Street, Grand Forks  Time: 9:00 a.m.  Contact: Rae Ann Burger  Email: <a href="mailto:rburger@grandforksgov.com">rburger@grandforksgov.com</a>  701-746-2621</p> <p><b>ACTIVE MEETING</b></p>

West Schedule	East Schedule
	<p>Where: Lake Region State College 1801 College Drive North, Devils Lake Time: 2:30 p.m. Contact: Shelby Krueger 701-662-1500 Email: <a href="mailto:Shelby.krueger@lrsc.edu">Shelby.krueger@lrsc.edu</a></p>
<p><u>Friday, May 8, 2015</u> <b>ACTIVE MEETING</b> Where: Burleigh County 221 N 5<sup>th</sup> Street (Tom Baker Room downstairs) Time: 9:00 a.m. and 1:00 p.m. Contact: Tammy Terras Email: <a href="mailto:tterras@nd.gov">tterras@nd.gov</a> 701-222-6536</p>	<p><u>Friday, May 8, 2015</u> <b>ACTIVE MEETING</b> Where: Lake Region State College 1801 College Drive North, Devils Lake Time: 9:00 a.m. Contact: Shelby Krueger 701-662-1500 Email: <a href="mailto:Shelby.krueger@lrsc.edu">Shelby.krueger@lrsc.edu</a></p> <p><b>RETIREE MEETING</b> <b>Where: Lake Region State College-</b> <b>1801 College Drive North, Devils Lake</b> <b>Time: 1:00 p.m.</b> <b>Contact: Shelby Krueger 701-662-1500</b> <b>Email: <a href="mailto:Shelby.krueger@lrsc.edu">Shelby.krueger@lrsc.edu</a></b></p>
<p><u>Monday, May 11, 2015</u> <b>ACTIVE MEETING</b> Where: Brynhild Haugland Room, State Capitol 600 E Boulevard Ave Time: 9:00 a.m. and 1:00 p.m. Contact: 701-328-2471 (Facility Management)</p>	
<p><u>Tuesday, May 12, 2015</u> <b>ACTIVE MEETING</b> Where: Dickinson DOT 1700 3<sup>rd</sup> Ave West Suite 101 Time: 9:00 a.m.(Mountain Time) Contact: Bonnie Kerner Email: <a href="mailto:bkerner@nd.gov">bkerner@nd.gov</a> 701-227-6504</p> <p><b>RETIREE MEETING</b> <b>Where: City of Dickinson</b></p>	<p><u>Tuesday, May 12, 2015</u> <b>ACTIVE MEETING</b> Where: Grafton Life Skills and Transition Center 701 West 6<sup>th</sup> Street Professional Services Building, East side of campus (main door) Time: 8:30 and 10:30 Contact: Diane Anderson Email: <a href="mailto:danderson@nd.gov">danderson@nd.gov</a> 701-352-4269</p>

West Schedule	East Schedule
<p><b>City Hall-Front Door</b>  <b>99 2<sup>nd</sup> Street East</b>  <b>Times: 2:30 p.m. (Mountain Time)</b>  <b>Contact: Shelly Nameniuk</b>  <a href="mailto:shelly.nameniuk@dickinsongov.com">shelly.nameniuk@dickinsongov.com</a>  <b>701-456-7801</b></p>	<p><b>ACTIVE MEETING</b>  Where: Grand Forks DOT  1951 North Washington Street, Grand Forks  Conference Room  Time: 2:00 p.m.  Contact: Vern Flemming  Email: <a href="mailto:vflemmin@nd.gov">vflemmin@nd.gov</a>  701-787-6503  (45 min. drive from G.F to Grafton)</p>
<p><u>Wednesday, May 13, 2015</u>  <b>ACTIVE MEETING</b>  Where: Dickinson DHS  300 13<sup>th</sup> Ave Weste  Time: 9:00 a.m. (Mountain Time)  Contact: Jeanette Fiedler  Email: <a href="mailto:jfiedler@nd.gov">jfiedler@nd.gov</a>  701-227-7507</p> <p><b>ACTIVE MEETING</b>  Where: City of Dickinson  City Hall-Front Door  99 2<sup>nd</sup> Street East  Time: 1:00 p.m.(Mountain Time)  Contact: Shelly Nameniuk  Email: <a href="mailto:shelly.nameniuk@dickinsongov.com">shelly.nameniuk@dickinsongov.com</a>  701-456-7801</p>	<p><u>Wednesday, May 13, 2015</u>  <b>ACTIVE MEETING</b>  Where: City of Fargo  Time: 10:30 a.m. Fargo Public Library (Main)  Community Room, 102 3<sup>rd</sup> Street N  Time: 1:30 p.m. City Hall  City Commission Room, 200 3<sup>rd</sup> St. North (use main door)  Contact: Jill Minette  Email: <a href="mailto:jminette@cityoffargo.com">jminette@cityoffargo.com</a>  701-241-1334</p>
<p><u>Thursday, May 14, 2015</u>  <b>ACTIVE MEETING</b>  Where Williston DHS  316 2nd Ave W  (This will lead to the main building)  Conference room  Time 10:00 (Central Time)  Contact: Lisa Hoffman  Email: <a href="mailto:lmhoffman@nd.gov">lmhoffman@nd.gov</a>  701-774-4600</p> <p><b>ACTIVE MEETING</b>  Where: Williston DOT  822 18<sup>th</sup> Street East Meeting Room #3</p>	<p><u>Thursday, May 14, 2015</u>  <b>ACTIVE MEETING</b>  Where: Fargo DHS  2624 9<sup>th</sup> Ave South, Fargo  Use front door (Community Room)  Time: 8:30 a.m.  Contact: Phyllis Brandt  Email: <a href="mailto:pbrandt@nd.gov">pbrandt@nd.gov</a>  701-298-4401</p> <p><b>RETIREE MEETING</b>  <u>Thursday, May 14, 2015</u>  <b>Where: Dakota Medical Foundation</b></p>

West Schedule	East Schedule
<p>Williston Area Recreation Center (WARC)  Time: 1:00 p.m. Central Time  Contact: Kathleen Rossland  Email: <a href="mailto:krosslan@nd.gov">krosslan@nd.gov</a>  701-774-2702</p> <p><b>ACTIVE MEETING</b>  Where: City of Williston  822 18<sup>th</sup> Street East (ARC Williston Area Recreational Center)  Time 3:00 p.m.  Contact: John Kautzman  Email: <a href="mailto:johnk@ci.williston.nd.us">johnk@ci.williston.nd.us</a>  701-577-8100</p>	<p><b>4141 28<sup>th</sup> Ave South, Fargo Event Center</b>  <b>Time 1:00 p.m. (have to be out at 3:00 p.m. leave room clean)</b>  <b>Contact: Ashley (701-271-0263)</b></p>
<p><u>Friday, May 15, 2015</u>  <b>RETIREE MEETING</b>  <b>Where: The ARC (Williston Recreational Center) Meeting Room 1 and 2</b>  <b>822 18<sup>th</sup> Street East</b>  <b>Time: 10:00 a.m.</b>  <b>Contact: 701-572-9272 (main Number)</b>  <b>Kari Olson</b>  <b>Email: <a href="mailto:kari@wprd.us">kari@wprd.us</a></b></p> <p><b>ACTIVE MEETING</b>  Where: City of Williston  822 18<sup>th</sup> Street East (The ARC Recreational Center)  Time: 1:00 p.m.  Contact: John Kautzman  Email: <a href="mailto:johnk@ci.williston.nd.us">johnk@ci.williston.nd.us</a>  701-577-8100</p>	<p><u>Friday, May 15, 2015</u>  <b>RETIREE MEETING</b>  <b>Where: Dakota Medical Foundation</b>  <b>4141 28<sup>th</sup> Ave South, Fargo</b>  <b>EVENT CENTER</b>  <b>LEAVE ROOM CLEAN/SPEAKERS CAN COME 15 MIN. EARLY</b>  <b>Time: 9:30 am and 1:00 p.m.</b>  <b>Contact: Ashley (701-271-0263)</b></p>
<p><u>Monday, May 18, 2015</u>  <b>RETIREE MEETING</b>  <b>Where: Brynhild Haugland Room</b>  <b>Room, State Capitol</b>  <b>600 E Boulevard Ave</b>  <b>Times: 9:00 and 1:00</b>  <b>Contact: 328-2471</b></p>	<p><u>Monday, May 18, 2015</u>  <b>RETIREE MEETING</b>  <b>Where: Minot State University</b>  <b>500 University Ave. West</b>  <b>(Student Union 3<sup>rd</sup> Floor-projector available)</b>  <b>Time: 9:30 a.m.</b>  <b>Contact: Jonelle Watson 701-858-3367</b>  <b>or Robyn Wagner 701-858-3224</b></p>

West Schedule	East Schedule
	<p data-bbox="824 233 1333 264"><a href="mailto:Jonelle.watson@minotstateu.edu">Jonelle.watson@minotstateu.edu</a></p> <p data-bbox="824 338 1094 369"><b>ACTIVE MEETING</b></p> <p data-bbox="824 375 1300 516">Where: Minot State University 500 University Ave. West (Student Union 3<sup>rd</sup> Floor-projector available)</p> <p data-bbox="824 522 1179 554">Time: 1:00 and 3:30 p.m.</p> <p data-bbox="824 560 1414 627">Contact: Jonelle Watson 701-858-3367 or Robyn Wagner 701-858-3224</p>
<p data-bbox="188 705 524 737"><u>Tuesday, May 19, 2015</u></p> <p data-bbox="188 743 483 774"><b>RETIREE MEETING</b></p> <p data-bbox="188 781 764 993">Where: Bismarck Public Library 515 North 5<sup>th</sup> Street Room A Downstairs (Library opens at 9:00 seats up to 200) Times: 9:30 a.m. Contact: 355-1480</p> <p data-bbox="188 1037 483 1068"><b>RETIREE MEETING</b></p> <p data-bbox="188 1075 743 1247">Where: Mandan Public Library 609 West Main Street Starion Room (Large Meeting Room) Times: 1:30-3:30 p.m. Contact: 667-5365</p>	<p data-bbox="824 705 1161 737"><u>Tuesday, May 19, 2015</u></p> <p data-bbox="824 743 1117 774"><b>RETIREE MEETING</b></p> <p data-bbox="824 781 1390 921">Where: UND Campus, Grand Forks 2901 University Ave Memorial Union (in the Lecture Bowl-located on second floor)</p> <p data-bbox="824 928 1252 959">Time: 10:00 am and 1:30 pm</p> <p data-bbox="824 966 1422 997">Contact: Vicki Robertson, 701-777-2158</p> <p data-bbox="824 1003 1313 1035">Email: <a href="mailto:vicki.robertson@und.edu">vicki.robertson@und.edu</a></p>
<p data-bbox="188 1289 570 1320"><u>Wednesday, May 20, 2015</u></p> <p data-bbox="188 1327 483 1358"><b>RETIREE MEETING</b></p> <p data-bbox="188 1365 712 1654">Where: James River Valley Library 105 3<sup>rd</sup> St SE, Jamestown (Projector available – down in the basement) Time: 2:00 p.m. Contact: Jennifer Senger Phone 701-252-2990 <a href="mailto:jsenger@bektel.com">jsenger@bektel.com</a></p>	<p data-bbox="824 1289 1206 1320"><u>Wednesday, May 20, 2015</u></p> <p data-bbox="824 1327 1094 1358"><b>ACTIVE MEETING</b></p> <p data-bbox="824 1365 1245 1541">Where: Valley City DOT 1524 8<sup>th</sup> Ave SW, Valley City (off the 2nd exit turn south) Go 1/8 mile then new building Conference Room</p> <p data-bbox="824 1547 1062 1579">Time: 10:00 a.m.</p> <p data-bbox="824 1585 1162 1617">Contact: Candy OBrien</p> <p data-bbox="824 1623 1154 1690">Email: <a href="mailto:cobrien@nd.gov">cobrien@nd.gov</a> 701-845-8805</p>



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

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(701) 328-3900  
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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb & Bryan  
**DATE:** May 21, 2015  
**SUBJECT:** Employee Assistance Program (EAP)

There were four responses to the NDPERS EAP Request for Proposal (RFP). The four were: St. Alexius, The Village, Deer Oaks, and Live Well Solutions. These are our four existing providers. NDPERS staff reviewed the RFP proposals and found that they all met the minimum qualifications.

Attached is the summary matrix from each of the RFP responses.

As you recall, we use an agency-based approach for the EAP. Each state agency will select a single vendor for the 2015-2017 biennium.

Staff will send out the EAP information to the providers and agencies after the NDPERS Board meeting. The vendors will set up information booths and present their programs at the June 17<sup>th</sup> NDPERS Payroll Conference. The deadline for switching providers will be June 19<sup>th</sup>.

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

Board Action Requested:

Approve the four EAP vendors as agency choices for the 2015-2017 biennium.

# Employee Assistance Program



*Imagine better health.™*

## Minimum Program Feature Matrix

EAP Features	Minimum	Vendor
EAP Established	1 year	The CHI St. Alexius Health Employee Assistance Program (EAP) was established in 1982.
Number of Annual Sessions Per Individual	6	The CHI St. Alexius Health EAP will continue to exceed the minimum number of annual sessions. We will provide up to eight (8) sessions per individual, per year, per assessed issue. When couple or family sessions are provided, participation in these sessions will be counted towards the individual eligibility of each participant.
Number of Annual Sessions Per Incident	6 (Full Individual Minimum)	Should the same plan member return to the EAP based on another incident, a second counseling intervention would be provided to the plan member based on this new incident. For each incident, assuming the incidents are different and unrelated from previous incidents, based on professional assessment, the plan member could be eligible to receive eight additional sessions.
Coverage	Employee and Dependents	We provide coverage for spouses and/or dependent children under age 26, living either in home or out-of-home as defined by statute. Retirees are covered during 3 months post retirement. Employees impacted by Reduction in Force (RIF) are covered during 3 months post RIF separation from agency.
Staffing	Licensed Social Workers	All of the EAP clinical staff exceed the minimum licensing requirements. All EAP clinicians are fully licensed by the Board of Counseling, Social Work or Addiction. Some of the clinicians are licensed by more than one Board. All North Dakota state licensure standards are met.
Appointment Timing	Within 72 hours	Within 24-48 hours.

EAP Features	Minimum	Vendor
Emergency Appointments	Within 24 hours	Within 16 hours.
Weekend/Holiday Appointments	Emergency	Emergency
1-800 number	Minimum one line	The CHI St. Alexius Health EAP 1-800 line is a dedicated "T-1" line. This line has 24 incoming channels which could be accessed simultaneously by individuals calling in to the program.
Phone Counseling	Minimum one staffed line	Phone counseling is available 24 hours a day and seven days a week, holidays included. The phone counseling is staffed by the EAP clinicians.
24 hour Crisis 'Hot' Line Staffing	Minimum one staffed line by LSW	This minimum requirement is exceeded. All EAP clinicians who staff the Crisis 'Hot' Line are fully licensed by the Board of Counseling, Social Work or Addiction. Some of the clinicians are licensed by more than one Board. All North Dakota state licensure standards are met.
On-site Employee Orientation	1 per year (Smaller groups may be combined)	1 per quarter if requested. Will continue to fill all agency requests.
On-site Seminars	None, except as noted in IV, A, 1, c & d	All seminar requests will be encouraged and considered. In addition, we will participate in all NDPERS functions as noted in NDPERS EAP RFP, IV, A, 1, c & d.
Off-site Seminars	None, except as noted in IV, A, 1, c & d	The CHI St. Alexius Health EAP provides "Enhancing Excellence in the Workplace" series consisting of leadership training and all staff educational presentations. The trainings and presentations are offered three times per year using convenient webinar technology. The trainings and presentations are offered as a courtesy to the agency or personnel who participate. In addition, we will participate in all NDPERS functions as noted in NDPERS EAP RFP, IV, A, 1, c & d.
Management Training	Minimum Requirements: Stress, Conflict, Crisis, Change Management	The CHI St. Alexius Health EAP provides management training through the "Enhancing Excellence in the Workplace" and offers onsite training on an as requested or as needed basis.

EAP Features	Minimum	Vendor
		Additional management training topics are available as well.
Management Consulting	Available to all supervisory/management staff	The CHI St. Alexius Health EAP provides extensive management consultation to all agencies covered by the program. The EAP staff is experienced in dealing with challenging work site problems and includes these services as an integrated component available to all administrators, managers and supervisors. Consultations can be done over the phone, in face-to-face sessions or via email.
Additional/Specialty Services Available	@ Additional Cost	At additional cost with authorization from agency designee.
Employee Newsletters Supervisory Newsletters Internal Marketing Material (i.e., payroll stuffers, posters, etc.)	Quarterly Biannually As needed	All minimums exceeded. Throughout the year, Professional and Supervisory Updates, Informational brochures, posters and wallet cards are distributed. Additional informational materials are available as requested.
Agency Reporting - Utilization	Quarterly with Annual to Date	All minimums exceeded. Customized utilization reports will continue to be made available to the agencies as requested.
Price	\$1.54 Maximum	\$1.54
OTHER UNIQUE FEATURES		All employees have access to helpful resources via the CHI St. Alexius EAP website at <a href="http://www.st.alexius.org/eap">www.st.alexius.org/eap</a> .

# **LIVE WELL SOLUTIONS**

**RESPONSE TO**

## **NORTH DAKOTA PUBLIC EMPLOYEE RETIREMENT SYSTEM**

**PROPOSAL TO PROVIDE EAP SERVICES**

**UPDATED MATRIX AND AGREEMENT**

APRIL 17, 2015



Prepared by:  
Kyle Agre  
Vice President  
Live Well Solutions

9) Complete the following table and questions with information on your proposed EAP. The vendor shall show where they're proposed services meets or exceeds the minimum requirements in the following table.

EAP Features	Minimum	Vendor
EAP Established	1 year	Exceeds LWS was formed in 2008.
Number of Annual Sessions Per Individual	6	Exceeds LWS agrees to provide 6 sessions. Additional session models are available at client's request.
Number of Annual Sessions Per Incident	6 (Full Individual Minimum)	Meets/Exceeds LWS agrees to provide 6 sessions. Additional session models are available at client's request.
Coverage	Employee and Dependents	Meets/Exceeds LWS is willing to extend services to all household members.
Staffing	Licensed Social Workers	Meets/Exceeds Staff is either Licensed Social Workers or PHD level Licensed Psychologists
Appointment Timing	Within 72 hours	Meets/Exceeds
Emergency Appointments	Within 24 hours	Meets/Exceeds
Weekend/Holiday Appointments	Emergency	Meets/Exceeds
1-800 number	Minimum one line	Meets/Exceeds
Phone Counseling	Minimum one staffed line	Meets/Exceeds
24 hour Crisis 'Hot' Line Staffing	Minimum one staffed line by LSW	Meets/Exceeds
On-site Employee Orientation	1 per year (Smaller groups may be combined)	Meets/Exceeds LWS will provide annual employee orientations.
On-site Seminars	None, except as noted in IV, A, 1, c & d	Meets/Exceeds LWS is offering 4 bundled hours to be used for additional training.
Off-site Seminars	None, except as noted in IV, A, 1, c & d	Meets/Exceeds LWS is offering 4 bundled hours to be used for additional training.
Management Training	Minimum Requirements: Stress, Conflict, Crisis, Change Management	Meets/Exceeds In addition to annual management training, LWS is offering 4 bundled hours to be used for additional training.
Management Consulting	Available to all supervisory/management staff	Meets/Exceeds

EAP Features	Minimum	Vendor
Additional/Specialty Services Available	@ Additional Cost	24 Hour Nurseline \$.33 pepm. Healthy Workplace Wellness Program \$.75 pepm. CISD Services \$350 per hour. Additional Training \$150 per hour
Employee Newsletters Supervisory Newsletters Internal Marketing Material (i.e., payroll stuffers, posters, etc.)	Quarterly Biannually As needed	Meets/Exceeds
Agency Reporting - Utilization	Quarterly with Annual to Date	Meets/Exceeds
Price	\$1.54 Maximum	\$1.50
OTHER UNIQUE FEATURES		See included worklife and online services sections.



**The Village  
Business Institute**  
a division of The Village Family Service Center  
**Employee Assistance Program**

EAP Features	Minimum	Vendor
EAP Established	1 year	1972
Number of Annual Sessions Per Individual	6	Minimum of 8 sessions per household and a total of four sessions per household member. The number of sessions are combined to be used as needed (for example, a household of four would have 16 sessions and one person could use all 16 if needed)
Number of Annual Sessions Per Incident	6 (Full Individual Minimum)	No individual will have less than 8 sessions.
Coverage	Employee and Dependents	All household members and dependents up to 26 years of age
Staffing	Licensed Social Workers	Licensed with a Masters or PH.D. level mental health professionals
Appointment Timing	Within 72 hours	Within 72 hours
Emergency Appointments	Within 24 hours	Within 24 hours
Weekend/Holiday Appointments	Emergency	Emergency
1-800 number	Minimum one line	23 Lines
Phone Counseling	Minimum one staffed line	7 staffed for emergencies-mental health 8 staffed for Financial counseling Law phone also staffed
24 hour Crisis 'Hot' Line Staffing	Minimum one staffed line by LSW	7 staffed lines by Masters level LSW mental health professionals
On-site Employee Orientation	1 per year (Smaller groups may be combined)	1 minimum, also as necessary throughout the year
On-site Seminars	None, except as noted in IV, A, 1, c & d	All as noted in IV, A, 1, c & d IN-PERSON On-site orientations for employees & supervisors PLUS 2 hours of live, on-site training per agency; 2 additional hours per 500 employees per agency **VBI has multiple professional trainers E-Training module also available Participate when requested in organizational on-site Health Fairs & Wellness Programming

EAP Features	Minimum	Vendor
Off-site Seminars	None, except as noted in IV, A,1, c & d	Quarterly Contract Holder Seminars for Supervisors and or Managers
Management Training	Minimum Requirements: Stress, Conflict, Crisis, Change Management	Stress, Conflict, Crisis, Change Management See unique features below or visit: <a href="http://www.thevbi.com/training/topics">http://www.thevbi.com/training/topics</a>
Management Consulting	Available to all supervisory/management staff	Supervisor Help-Line available to all Supervisor/Management Staff and we case manage Supervisor Referrals
Additional/Specialty Services Available	@ Additional Cost	CSM (extra cost if above and beyond training hours), Mediation, Investigations, Human Resources Services Consulting, Job Coaching, Leadership Coaching, Employee Engagement Surveys
Employee Newsletters Supervisory Newsletters Internal Marketing Material (i.e., payroll stuffers, posters, etc.)	Quarterly Biannually As needed	Monthly (paper or electronic) Quarterly (paper or electronic) -Minimum annual - As Needed
Agency Reporting - Utilization	Quarterly with Annual to Date	Quarterly with Annual Date -100% ongoing currently - Utilization numbers are based on direct services to clients, face-to-face counseling sessions, complete financial assessment, conversation with an attorney, and education class attended.
Emergency Appointments	Within 24 hours	Within 24 hours
Price	\$1.54 Maximum	\$1.54 per employee per month

#### OTHER UNIQUE FEATURES

1. The Village Business Institute EAP is a full-service, comprehensive employee assistance program. Access to VBI EAP services features a one-step access to our state-wide network of Village offices and affiliate providers through our professional intake staff using our toll-free line 800-627-8220. All clinical, mental health counseling staff providing EAP services in Village offices are Masters level or Ph.D. level mental health professionals, far exceeding the LSW requirements of the RFP. The 24-hour crisis staff also carries these credentials. In addition, clinicians have

a minimum of three years clinical counseling experience. The Village Family Service Center staff includes over 100 mental health professionals.

2. We offer a barrier-free intake process to make appointments for EAP services. Highest confidentiality standards are in place. We are in full compliance with all Federal Health Insurance Portability and Accountability Act. (HIPAA). A counselor is available 24 hours a day, 365 days a year. No matter when a client calls a counselor is available to speak with them.

3. We are licensed in the state of North Dakota to deliver web-based counseling services as an option for our clients.
4. The Village Business Institute's EAP offers a full range of financial counseling for all employees and their household members through our Financial Resource Center. Financial counseling may be accessed face-to-face, via the internet, or telephone. All financial counselors are Certified Consumer Credit Counselors under the National Foundation for Credit Counseling (NFCC), the highest certifying board of the credit counseling industry.
5. Individual wellness programs and educational workshops are available to employees and their families. The Village Business Institute's EAP plans are designed with wellness and productivity in mind. Employees and their household members access services by request. Identified problems are not required to obtain services. EAP services are available to assist employees in improving their wellbeing and reduce the potential of problems occurring or worsening. Examples of these individual wellness education classes are: Stress Management, Anger Management, Parenting the Love & Logic way, Relationships 101, Happiness is a Verb, No More Diets; Mindfulness, Drug & Alcohol Education, Money Control. VBI also offers a Health Risk Assessment in addition to nutrition counseling.
6. We also offer a password protected EAP wellness website, <http://villageeap.com/> Login: **NDPERS Demo** this site is a resource for many areas of wellness. This site offers a variety of assistance and resources for employees, employers, and affiliates. The website is very comprehensive with an archive of VBI newsletters and provides the user the opportunity to contact The Village Business Institute's EAP with questions, comments, and feedback.
7. The Village Business Institute EAP will provide full organizational support services. The Village Business Institute EAP staff will be available for intervention, assessment, referrals, consultations and case management with supervisors or employees regarding problems in the work place. The Village Business Institute EAP staff includes one Senior Professional in Human Resources (SPHR), two Professional in Human Resources

(PHR), three Certified Employee Assistance Professionals (CEAP), a Licensed Psychologist, one D.O.T. Qualified Substance Abuse Professional (SAP) Human Resources professionals and a Masters in Management professional. This staff stands ready to work with agencies in areas of alternative dispute resolution, harassment, and violence in the workplace, critical incidents, work performance and change in management.

8. Management consultation through the Supervisory Help Line is unlimited under The Village Employee Assistance Program. Issues related to supervision, management, human resources, human behavior, etc. can all be addressed with our Help Line staff. All NDPERS agencies will also have access to Supervisor Referrals for both performance issues and for drug-free workplace violations. We also offer a team of consultants for investigations, mediation and management coaching. Again, on-site supervisor orientation is included in the program. Other supervisor training is available, and includes two hours for each agency, and an additional two hours per 500 covered employees per agency. In addition, we offer recorded training content. Check out the VBI training link for additional information. <http://www.thevbi.com/training/onlinetraining>

Topics include but are not limited to:

**Team Training & Development** – Conflict Resolution; Effective Communication; Team Building; Intergenerational Teams; Dealing with Difficult Personalities; Workplace Diversity  
**Supervisory Training & Development** - Supervisor Basics; Leading Effective Teams; Developing the Leader in You; Creating a Culture of Accountability; Performance Management

**Compliance Training** – Drug-Free Workplace; Reasonable Suspicion; Preventing Harassment; Handling Harassment Complaints; Workplace Violence; Bullying

**Employee Training & Development** - Overcoming Negative Attitudes; Understanding Your Communication Style; Serving the Difficult Customer; Providing Exceptional Customer Service

**Wellness Training** – Stress Management; Handling Personal Change; Work/Life Balance; Money Management; Mindfulness; Compassion Fatigue/ Burnout

9. The Village Business Institute Employee Assistance Program can provide all the drug-free workplace services necessary to initiate a program. An agency can choose to allocate its training hours to the implementation of a drug free workplace program. The VBI EAP provides Substance Abuse Professional services to all EAP companies and organizations needing paid services. Chemical Dependency Assessments & Evaluations in addition to case management of drug-free workplace formal referrals are covered.

10. All VBI EAP clients have access to both individual and organizational crisis management services. Individual crisis services are delivered when a plan member is in need of services immediately due to a personal acute issue. Phone counseling services are available immediately for individuals who are in need of such services, 24 hours a day. In office emergency appointments are offered within 24 hours. Emergency room admissions for mental health reasons are case managed by the clinician when appropriate. VBI also provides services for an organizational emergency or crisis situation such as a critical incident. Agencies can use training hours for crisis management services. In such cases Village Business Institute staff members are trained in Critical Incident Stress Management. Appropriate meetings to debrief affected staff are scheduled as soon as possible after the incident.

**Deer Oaks EAP Services, LLC**  
**Minimum Program Features Matrix**

EAP Features	Minimum	Vendor
EAP Established	1 year	<p><i>Meets/Exceeds</i></p> <p>The Deer Oaks Employee Assistance and Work/Life Program was established in 1992, representing 23 years in the industry.</p>
Number of Annual Sessions Per Individual	6	<p><i>Meets/Exceeds</i></p> <p>Deer Oaks will continue to exceed this requirement and offers State Agencies an eight (8) session model.</p> <p>These sessions are per incident for assessment and short-term counseling per individual per calendar year. Counseling is available in-person, telephonically, online and using your Smartphone through our iConnectYou App.</p>
Number of Annual Sessions Per Incident	6 (Full Individual Minimum)	<p><i>Meets/Exceeds</i></p> <p>8 annual sessions per separate incident (full individual minimum per incident)</p>
Coverage	Employee and Dependents	<p><i>Meets/Exceeds</i></p> <p>Deer Oaks defines eligible members as:</p> <ul style="list-style-type: none"> <li>• State Employees</li> <li>• Spouse or any child (natural or adopted, under age 26) of an Employee, regardless of where such spouse or child resides;</li> <li>• Any child for whom an Employee (or his or her spouse) is a court-appointed guardian;</li> <li>• Any person residing in the household of an Employee.</li> </ul> <p>All employees and their dependents/ household members are eligible to access the EAP and Work/Life benefit starting on day one of the contract and on the first day of their employment (for new employees).</p>

EAP Features	Minimum	Vendor
		<p>Additionally, employees who separate from the State for any reason may continue to access the EAP for up to six (6) months post-employment.</p>
Staffing	Licensed Social Workers	<p><i>Meets/Exceeds</i></p> <p>Deer Oaks utilizes a network of 54,000+ affiliate counselors nationally to provide services to our clients. <i>This includes 214 providers in the State of North Dakota.</i></p> <p>All counselors providing telephonic and in-person counseling services to State employees are licensed mental health professionals with a minimum of a Master's or Doctoral degree in a mental health discipline. Their credentials vary and include Licensed Social Workers, Licensed Psychologists, Licensed Educational Psychologists, Licensed Marriage and Family Therapists, Licensed Clinical Social Workers, Licensed Professional Counselors, Licensed Drug &amp; Alcohol Counselors and Licensed Chemical Dependency Counselors. Our credentialing process mirrors NCQA standards and includes strict primary source qualification and reference verification. All counselors are re-credentialed every three (3) years to ensure ongoing compliance.</p>
Appointment Timing	Within 72 hours	<p><i>Meets/Exceeds</i></p> <p>In the case of an urgent request, the case manager will contact the client with a referral to an affiliate counselor within six (6) business hours and an appointment time within 48 hours of the initial contact with the EAP.</p> <p>Referrals for non-urgent problems are offered to the member within two (2) working days of his or her initial contact with the EAP. The counselor must have availability within five business days of accepting the case.</p>

EAP Features	Minimum	Vendor
Emergency Appointments	Within 24 hours	<p><i>Meets</i></p> <p>Emergency calls receive top priority. In these situations the case manager will follow the escalation procedure as warranted. This may include involvement of emergency services, ER or hospitalization to preserve the employee's safety. Subsequent appointments are available within 24 hours following the employee being stabilized. In-the-moment support from our Clinical Team is always available.</p>
Weekend/Holiday Appointments	Emergency	<p><i>Meets</i></p> <p>Weekend and holiday appointments are available upon request and in emergency situations. Additionally, in-the-moment telephonic support is always available 24/7/365 by calling the toll-free Helpline.</p>
I-800 number	Minimum one line	<p><i>Meets</i></p> <p>Deer Oaks offers a confidential, toll-free Helpline that is answered "live" 24/7/365. Counselors are always available to provide immediate crisis intervention and in-the-moment support. A TTY service is available for the hearing impaired and a language translation line with coverage of 200 languages is available for non-English speaking members.</p> <p>In addition to our Helpline, members may also access the EAP via our mobile application iConnectYou, as well as chat live with a Work/Life Consultant via the LiveCONNECT feature available on our website.</p>
Phone Counseling	Minimum one staffed line	<p><i>Meets/Exceeds</i></p> <p>200 staffed lines, all of which are staffed by Master's level counselors. In-the-moment telephonic support is available 24 hours a day, seven days a week including holidays.</p>

EAP Features	Minimum	Vendor
24 hour Crisis 'Hot' Line Staffing	Minimum one staffed line by LSW	<p><i>Meets/Exceeds</i></p> <p>200 staffed lines, all of which are staffed by Master's level counselors including Licensed Social Workers.</p>
On-site Employee Orientation	1 per year (Smaller groups may be combined)	<p><i>Meets/Exceeds</i></p> <p>Deer Oaks offers <b>up to two (2) hours of on-site training services per 200 covered employees</b> that may be used at each Agency's discretion for:</p> <ul style="list-style-type: none"> <li>• Employee and Supervisor EAP Orientations</li> <li>• Health Promotion &amp; Educational Seminars</li> <li>• Professional Development Seminars</li> <li>• DOT Supervisory Compliance Training</li> <li>• Health/Wellness Fair Participation</li> </ul> <p>Seminars may be provided on-site or via webinar. Orientation DVDs are also available to each Agency for internal use.</p> <p>Additionally, Deer Oaks will attend the NDPERS Payroll Conference and other meetings as requested.</p>
On-site Seminars	None, except as noted in IV, A, 1, c & d	<p><i>Meets/Exceeds</i></p> <p>Deer Oaks offers <b>up to two (2) hours of on-site training services per 200 covered employees</b> that may be used at each Agency's discretion for the activities noted above. Seminars may be provided on-site or via webinar. Orientation DVDs are also available to each Agency for internal use. Additionally, Deer Oaks will attend the NDPERS Payroll Conference and other meetings as requested.</p> <p>Designed using adult learning theories, our training seminars engage participants in collaborative learning and assist employees in learning new skills, adapting to change and challenges, increasing performance, and</p>

EAP Features	Minimum	Vendor
		<p>utilizing resources that enhance personal effectiveness and morale. Participants gain practical knowledge and useful strategies to help them problem-solve and improve relationships. The benefits to the organization include retention and commitment of key talent and high performers, higher levels of engagement and motivation, and a more knowledgeable and focused workforce.</p> <p>Our carefully selected and experienced training professionals have a minimum of five (5) years of experience in their content area(s), knowledge of the industry, and familiarity with workplace environments. They guide facilitation of content that is based on industry research, skills practice, action planning, and group discussions.</p> <p><i>Our 2015 Training Catalogue is provided as an attachment for your reference.</i></p>
Off-site Seminars	None, except as noted in IV, A,1, c & d	<p><i>Meets/Exceeds</i></p> <p>Off-site seminars are included in the bank of <b>up to two (2) hours of training services per 200 covered employees</b>. The State will be responsible for providing the off-site space.</p>
Management Training	Minimum Requirements: Stress, Conflict, Crisis, Change Management	<p><i>Meets/Exceeds</i></p> <p>Management training is included in the bank of <b>up to two (2) hours of on-site training services per 200 covered employees</b> as described above. We offer more than 100 educational seminars on a variety of work/life, wellness and EAP topics in the following categories: People Management, Caregiving, Financial, Legal, Wellness, Personal and Professional Development, and Global issues. Stress, Conflict Resolution, Crisis, Change Management, Diversity, Leadership, and Communication Techniques are among the covered topics.</p>

EAP Features	Minimum	Vendor
		<p>Deer Oaks also offers web-based training including monthly webinars, archived webinars, and 18 online skillbuilder training courses with certificates of completion. We also conduct a quarterly <i>Supervisor Excellence Webinar Series</i> that is designed to provide State of North Dakota supervisors and managers with enhanced skills to improve workplace morale, employee motivation and staff productivity.</p> <p>These web-based training resources are available to all State employees and their household members and do not count toward each Agency's bank of training hours.</p>
Management Consulting	Available to all supervisory/management staff	<p><i>Meets/Exceeds</i></p> <p>Through its <i>Management Assistance Program</i>, Deer Oaks offers support services to managers and supervisors in dealing with difficult workgroup issues. <i>Unlimited telephonic supervisory, management, and human resources consultation</i> is available to provide guidance regarding issues, policies, practices and events that affect behavior in the workplace. Our comprehensive management consultation process offers strategic solutions and practical advice that can open the path for healthy workplace communications and systems.</p> <p>In addition to management consultation, we also assist Agencies with mandatory referrals and offer conflict resolution/mediation services.</p> <ul style="list-style-type: none"> <li>• Conflict Resolution: two-party counseling via a formal mandatory referral- <i>included in proposed rates</i></li> <li>• A 30-minute in-person mediation session with an attorney qualified as a mediator- <i>included within our Legal Assist Program</i></li> <li>• Full-service in-person mediation service with a qualified mediator; the mediator meets with each party separately and then jointly, establishes an action plan and follows up- <i>fee-for-service</i></li> </ul>

EAP Features	Minimum	Vendor
Additional/Specialty Services Available	@ Additional Cost	<p><i>Meets</i></p> <p>Deer Oaks offers State of North Dakota Agencies the following optional, add-on services:</p> <ul style="list-style-type: none"> <li>• DOT Substance Abuse Professional (SAP) Evaluations: \$650.00/evaluation</li> <li>• Additional seminars, health fair participation, orientations beyond those included in the bank of on-site hours: \$300.00 per hour per clinician</li> <li>• Full-Service Mediation: \$300.00/hour</li> <li>• Live Well Standard Wellness Coaching: \$0.46 PEPM</li> </ul>
Employee Newsletters Supervisory Newsletters Internal Marketing Material (i.e., payroll stuffers, posters, etc.)	Quarterly Biannually As needed	<p><i>Meets/Exceeds</i></p> <p>Employee and Supervisor Newsletters are provided monthly in an electronic format and uploaded onto our website. They are available both in PDF and HTML versions.</p> <p>Internal Marketing Material: materials such as brochures, flyers, posters, and wallet cards are provided during program implementation and on an as-needed basis. Electronic materials are distributed each month as part of our ongoing program awareness campaign, as well as in conjunction with orientations, seminars, and health fair participation.</p> <p>During program implementation, the Deer Oaks Account Manager will work with each Agency Point of Contact to develop a customized, creative, and aggressive multi-media communication plan to introduce the program to employees. The Account Manager will monitor these promotional efforts and use this data when developing future promotional campaigns.</p>

EAP Features	Minimum	Vendor
Agency Reporting - Utilization	Quarterly with Annual to Date	<p><i>Meets</i></p> <p>Deer Oaks provides utilization reports electronically each quarter (with annual to date) and annually and includes information requested by the State without infringing on member confidentiality. The Deer Oaks Account Manager reviews these reports on an ongoing basis, monitoring utilization trends and the effects of various promotional campaigns. She applies these results to adapting the EAP program as needed, keeping in mind each Agency's organizational strategies and goals.</p> <p>Utilization reports contain at minimum the following statistics:</p> <ul style="list-style-type: none"> <li>• Overview of contract performance including number and utilization percentage of web logins, EAP cases and Work/Life cases for the reporting period and year to date</li> <li>• Caller demographics: gender, marital status, member type, age range, job classification, length of service, shift, department, ethnicity (the State may determine which categories it would like reported)</li> <li>• Overall statistics for contract use per reporting period</li> <li>• Departmental/locale statistics for contract use per reporting period (if in line with confidentiality parameters)</li> <li>• Employee versus dependent utilization</li> <li>• EAP referral source</li> <li>• Reported home- and work-related problems (presenting and secondary)</li> <li>• Type of assistance offered</li> <li>• Knowledge of service</li> <li>• Methods of contact</li> <li>• Work/Life cases by category</li> <li>• Web page hits by category and content</li> <li>• Feedback from customer satisfaction surveys and averages (when available based on rate of completion)</li> <li>• Event Activity and support hours i.e.</li> </ul>

EAP Features	Minimum	Vendor
		seminars, orientations, health fairs, CISDs, management consultation, etc. <ul style="list-style-type: none"> <li>• Training and on-site support participants</li> <li>• Communication material distribution</li> </ul>
Price	\$1.54 Maximum	Deer Oaks offers State Agencies the opportunity to realize cost savings through greater participation. We propose the following fee structure based on the cumulative number of employees across all Agencies participating in the Deer Oaks program. 0-1,999 employees: \$1.54 PEPM 2,000-3,999 employees: \$1.50 PEPM 4,000+ employees: \$1.48 PEPM These rates are guaranteed for the full two (2) years of the contract.
OTHER UNIQUE FEATURES		<p><b><u>Demonstrated Experience</u></b></p> <p>Deer Oaks is a premier, national Employee Assistance and Work/Life Company dedicated to helping our members improve their health and well-being through quality, cost-effective services. Deer Oaks has over two decades of experience in the mental health/EAP industry and currently serves 1 million members throughout the United States and Canada.</p> <p>Deer Oaks offers public and private employer groups short-term counseling and Work/Life services that positively impact employee morale, performance, and productivity, as well as medical claims, turnover, and supervisor effectiveness. With a nationwide network of 54,000+ mental health providers and an additional 8,000 providers globally, Deer Oaks supports local, national, and international employer groups, delivering proactive programs and unparalleled customer service.</p>

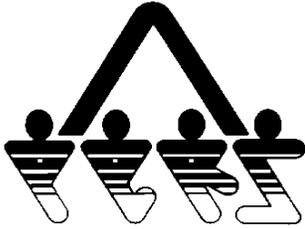
EAP Features	Minimum	Vendor
		<p>Since our inception in 1992, Deer Oaks has distinguished itself as a leader in the provision of Employee Assistance and Work/Life services to public sector employers. With 95% of our clients in the public sector, we have developed a wealth of experience in working with government agencies of all sizes at the federal, state and local levels. Due in part to our high-touch account management approach, Deer Oaks has established long-standing partnerships with its clients, which include the State of Nebraska, State of Connecticut, State of New Mexico, State of Texas Health &amp; Human Services System, State of Texas Parks and Wildlife, State of Texas Juvenile Justice Department and the State of North Carolina Administrative Office of the Courts, to name a few.</p> <p><b><u>Unique Program Features:</u></b>  Deer Oaks offers the State of North Dakota the widest continuum of public sector-oriented EAP and Work/Life Programming at a very competitive rate. Below are some additional program features that are included in our benefit package:</p> <ul style="list-style-type: none"> <li>• One step access to both the EAP and Work/Life Program via the Helpline</li> <li>• A statewide and national EAP network of mental health professionals</li> <li>• Dedicated Account Management Team utilizing our Signature High Touch Account Management Approach</li> <li>• Seamless Implementation and Transition Services including organizational needs assessments</li> <li>• An imbedded Work/Life Program, which includes resources on issues regarding legal, financial, childcare/eldercare,</li> </ul>

EAP Features	Minimum	Vendor
		<p>balancing work and family, and retiree assistance</p> <ul style="list-style-type: none"> <li>• Advantage Legal Assist Program <ul style="list-style-type: none"> <li>– Free 30-minute telephonic advice consultation with a plan attorney</li> <li>– Free 30-minute in-person consultation with a plan attorney. <i>93.60% of EAP participants resolve legal matters within this free consultation</i></li> <li>– Attorneys are available immediately for telephonic consultation; in-person consultations are scheduled</li> <li>– Consultation consists of analysis of the situation and advice on how to proceed. There is no document review or creation during this free consultation</li> <li>– If representation is required, members receive a 25% discount off hourly attorney fees</li> <li>– There is no limit to the number of times you can use the service for different issues</li> <li>– Coverage available in all 50 states</li> </ul> </li> <li>• Online Legal/Financial Educational Resources- Unlimited Access <ul style="list-style-type: none"> <li>– Online private and secure legal resources complement our telephonic and in-person service by providing online access to a wealth of educational resources, links, and tools. The site contains legal documents, a library of legal and financial information, access to state agencies to obtain birth certificates and other records, links to other legal resources, a glossary of terms, and more.</li> </ul> </li> <li>• Interactive Online Will Preparation <ul style="list-style-type: none"> <li>– Create a legally binding simple state-specific will at no cost through a step-by-step online “interview process”</li> </ul> </li> </ul>

EAP Features	Minimum	Vendor
		<ul style="list-style-type: none"> <li>• Advantage Financial Assist Program <ul style="list-style-type: none"> <li>– Free unlimited telephonic consultation with a financial counselor qualified to advise on a range of financial issues such as bankruptcy prevention, debt reduction and financial planning</li> <li>– Counselors address issues via a toll-free information line, and follow up by mailing supporting educational materials; Excluded issues include tax issues, counseling, advice or comparison of specific financial services or products</li> <li>– All counselors are knowledgeable in a wide range of financial topics</li> <li>– Advice is objective and pressure-free</li> <li>– Unlimited access to a wealth of educational financial resources, links, tools, and forms (i.e. tax guides, financial calculators, etc.)</li> <li>– Includes self improvement “Task Builders” for interactive financial improvement</li> </ul> </li>   <li>• ID Monitoring &amp; Recovery Program <ul style="list-style-type: none"> <li>– Provides victims a 30-minute consultation with an Identity Recovery Professional</li> <li>– The professional will assess the situation, create an action plan, and provide consultation on implementing the plan</li> <li>– Reduces time spent repairing compromised credit history</li> <li>– Restores peace-of-mind, while helping undo the damage</li> <li>– Control Your ID: Free Online Identity Monitoring</li> </ul> </li>   <li>• Child/Elder Care/Daily Living Referral Services <ul style="list-style-type: none"> <li>– Work-Life Consultants consult with members regarding their work/life needs, streamline searches, and provide a maximum of three (3)</li> </ul> </li> </ul>

EAP Features	Minimum	Vendor
		<p>referrals per request within 12 hours of the initial call</p> <ul style="list-style-type: none"> <li>– Searchable database of Childcare/Eldercare Resources</li> <li>– Tools for Balancing Work and Family</li> <li>– Extensive online and community resources covering a variety of Work/Life issues including, but not limited to child care, elder parent care, adoption, education, and daily support services.</li> </ul> <ul style="list-style-type: none"> <li>• Unlimited Critical Incident Stress Management (CISM) Services including on-site CISDs</li> <li>• Referrals to the most appropriate providers to include the State’s health plan, low-cost community resources, and other facilities for issues outside of the scope of the EAP</li> <li>• Mandatory Referral Coordination</li> <li>• Comprehensive Substance Abuse Professional (SAP) Services in compliance with Department of Transportation (DOT) requirements and agency requirements</li> <li>• Unlimited 24-hour access to the Deer Oaks website at <a href="http://www.deeroaks.com">www.deeroaks.com</a>. Members will have access to an innovative Work/Life website featuring an extremely comprehensive level of resource articles, assessments, audio, and video files covering emotional well-being, health and wellness, and workplace issues as well as child care, elder care, adoption, and education. The site is kept current and up-to-date by a team of dedicated staff, with new information added monthly. Members will receive an established organization-specific username and password to access the site.</li> </ul>

EAP Features	Minimum	Vendor
		<ul style="list-style-type: none"><li>• Full compliance with the Federal Health Insurance Portability and Accountability Act (HIPAA) and other state and federal laws regarding client confidentiality.</li><li>• Internal Quality Control Plan that includes silent monitoring, EAP &amp; Work/Life case reviews, a formal grievance process, and data systems and security measures.</li><li>• Program evaluation and performance tracking to include quarterly utilization reports and an online patient satisfaction survey</li><li>• Take the High Road Program: Deer Oaks remains concerned about the safety of its EAP participants and others. Therefore, Deer Oaks reimburses EAP participants for their cab fares in the event that they are incapacitated due to impairment by a substance or extreme emotional condition. This process is simple, and like all other EAP services, confidential. This service is available once per year per participant with a maximum reimbursement of \$45.00 (excludes tip).</li></ul>



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# Memorandum

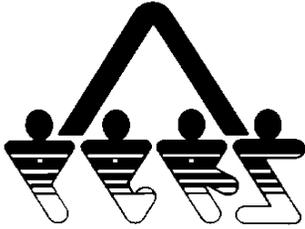
**TO:** NDPERS Board  
**FROM:** Kathy  
**DATE:** May 13, 2015  
**SUBJECT:** Certificates of Insurance

Included, for your review, are the following Certificates of Insurance (COI) which were filed with the State Insurance Department the last week of April:

- NDPERS Grandfathered Dakota Plan
- NDPERS Non-Grandfathered Dakota Plan
- NDPERS Non-Grandfathered Dakota High Deductible Health Plan
- NDPERS Dakota Retiree Plan Medicare Supplement

Also included are the Summary of Benefits and Coverage for each plan.

We are available to answer any questions.



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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** May 13, 2015  
**SUBJECT:** Experience Study

Attached please find a copy of the draft Experience Study recently completed by Segal. Brad will be at the next meeting to review this with you. Our goal at this meeting is to become familiar with the findings and identify questions for Segal to follow-up on before the June meeting. Next month we will review the report again and discuss possible actions.



 Segal Consulting

# North Dakota Public Employees Retirement System

**Experience Review: July 2009 – June 2014**  
**May 21, 2015**

*Presented By:*

*Brad Ramirez, FSA, MAAA, FCA, EA*

*Laura L. Mitchell, MAAA, EA*

*This document has been prepared by Segal Consulting for the benefit of the Board of the North Dakota Public Employees Retirement System and is not complete without the presentation provided at the May 21, 2015 meeting of the Board. This document should not be shared, copied or quoted, in whole or in part, without the consent of Segal Consulting, except to the extent otherwise required by law. Except where otherwise specifically noted, the actuarial calculations and projections were completed under the supervision of Tammy F. Dixon, FSA, MAAA, Enrolled Actuary.*

# Agenda

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- Overview
- Economic Assumptions
  - Inflation
  - Payroll Growth
  - Salary Increase
  - Investment Return
  - Miscellaneous Assumptions
- Demographic Assumptions
  - Termination
  - Disability
  - Retirement
  - Mortality
  - Spouse Information
  - Miscellaneous Assumptions
- Funding Policy
- Summary of Economic Assumptions
- Summary of Demographic Assumptions
- Cost Impact
- Actuarial Certification
- Appendix

DRAFT

# Overview: Purpose of an Experience Study

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- An experience study provides the basis for developing recommended assumptions to be used in the annual actuarial valuation
  - Performed on a periodic basis, typically every five years
  - Last experience study for PERS and HPRS was conducted in 2009 for the 5-year period ending June 30, 2009
  - Current study is based on the period July 1, 2009 through June 30, 2014
- Actuarial Standards of Practice #27 and #35 provide guidance on best practices for performing assumption setting analysis
  - Each assumption should be reasonable and the actuary's best estimate
- Segal's role is to make appropriate "best estimate" recommendations to the Board for each assumption
  - The assumptions are ultimately the Board's responsibility and the Board can adopt all, none, or some of the recommendations of the actuary

# Overview: How Assumptions Are Set

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- Review past experience
- Compare past experience (“actual”) with assumptions (“expected”)
- Determine trends – make judgments about future
- Develop component parts of each assumption
  - Maintain linkage with investments
  - Maintain internal consistency
- Keep in mind
  - No “right” answer – each assumption is a best estimate
  - Assumptions are long term

# Overview: Actuarial Assumptions

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## Economic

- Inflation
- Salary increase
- Payroll growth
- Investment return
- Miscellaneous

## Demographic

- Termination
- Disability
- Retirement
- Death after retirement
- Death in active service
- Spouse information
- Miscellaneous

## Funding Policy

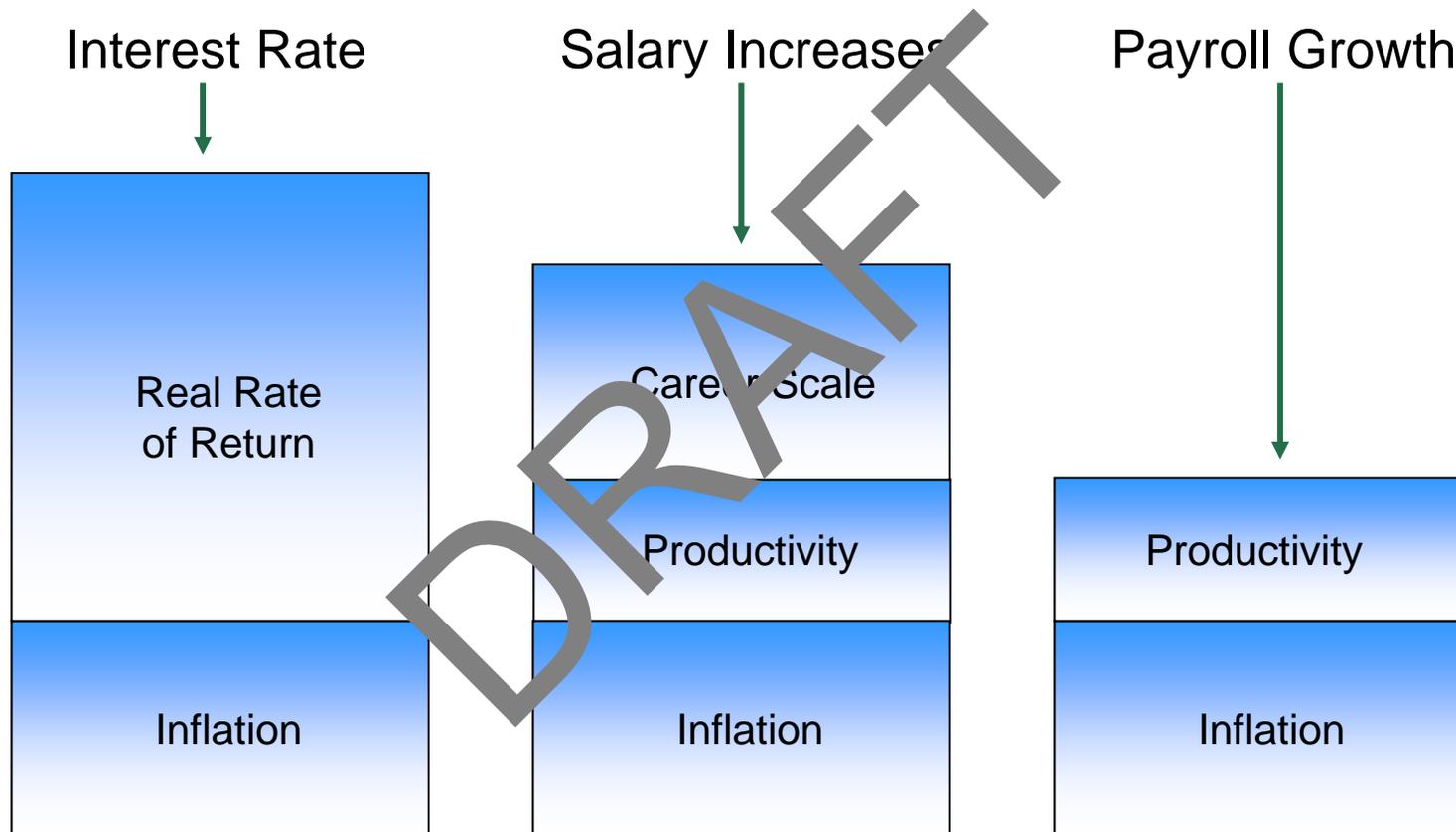
- Funding method
- Asset valuation method
- Amortization of Unfunded Actuarial Accrued Liability

**Actuaries make assumptions as to when and why a member will leave active service and estimate the amount and duration of the pension benefits due.**

# Building Block Method – Basis for Setting Economic Assumptions

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Each economic assumption has 2 or 3 components (or building blocks)



**Building blocks should be consistent across all economic assumptions,  
but may be adjusted for conservatism.**

# Assumed Rate of Inflation

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- Inflation represents the annual increase in the cost of living.
- The inflation assumption, currently 3.50%, indirectly affects the valuation.
  - Inflation is a component of the following economic assumptions:
    - Investment return
    - Payroll growth
    - Individual salary increases
- Segal's recommendation is to lower the long term assumption from 3.50% to 2.75%. This recommendation is based on:
  - Current market expectations indicate that low inflation is expected to continue; and
  - Both Callan and Segal Rogerscasey expect inflation to be less than 2.50% over the next 10-20 years.

## Assumed Rate of Inflation *(continued)*

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- As of June 30, 2014, the historical national inflation (CPI-U) averages are:
  - 5-year average - 2.02%.
  - 10-year average - 2.31%.
  - 20-year average - 2.41%.
  - 30-year average - 2.81%.
  - 50-year average - 4.16%.
- In addition to historical inflation, other metrics to consider are current market expectations and inflation assumptions used for similar pension plans.

## Assumed Rate of Inflation *(continued)*

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- By observing the difference between the yields on US Treasury bonds with and without inflation indexing, we can directly calculate the rate of inflation that investors may expect.
- As of June 2014, the yields on 30-year Treasury bonds were as follows:
  - Inflation indexed: 1.03%
  - Non-inflation indexed: 3.39%
  - The difference between these figures is 2.36%.
    - This difference of 2.36% represents one measure of the financial market's current expectations of inflation over the next 30 years.
- Social Security uses three inflation assumptions to project its future financial status:
  - Low inflation of 2.0%;
  - Moderate inflation of 2.7%; and
  - High inflation of 3.4%.

## Assumed Rate of Inflation *(continued)*

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- The National Association of State Retirement Administrators (NASRA) Public Fund Survey collects general information on 126 public pension systems.
- The median inflation assumption of these 126 systems is 3.00%.
- We recommend that the Board adopt an assumption that falls between:
  - The rate indicated by financial market data; and
  - The median rate used by peer retirement systems.

**We recommend that the Board lower the inflation assumption from 3.50% to 2.75%.**

# Assumed Rate of Payroll Growth

---

- The amortization of the unfunded actuarial accrued liability (UAAL) is calculated as a level percentage of payroll over a closed period of time.
  - The amortization amount in dollars is expected to increase each year as payroll increases (i.e., amortization payments are back loaded.)
  - The payroll growth assumption is used to estimate the annual increase in total payroll.
- A lower payroll growth assumption is more conservative.
  - A lower payroll growth assumption results in larger amortization payments.
  - For example, a 0% payroll growth assumption uses level amortization payments, similar to a mortgage.
- The current payroll growth assumption is 4% for Judges and 4.50% for all other Systems except Job Service, which does not have a payroll growth assumption. The payroll growth assumption consists of the following components:
  - Inflation: 3.50%
  - Productivity: 1.00% (0.50% for Judges)

## Assumed Rate of Payroll Growth *(continued)*

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- As the recommended inflation component is 2.75%, we need to examine the productivity component.
- Productivity can be measured as the excess of the increase in the National Average Wage over inflation.
  - The 20-year average of the National Average Wage is 3.4%.
  - The 20-year average inflation is 2.4%.
  - Therefore, productivity has averaged about 1.0% over the last 20 years.
  - We expect productivity in North Dakota to be greater than the national average due to its overall strong economy.
- We recommend increasing the productivity component of the payroll growth assumption to 0.75% for Judges and 1.25% for all other Systems (except Job Service).

## Assumed Rate of Payroll Growth *(continued)*

- The following table summarizes the Fund's historical payroll and active population growth:

Year Ended June 30	<u>PERS (excluding Judges)</u>		<u>Judges</u>	
	Covered Payroll (\$ in Millions)	Active Members	Covered Payroll (\$ in Millions)	Active Members
1995*	\$300.3	15,021	\$3.1	52
1999	393.8	16,287	3.9	47
2004	491.6	17,590	4.4	46
2009	692.3	19,896	5.4	47
2014	966.3	22,212	7.0	50
Average Change (5-Year)	6.9%	2.2%	5.1%	1.2%
Average Change (10-Year)	6.9%	2.4%	4.7%	0.8%
Average Change (15-Year)	6.2%	2.1%	4.0%	0.4%
Average Change (19-Year)	6.3%	2.1%	4.3%	(0.2)%

\* Earliest date available

## Assumed Rate of Payroll Growth *(continued)*

- The following table summarizes the components of the current and recommended payroll growth assumption:

Component	<u>PERS (without Judges) and HPRS</u>		<u>Judges</u>	
	Current	Recommended	Current	Recommended
Inflation	3.50%	2.75%	3.50%	2.75%
Productivity	<u>1.00%</u>	<u>1.25%</u>	<u>0.50%</u>	<u>0.75%</u>
Total	4.50%	4.00%	4.00%	3.50%

- We recommend changing the 4.50% payroll growth assumption for PERS and HPRS to 4.00%.
- We recommend changing the 4.00% payroll growth assumption for Judges to 3.50%.
- The Job Service Plan does not currently use a payroll growth assumption because there is no unfunded actuarial accrued liability. We recommend no change.

# Assumed Rate of Individual Salary Increases

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- Individual member salary increases components:
  - Inflation
  - Productivity
  - Promotional and merit increases
- Since promotional and merit increases are unique to each retirement system, as well as State vs. Non-State participants in the Main System, it is appropriate to base this assumption on recent experience.
  - We study the promotional and merit increases (plus productivity) separately from inflation.
  - Between 2009 and 2014, inflation averaged 2.0%.

# Assumed Rate of Individual Salary Increases

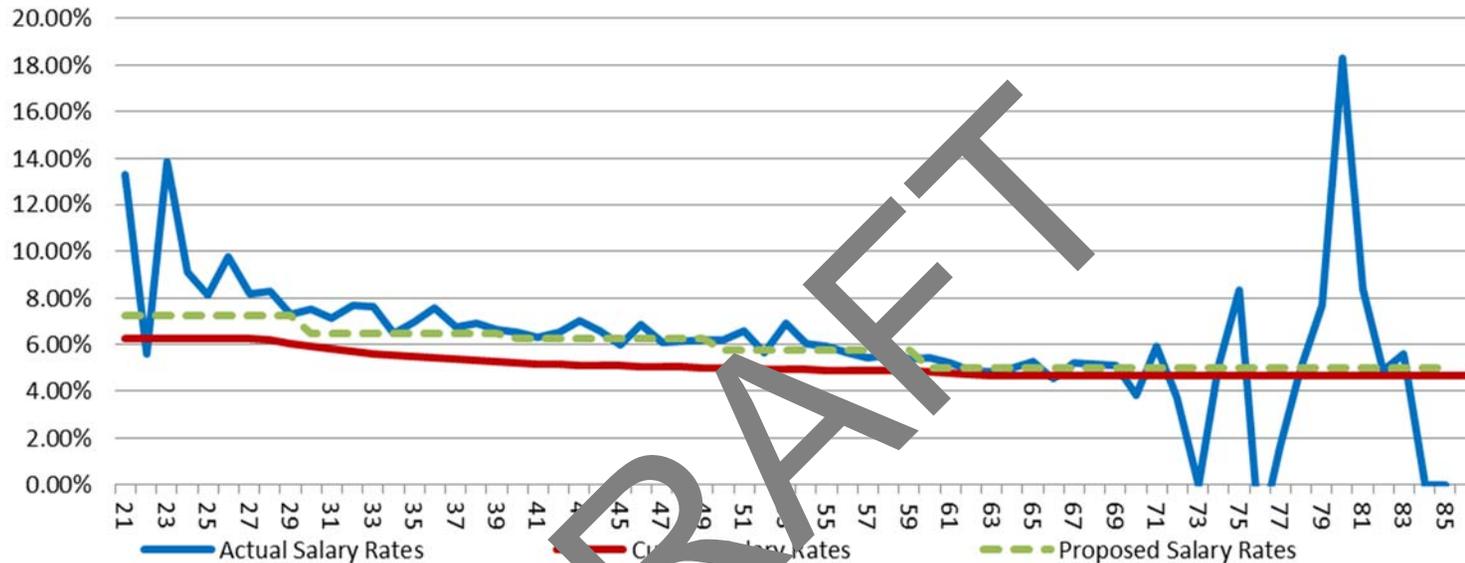
*(continued)*

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- The following tables compare the actual and expected individual salary increases over the past 5 years.
- Based on this experience and the fact that service and salary increases have been sources of losses for the past five years, we recommend changing the promotional and merit (and productivity) portion of individual salary increases.
- In the following pages, tables and graphs reviewing the total actual rates of increase, current assumptions and proposed assumptions for individual salary increase assumption by age or years of service, as appropriate, are summarized.

# Assumed Rate of Individual Salary Increases – Main System – State Employees

For participants with 3 or more years of service:

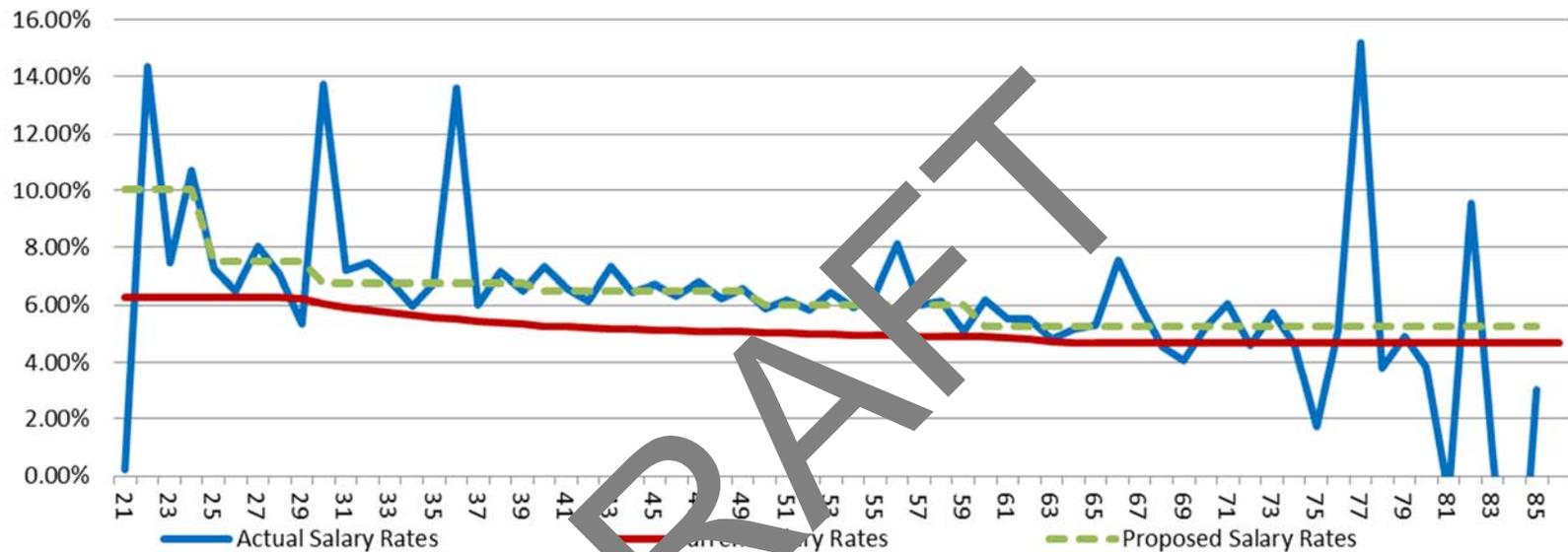


For participants with less than 3 years of service:

Service Range	Actual Salary Increase Rate	Current Salary Increase Rate	Proposed Salary Increase Rate
Less than 1	31.92%	8.25%	12.00%
1	13.20%	7.25%	9.50%
2	7.88%	6.75%	7.25%
3	7.19%	6.50%	N/A
4	7.02%	6.25%	N/A
Weighted Average	14.46%	7.08%	9.69%

# Assumed Rate of Individual Salary Increases – Main System – Non-State Employees

For participants with 3 or more years of service:

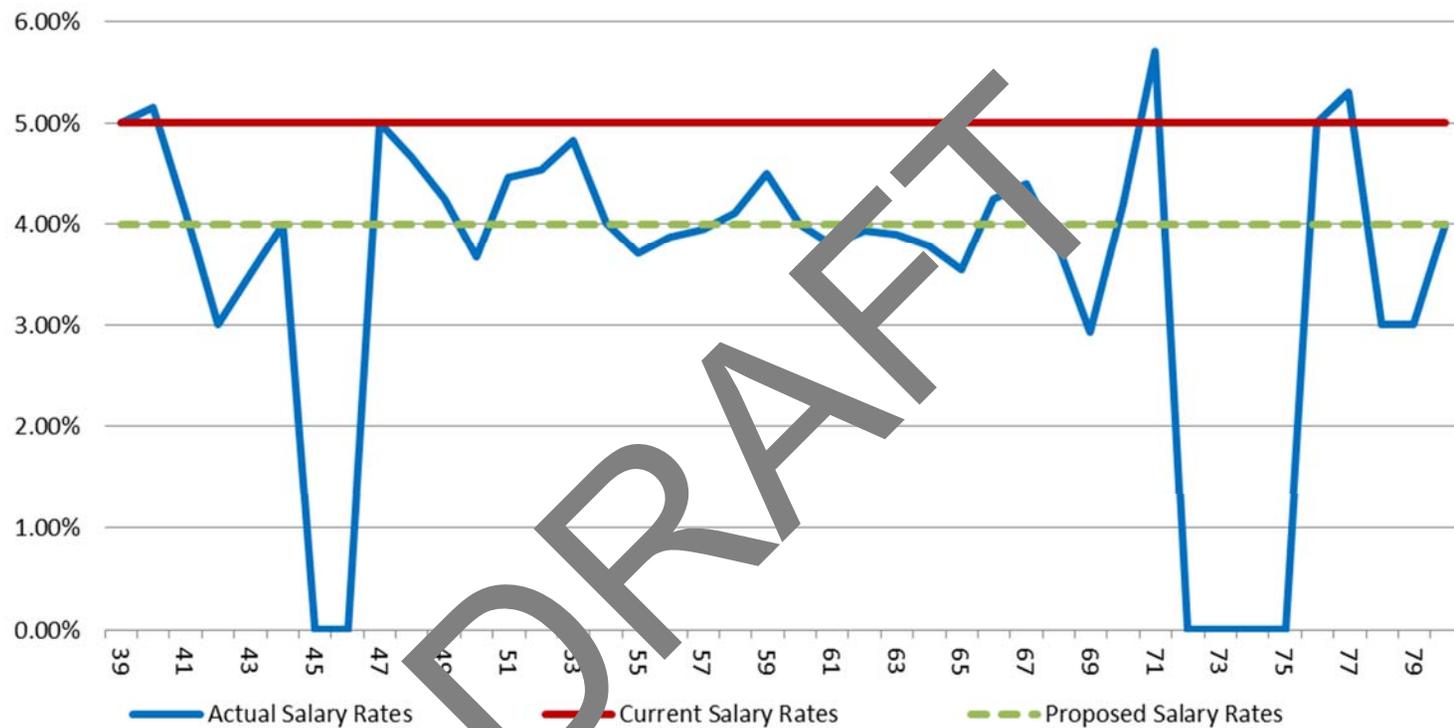


For participants with less than 3 years of service:

Service Range	Actual Salary Increase Rate	Current Salary Increase Rate	Proposed Salary Increase Rate
Less than 1	5.00%	8.25%	15.00%
1	11.18%	7.25%	10.00%
2	9.32%	6.75%	8.00%
3	7.51%	6.50%	N/A
4	7.38%	6.25%	N/A
Weighted Average	20.66%	7.13%	11.27%

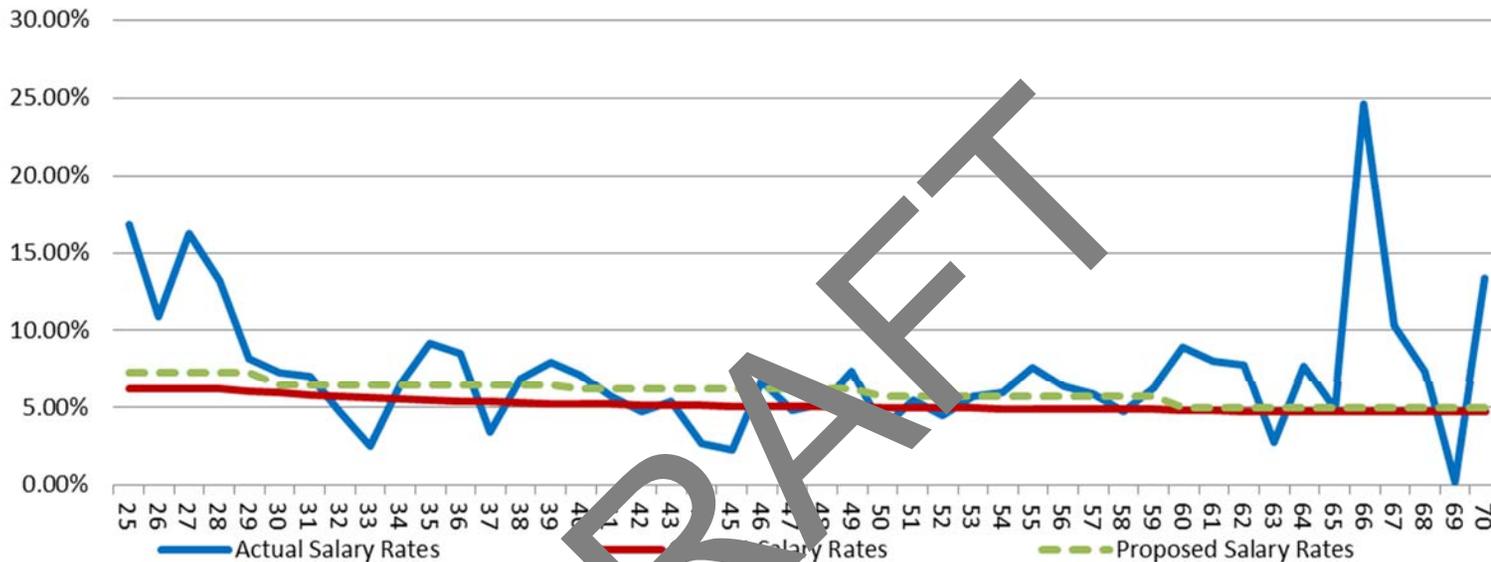
# Assumed Rate of Individual Salary Increases – Judges

For participants with 3 or more years of service:



# Assumed Rate of Individual Salary Increases – National Guard and Law Enforcement (with and without Prior Service)

For participants with 5 or more years of service:

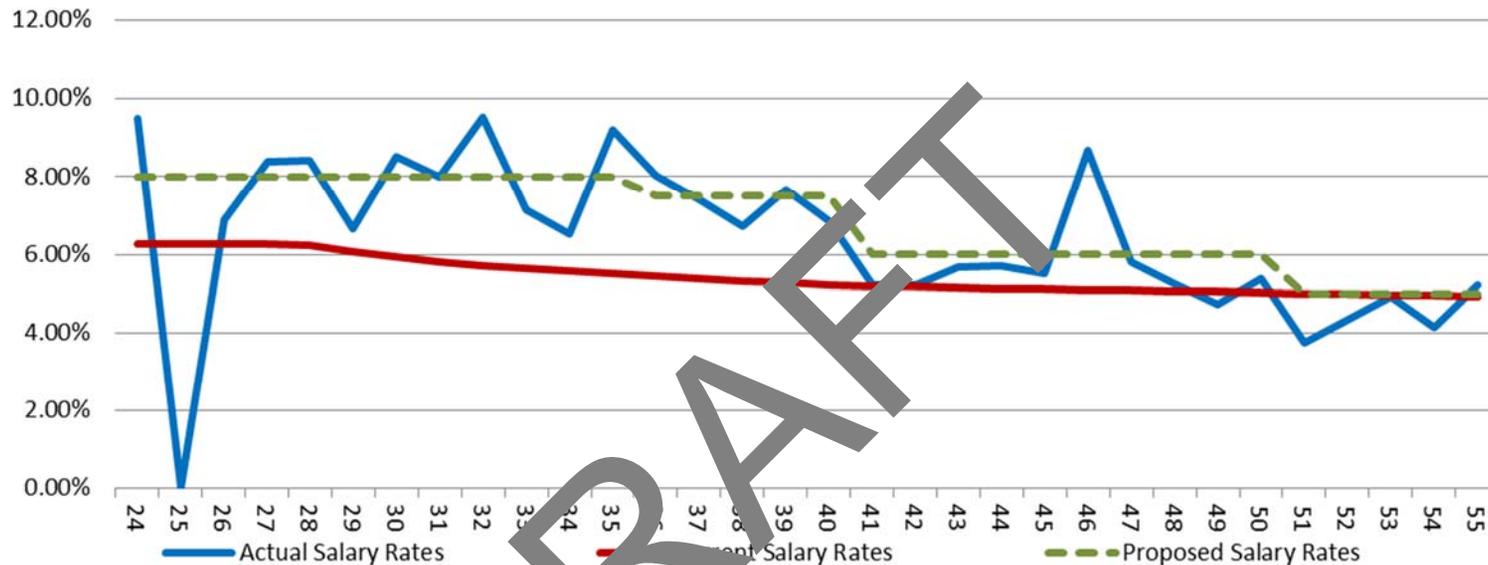


For participants with less than 5 years of service:

Service Range	Actual Salary Increase Rate	Current Salary Increase Rate	Proposed Salary Increase Rate
Less than 1	2.99%	8.25%	20.00%
1	19.08%	7.25%	20.00%
2	24.53%	6.75%	20.00%
3	7.95%	6.50%	10.00%
4	10.88%	6.25%	10.00%
Weighted Average	22.08%	7.25%	17.70%

# Assumed Rate of Individual Salary Increases – Highway Patrolmen

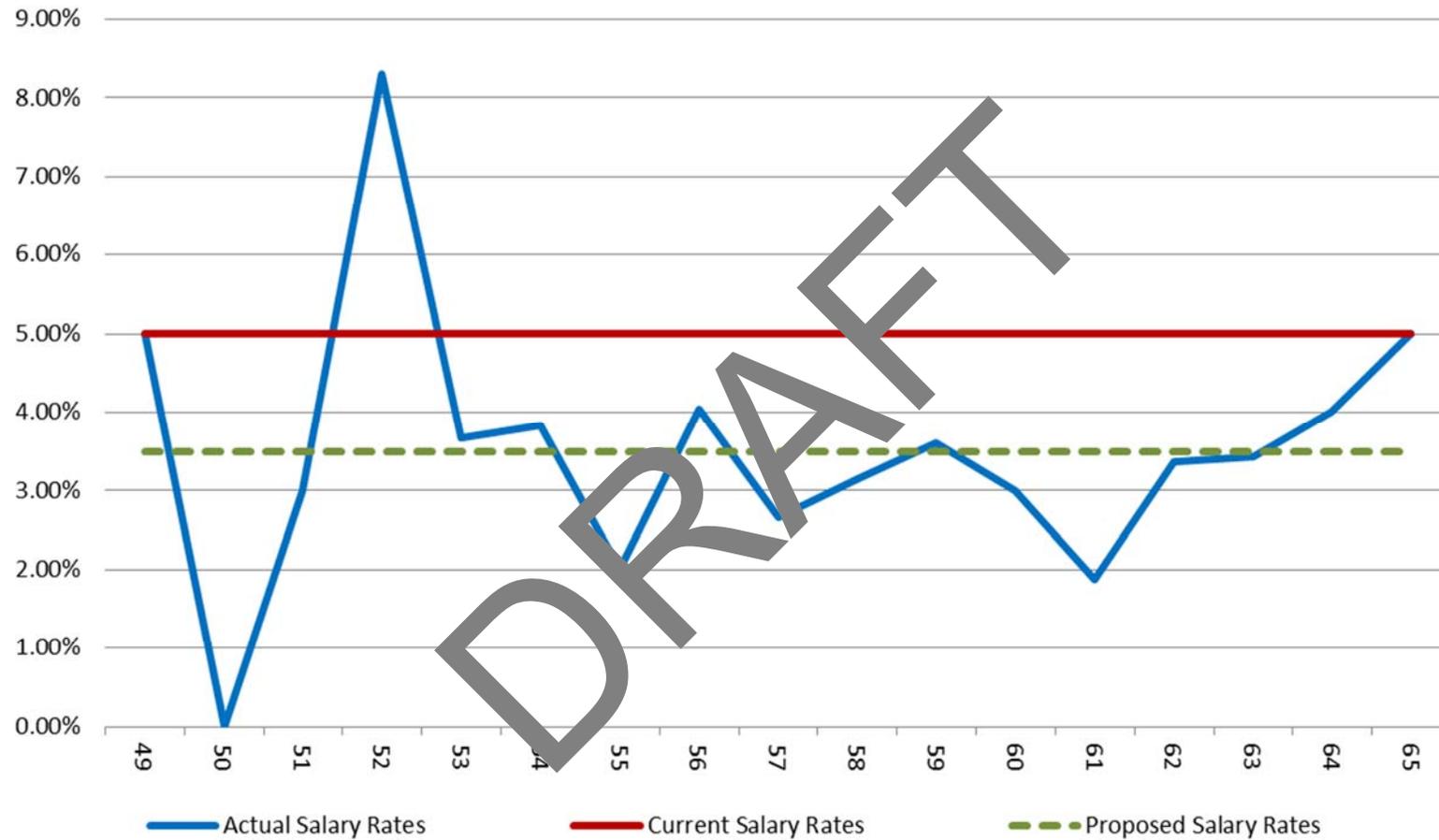
For participants with 3 or more years of service:



For participants with less than 3 years of service:

Service Range	Actual Salary Increase Rate	Current Salary Increase Rate	Proposed Salary Increase Rate
Less than 1	11.20%	8.25%	15.00%
1	10.57%	7.25%	10.00%
2	7.90%	6.75%	8.00%
3	7.81%	6.50%	N/A
4	8.15%	6.25%	N/A
Weighted Average	10.72%	6.96%	10.63%

# Assumed Rate of Individual Salary Increases – Job Service



# Assumed Rate of Investment Return

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- The current investment return assumption of 8.00% consists of two components:
  - Inflation: 3.50%
  - Real rate of return: 4.50%, net of investment expenses
    - Real return represents the excess of what the assets earn over inflation
    - Our approach is to analyze inflation and real return separately
- Currently, the assumed real rate of return is 4.50%, net of expected investment expenses, for all systems except Job Service. For Job Service, the assumed real rate of return is 4.50%, net of expected investment and administrative expenses.
  - For Job Service, we recommend removing the administrative expense from the investment return assumption and adding an explicit load to the normal cost. This approach is required by the Governmental Accounting Standards Board (GASB) for the purpose of producing liabilities used in financial statements.

## Assumed Rate of Investment Return *(continued)*

- The following table shows **administrative expenses** from the draft Statements of changes in Plan Net Position over the last 5 years:

Year Ended June 30	Main System	Judges	National Guard	Law Enforcement with Prior Service	Law Enforcement without Prior Service	Highway Patrolmen	Job Service
2014	\$2,096,756	\$10,677	\$3,779	\$21,758	\$6,151	\$27,983	\$31,455
2013	2,021,249	10,911	4,041	14,499	8,614	29,237	30,014
2012	1,811,417	16,027	4,116	16,831	8,043	26,674	25,980
2011	1,763,346	9,393	3,966	14,766	5,816	22,734	26,368
2010	<u>1,182,840</u>	<u>10,683</u>	<u>3,194</u>	<u>5,685</u>	<u>12,631</u>	<u>18,154</u>	<u>24,318</u>
Total	\$8,875,608	\$57,687	\$19,097	\$73,112	\$41,255	\$124,782	\$138,135
Average	\$1,775,122	\$11,538	\$3,819	\$14,622	\$8,251	\$24,956	\$27,627
Assumed	\$1,100,000	\$7,500	\$3,000	\$2,500	\$7,500	\$18,000	\$0

- We recommend changing the administrative expense assumption to be equal to the prior year's administrative expenses plus inflation, which will be converted to a percentage of payroll in the actuarially determined contribution rate.
- This assumption will be updated each year.

## Assumed Rate of Investment Return (*continued*)

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- We have based our analysis of the expected real rate of return on the “Survey of Capital Market Assumptions”\*.
  - This survey compiles and averages the capital market assumptions of 23 investment consultants (including Callan and Segal Rogerscasey).
- The calculation of the expected real rate of return based on the survey assumptions are shown on the following slides.
- Note that expected arithmetic returns are used to determine the expected returns by asset class. The portfolio's expected geometric return is estimated by reducing the arithmetic return by half of the portfolio's expected variance.

\* *Published by Horizon (2014 Edition)*

## Assumed Rate of Investment Return *(continued)*

Asset Class	20-Year Annual Arithmetic Real Return	Target Allocation	Weighted Real Return
US Equities Large Cap	7.05%	24%	1.69%
US Equities Small/Mid Cap	8.10%	7%	0.57%
Intl Equities Developed	7.71%	16%	1.23%
Emerging Markets Equities	10.24%	5%	0.51%
US Bonds Core	2.72%	12%	0.30%
US Bonds High Yield	4.11%	5%	0.24%
Intl Debt Developed	2.05%	5%	0.10%
Cash Equivalents	1.11%	1%	0.01%
Real Estate	4.95%	15%	0.74%
Infrastructure	6.16%	5%	0.31%
Private Equities	10.97%	5%	0.55%
<b>Total</b>		<b>100%</b>	<b>6.25%</b>
Adjustment to Geometric			(0.62)%
<b>Geometric Real Rate of Return</b>			<b>5.63%</b>

## Assumed Rate of Investment Return *(continued)*

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- Using the Fund's target asset allocation and the capital market assumptions from the survey, the expected real rate of return is 5.63%.
  - The expected real rate of return is reduced to account for investment expenses. We do not have specific data on the investment expenses, but for a plan this size assuming 0.50% to account for investment expenses would be reasonable.
- The expected real rate of return is 5.13%, net of expected investment expenses of 0.50%.

Gross Real Rate of Return	5.63%
Less Investment Expenses	<u>(0.50)%</u>
Net Real Rate of Return	5.13%

## Assumed Rate of Investment Return *(continued)*

- Over a 20-year period, the Fund is expected to earn an annual real rate of return of at least 5.11% half of the time.
- Changing the expected real rate of return to 8.00% will increase the likelihood of meeting the expectation over a 20-year period to 52%.
- The following table shows the components of the current and recommended investment return assumption.

Component	Current	Recommended	50/50	8.00%	7.50%
Inflation	3.50%	2.75%	2.75%	2.75%	2.75%
Real Rate of Return, net of expenses	4.50%	5.13%	5.13%	5.13%	5.13%
Risk Adjustment	<u>(0.00)%</u>	<u>(0.13)%</u>	<u>(0.00)%</u>	<u>0.12%</u>	<u>(0.38)%</u>
Total	8.00%	7.75%	7.88%	8.00%	7.50%
Confidence Level	N/A	52%	50%	48%	56%

# Miscellaneous Economic Assumptions

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- Interest Crediting Rate – Currently this rate is 7.5% for PERS and HPRS, 0.5% lower than the assumed investment return. The rate is 4.00% for Job Service. These rates are set by the Board. If the assumed investment return is changed, the Board may want to review whether these rates should be changed.
- Judges Disability Offset – Currently 50% of those who retire on a disability pension are assumed eligible for Social Security disability with a 3.5% per annum CPI, 5% per annum wage base increase and no Workers' Compensation offset. There have been no disability retirements from the Judges System in the past 5 years. However, since some of the components are economic, we recommend changing the CPI to 2.75% and the wage base increase to 4.25%.

## Miscellaneous Economic Assumptions *(continued)*

- Indexing Benefits of Inactive Vested Highway Patrolmen – Vested benefits are indexed at a rate set by the Retirement Board based on the increase in final average salary from date of termination to benefit commencement date, as shown below for the past 10 years:

Year Beginning	Average Annual Increase	Three-Year Average Increase
07/01/2005	4.00%	1.33%
07/01/2006	4.00%	2.67%
07/01/2007	4.00%	4.00%
07/01/2008	4.00%	4.00%
07/01/2009	5.00%	4.33%
07/01/2010	5.00%	4.67%
07/01/2011	2.00%	4.00%
07/01/2012	2.00%	3.00%
07/01/2013	3.00%	2.33%
07/01/2014	3.00%	2.67%
Ten-year average	3.10%	

We recommend reducing the assumption from the current 4.50% to 4.00%.

## Miscellaneous Economic Assumptions *(continued)*

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- Job Service COLA – The COLA increases for the past 10 years are as follows:

Year Beginning	COLA
07/01/2005	1.30%
07/01/2006	4.60%
07/01/2007	3.30%
07/01/2008	2.24%
07/01/2009	5.80%
07/01/2010	0.00%
07/01/2011	0.00%
07/01/2012	3.30%
07/01/2013	1.70%
07/01/2014	1.50%
Ten-year average	2.37%

We recommend reducing the assumption from the current 5.00% to 3.00%.

# Demographic Assumptions

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- Termination
- Disability
- Retirement
- Death after retirement
- Death in active service
- Spouse information
- Miscellaneous

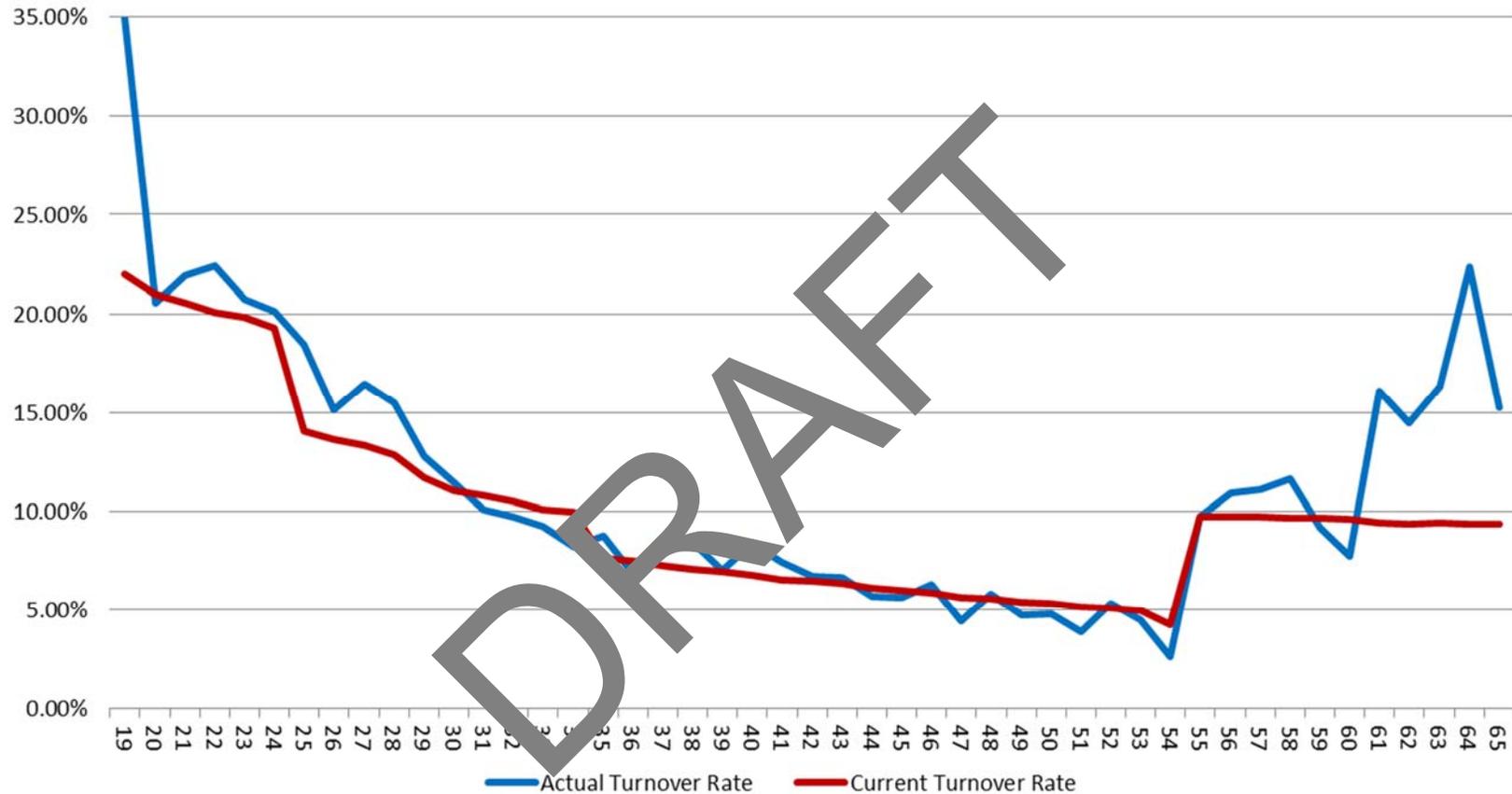
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# Termination – All Systems

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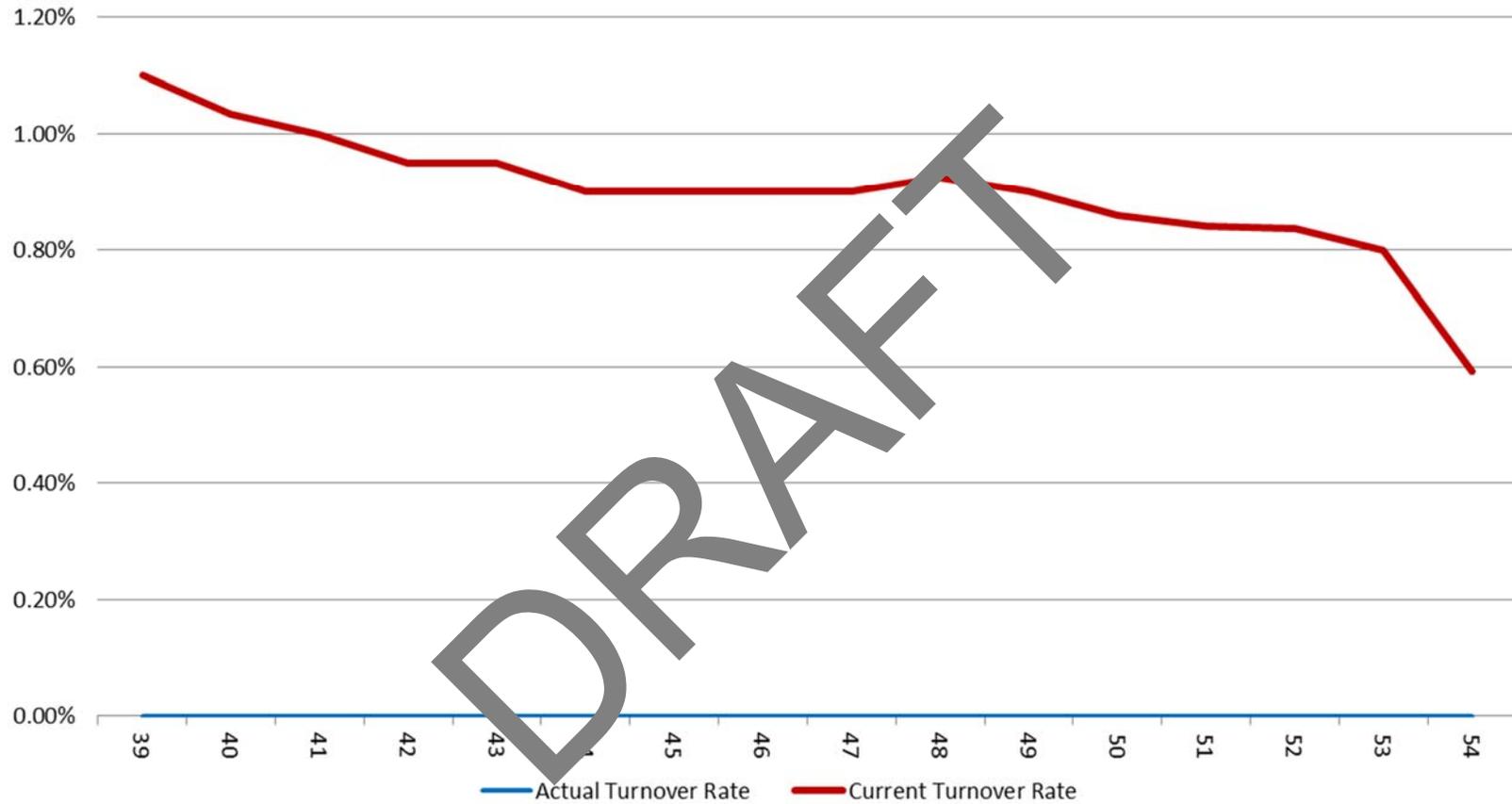
- Current rates are based on age, years of service and System.
- Experience is consistent with the expected rates for all systems except for Judges and National Guard.
- We recommend maintaining the current turnover rates for the Main System.
- No judges have terminated in the past ten years. We recommend eliminating the turnover rates for Judges.
- While the National Guard System has experienced higher than expected turnover in recent years, we suspect that this is a short-term trend and recommend maintaining the current turnover rates that are used for Law Enforcement and National Guard.
- The graphs on the following pages show the actual, expected, and proposed termination rates based on years of service.
- As of July 1, 2014, all active participants in the Job Service plan had met eligibility for retirement. Since the Plan is closed to new entrants, this decrement is no longer applicable in the Job Service plan.

# Termination – Main System



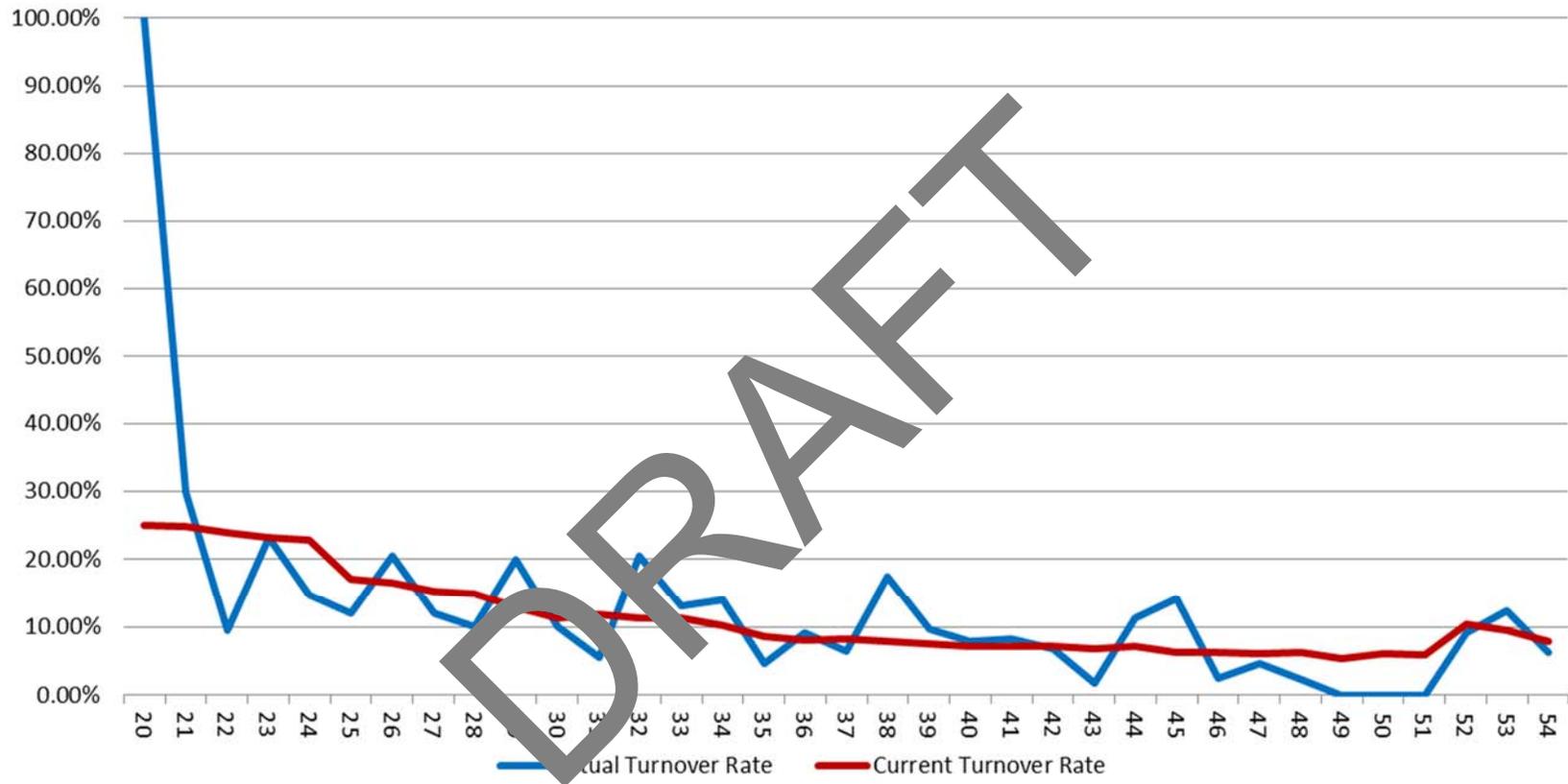
Exposures	Actual Terminations	Expected Terminations	Actual to Expected	Proposed Terminations	Actual to Proposed
76,375	6,271	5,999	105%	No change	No change

# Termination – Judges



Exposures	Actual Terminations	Expected Terminations	Actual to Expected	Proposed Terminations	Actual to Proposed
93	0	1	N/A	0	N/A

# Termination – Law Enforcement\*



Exposures	Actual Terminations	Expected Terminations	Actual to Expected	Proposed Terminations	Actual to Proposed
1,893	198	206	96%	No Change	No Change

\* Includes National Guard, Law Enforcement with Prior Service, Law Enforcement without Prior Service and Highway Patrol

# Disability Retirement – All Systems

---

- Rates vary based on member's age.
- From 2009 to 2014:
  - 176 members were expected to start receiving a disability pension; and
  - 58 members actually started receiving a disability pension.
- The experience has been significantly lower than expected.
- From 2004 to 2009, there were 14 new disability pensions awarded.

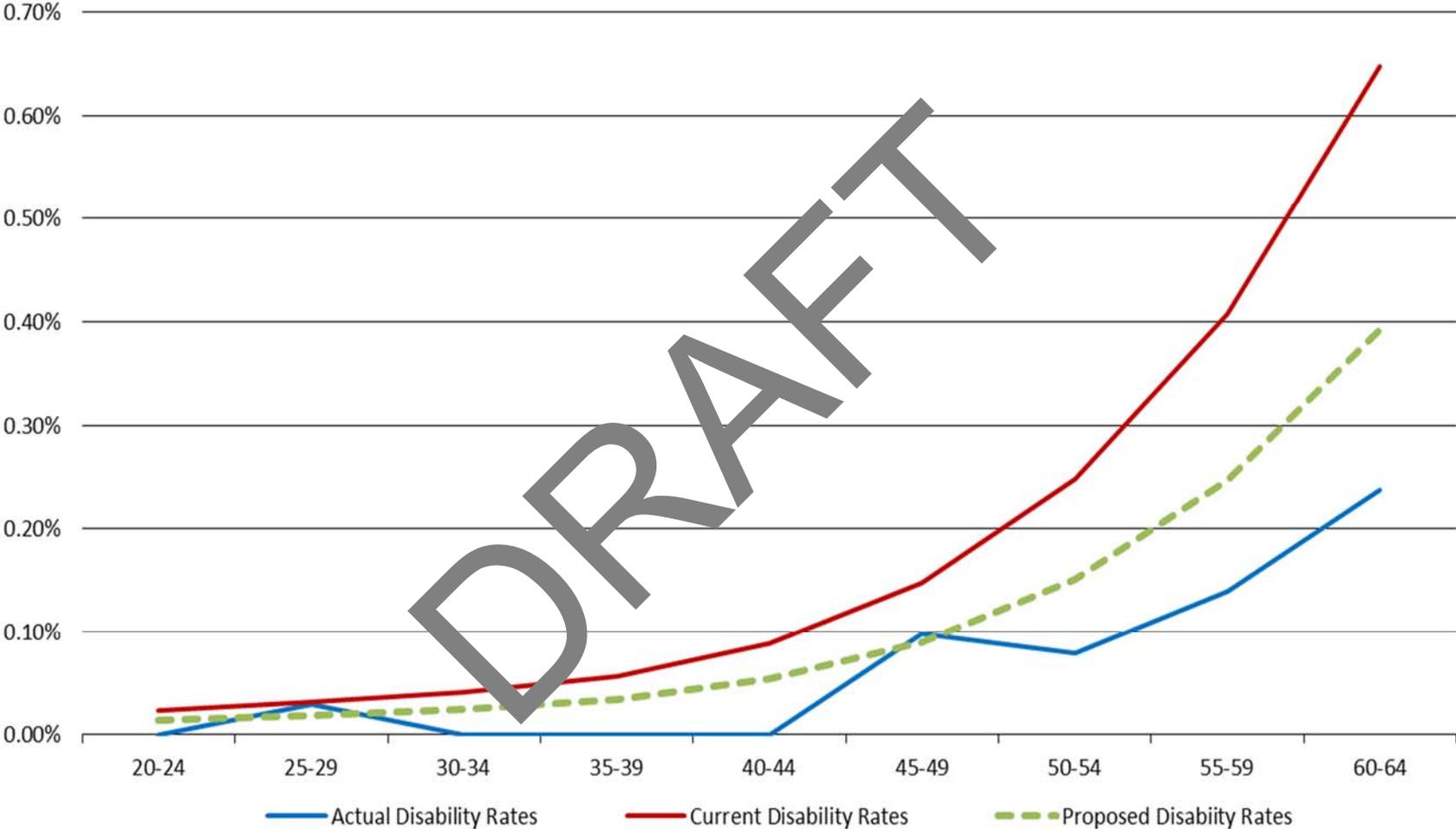
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## Disability Retirement – All Systems *(continued)*

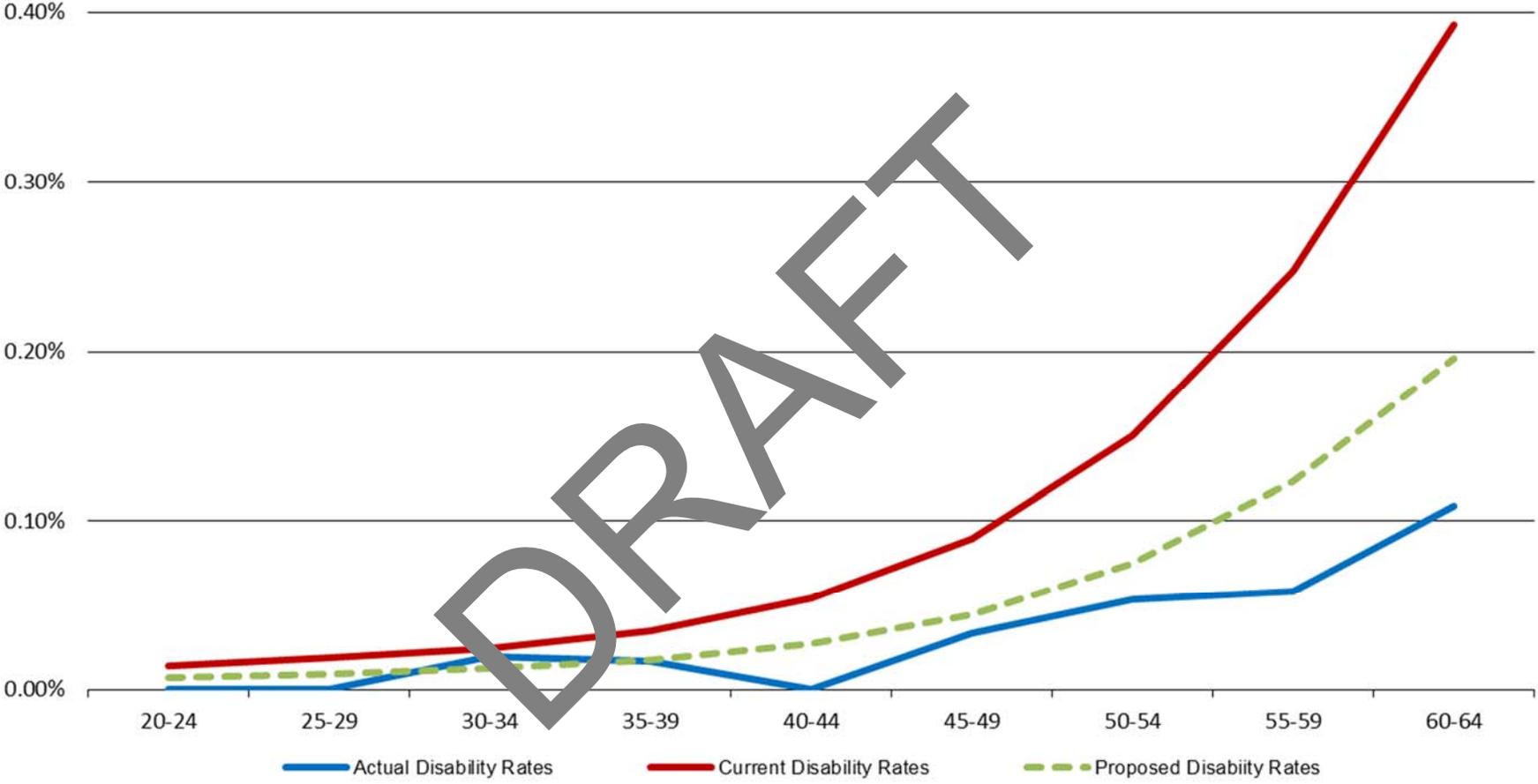
- We recommend lowering the disability rates for all PERS systems as shown below:

Age	Current Rate	Males		Current Rate	Females	
		Observed Rate	Proposed Rate		Observed Rate	Proposed Rate
20 – 24	0.02%	0.00%	0.01%	0.01%	0.00%	0.01%
25 – 29	0.03%	0.03%	0.02%	0.02%	0.00%	0.01%
30 – 34	0.04%	0.00%	0.02%	0.02%	0.02%	0.01%
35 – 39	0.06%	0.00%	0.03%	0.03%	0.02%	0.02%
40 – 44	0.09%	0.00%	0.05%	0.05%	0.00%	0.03%
45 – 49	0.15%	0.10%	0.09%	0.09%	0.03%	0.04%
50 – 54	0.25%	0.08%	0.15%	0.15%	0.05%	0.08%
55 – 59	0.41%	0.14%	0.25%	0.25%	0.06%	0.12%
60 – 64	0.65%	0.24%	0.39%	0.39%	0.11%	0.20%

# Disability Retirement - Male



# Disability Retirement - Female



# Retirement Eligibility

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- Eligibility for reduced benefits
  - Main System – Age 55 with three years of service
  - Judges – Age 55 with five years of service
  - National Guard and Law Enforcement – Age 50 with three years of service
  - Highway Patrolmen – Age 50 with ten years of service
  - Job Service
    - Age 52 with five years of service
    - Age 50 with 20 years of service
    - Age 45 with 30 years of service

# Retirement Eligibility *(continued)*

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## ➤ Eligibility for unreduced benefits

- Main System and Judges - Age 65 or Rule of 85 (age plus service is greater than or equal to 85)
- National Guard - Age 55 with three years of service
- Law Enforcement - Age 55 with three years of service or Rule of 85
- Highway Patrolmen - Age 55 with ten years of service or Rule of 80
- Job Service
  - Age 62 with five years of service
  - Age 60 with 20 years of service
  - Age 55 with 30 years of service

# Active Member Retirements

---

- Current rates:
  - Vary based on member's age and system.
  - Vary depending on whether the member is eligible for a reduced or unreduced benefit in the Main System.
- We have analyzed retirement experience for the following groups:
  - Eligible for a reduced benefit.
  - Eligible for an unreduced benefit (in Main System).
- The retirement rates take into account each individual's eligibility requirements.

# Active Member Retirements – Summary of Experience

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## ➤ Main System

- While there were fewer retirements than expected for those eligible for unreduced retirements, the general pattern of retirements was similar to expected. We recommend minor changes to the rates.
- There were fewer retirements than expected among those eligible for reduced retirement, so we recommend lower rates at most ages.

## ➤ Judges

- There were fewer retirements than expected at older ages, so we recommend lower rates, primarily at older ages.

## ➤ National Guard and Law Enforcement

- There has not been significant retirement experience, however, there have been more retirements than expected before age 55 and fewer retirements than expected after age 55. We recommend raising rates before age 55 and lowering the rates after age 55.

# Active Member Retirements – Summary of Experience *(continued)*

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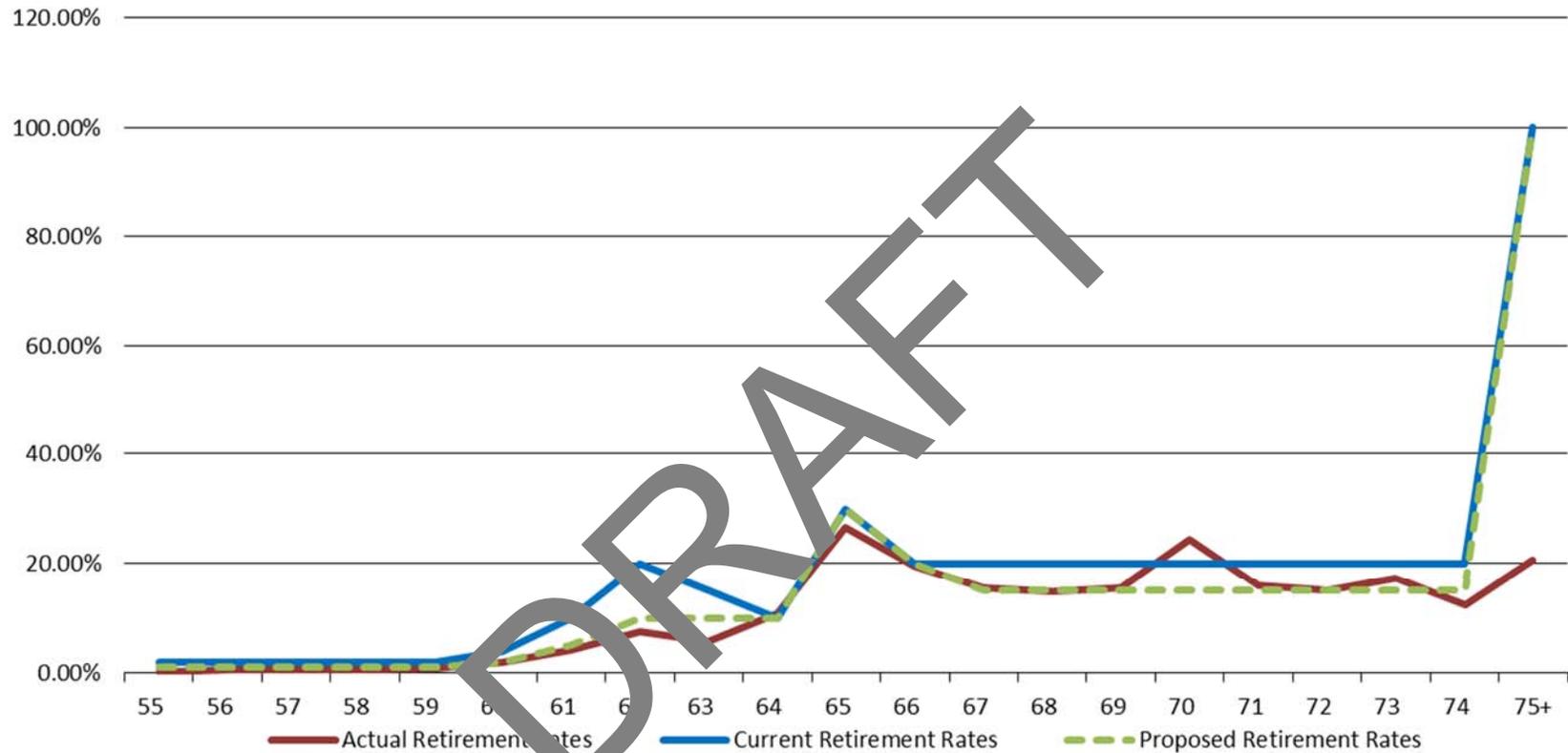
## ➤ Highway Patrolmen

- There has not been significant retirement experience; however, there have been fewer retirements than expected and there are currently no active participants over age 55. We recommend lowering the rates before age 55.

## ➤ Job Service

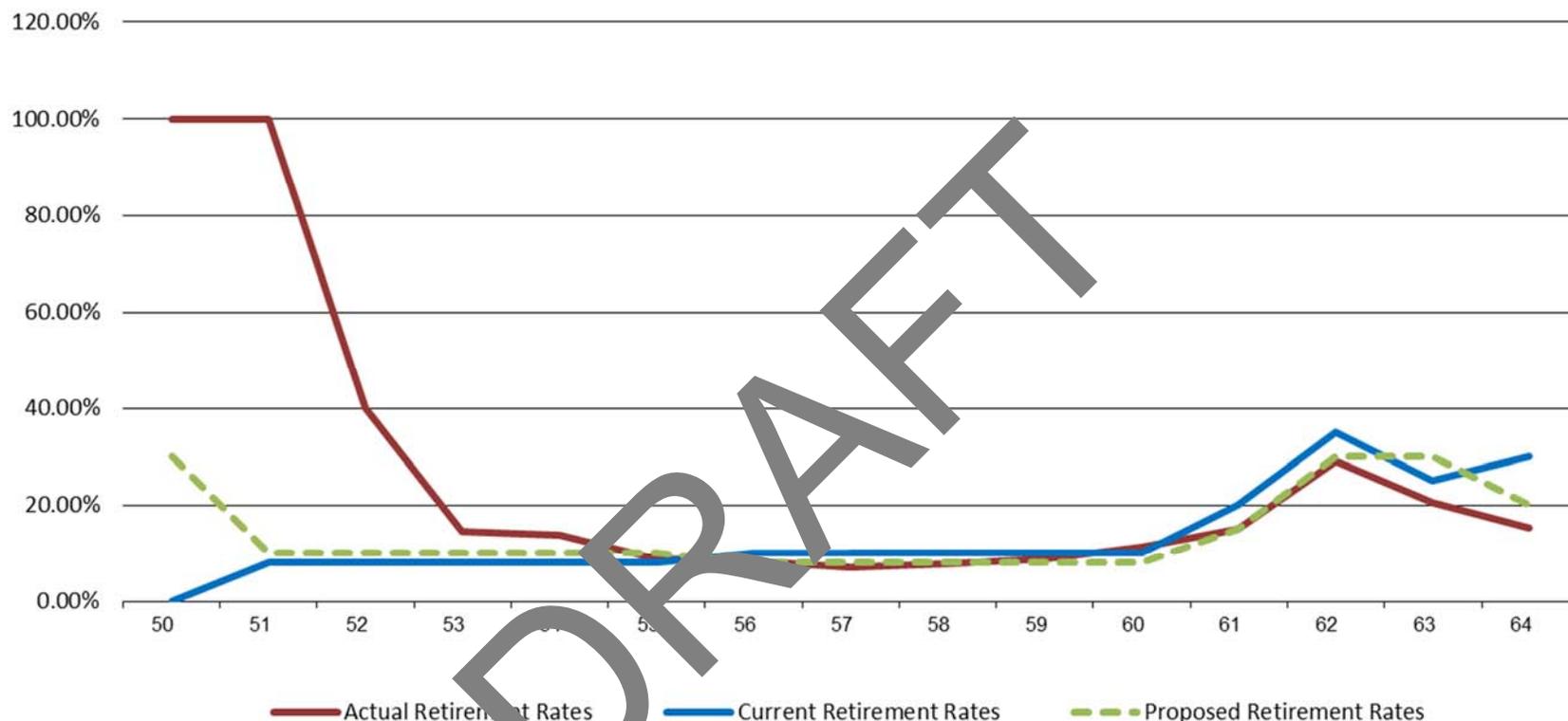
- There has not been significant retirement experience, and eligibility for unreduced benefits has not appeared to affect the retirement rates. There is only one active participant who had not reached eligibility for unreduced retirement as of July 1, 2014 valuation. We recommend consolidating to one table of retirement rates as shown on page 50.

# Active Member Retirements – Reduced Benefits for Main System



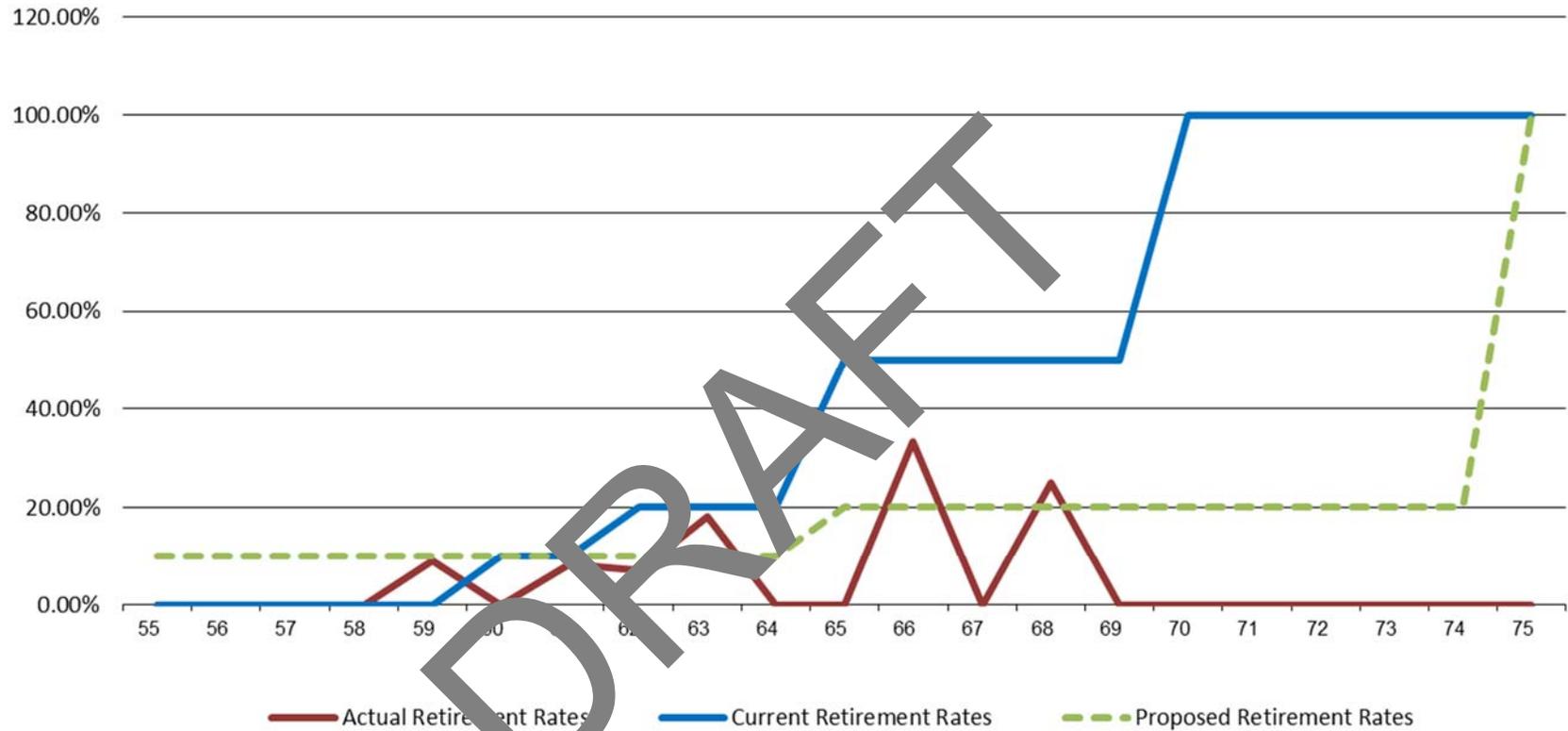
Exposures	Actual Retirements	Expected Retirements	Actual to Expected	Proposed Retirements	Actual to Proposed
21,975	1,143	2,033	56%	1,512	76%

# Active Member Retirements – Unreduced Benefits for Main System



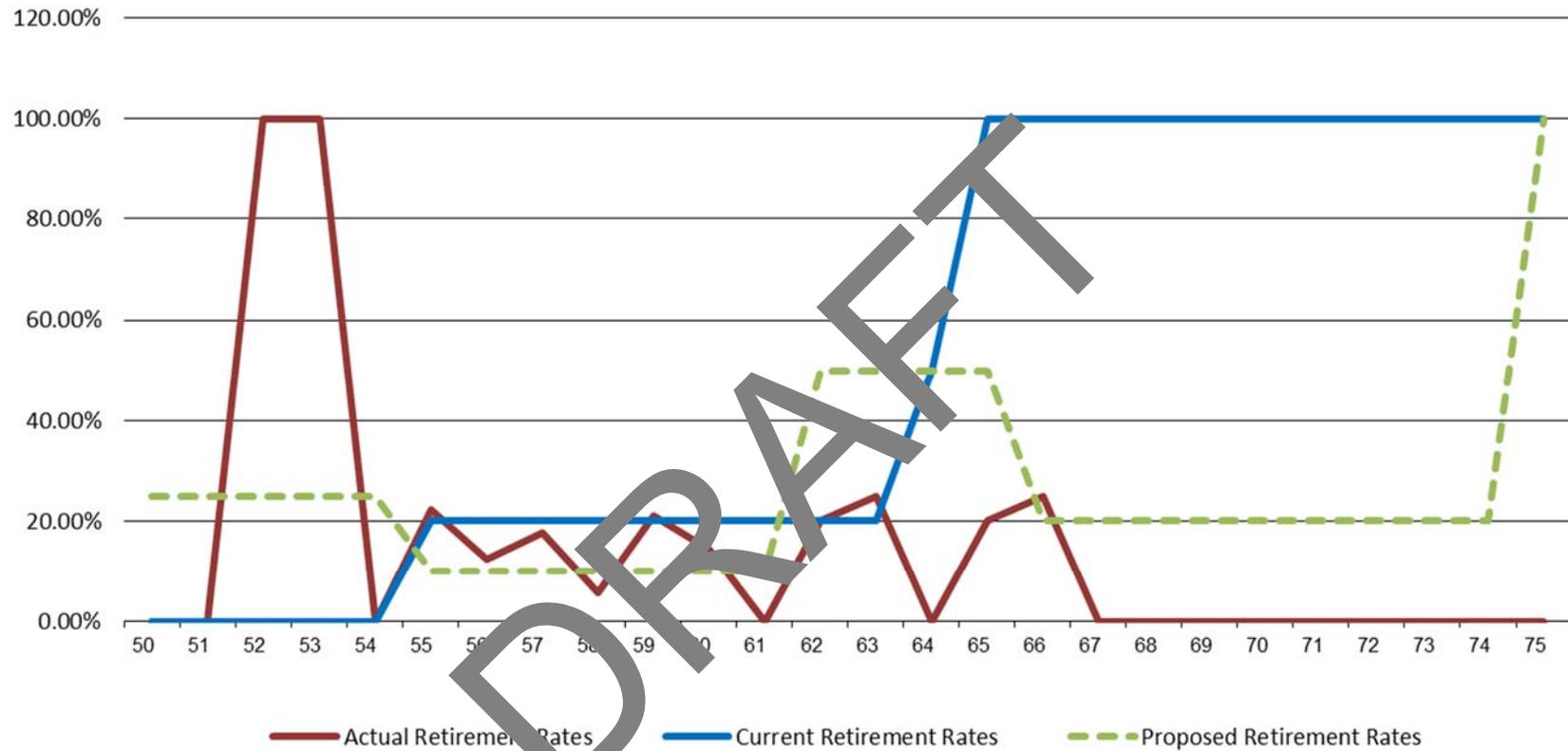
Exposures	Actual Retirements	Expected Retirements	Actual to Expected	Proposed Retirements	Actual to Proposed
6,239	869	1,102	79%	883	98%

# Active Member Retirements – Judges



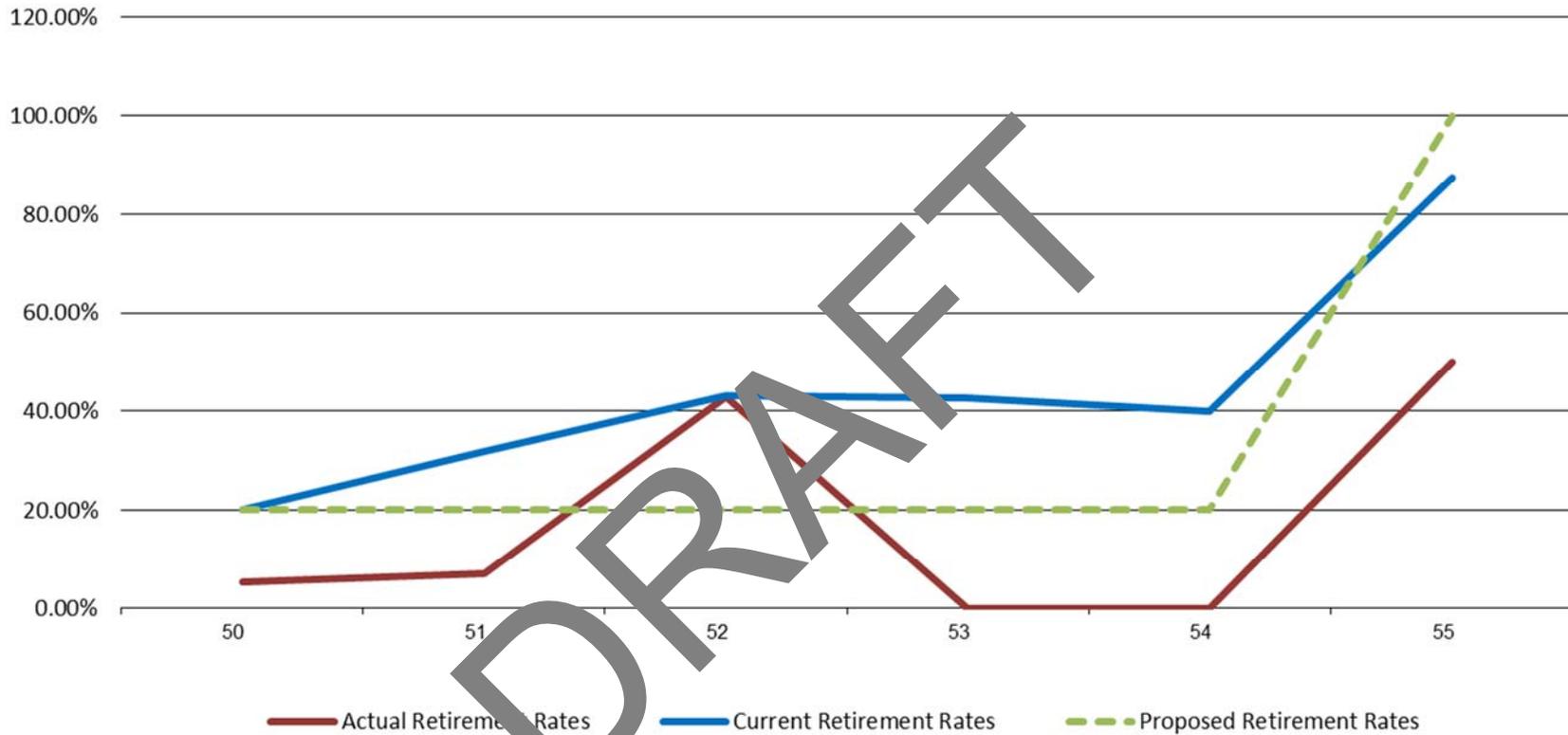
Exposures	Actual Retirements	Expected Retirements	Actual to Expected	Proposed Retirements	Actual to Proposed
142	9	29	31%	21	43%

# Active Member Retirements – National Guard and Law Enforcement



Exposures	Actual Retirements	Expected Retirements	Actual to Expected	Proposed Retirements	Actual to Proposed
159	27	45	60%	29	93%

# Active Member Retirements – Highway Patrolmen



Exposures	Actual Retirements	Expected Retirements	Actual to Expected	Proposed Retirements	Actual to Proposed
59	9	20	45%	14	64%

# Active Member Retirements – Job Service



Exposures	Actual Retirements	Expected Retirements	Actual to Expected	Proposed Retirements	Actual to Proposed
139	18	14	129%	23	78%

**Current retirement rate age bands are shown as zero for groups with no exposures.**

# Inactive Vested Retirements

---

- The current assumption is that all inactive vested members will retire as follows:
  - Main System and Judges - Earlier of Age 64 and Unreduced Retirement Age
  - National Guard and Highway Patrol - Age 55
  - Law Enforcement - Earlier of Age 55 and Unreduced Retirement Age
  - Job Service – at first optional retirement age
- Main System:
  - From 2009 to 2014, of the 7,513 inactive vested members eligible to commence benefits, 945 elected to retire. Of these, 411 retired with reduced benefits.
  - We recommend a change to retirement rates consistent with those used for active participants.
  - There is a small subsidy in the early retirement benefit, so this approach is more conservative.
  - This approach should better reconcile the cash flow projections with actual benefit payments.

<b>Exposures</b>	<b>Actual Retirements</b>	<b>Expected Retirements</b>	<b>Actual to Expected</b>
7,513	945	1,560	61%

## Inactive Vested Retirements *(continued)*

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### ➤ Systems other than Main

- There were very few inactive vested participants in the other systems who were eligible to retire and even fewer that actually retired.
- We recommend a change to the retirement rates consistent with those used for active participants.

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# Death After Retirement (Non-Disabled)

## - All Systems

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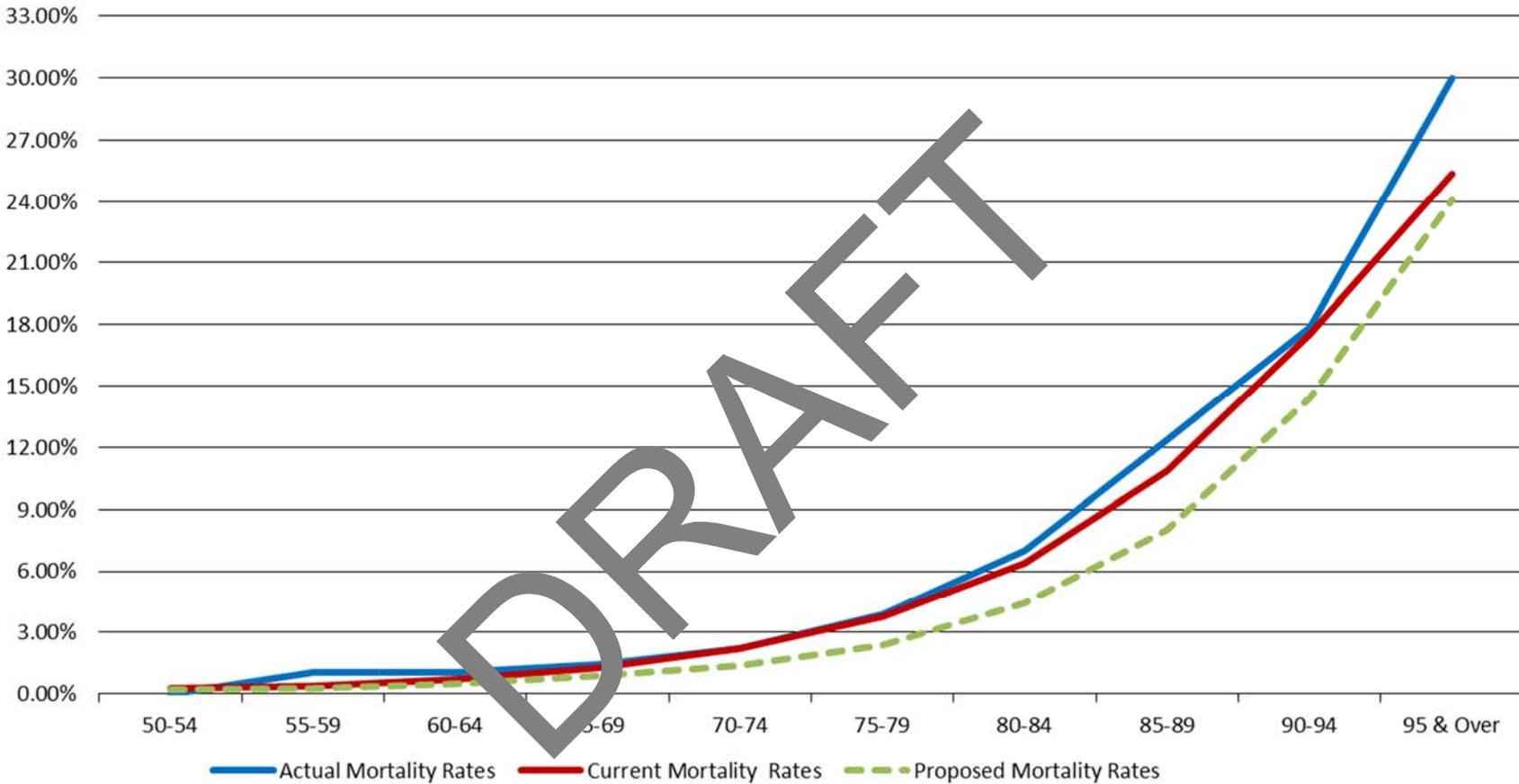
- Rates vary based on gender and age of the annuitant.
- Experience for non-disabled annuitants has been fairly consistent with the current assumption.
- The current male mortality assumption has more than sufficient margin for future mortality improvement. The ratio of actual to expected deaths is 121%. However, the margin in the female mortality assumption has deteriorated to 0%.
- To account for future mortality improvement, we recommend applying the generational mortality improvement scale (SSA 2014 Intermediate Cost) from 2014, for both males and females, and revising the non-disabled mortality assumption for males by changing the setback of the RP-2000 Mortality Table from 3 years to 2 years to reduce the current margin.

# Life Expectancies

- The following table shows the future life expectancy (and expected age at death) at various ages using the current and recommended mortality tables, based on age in 2014.

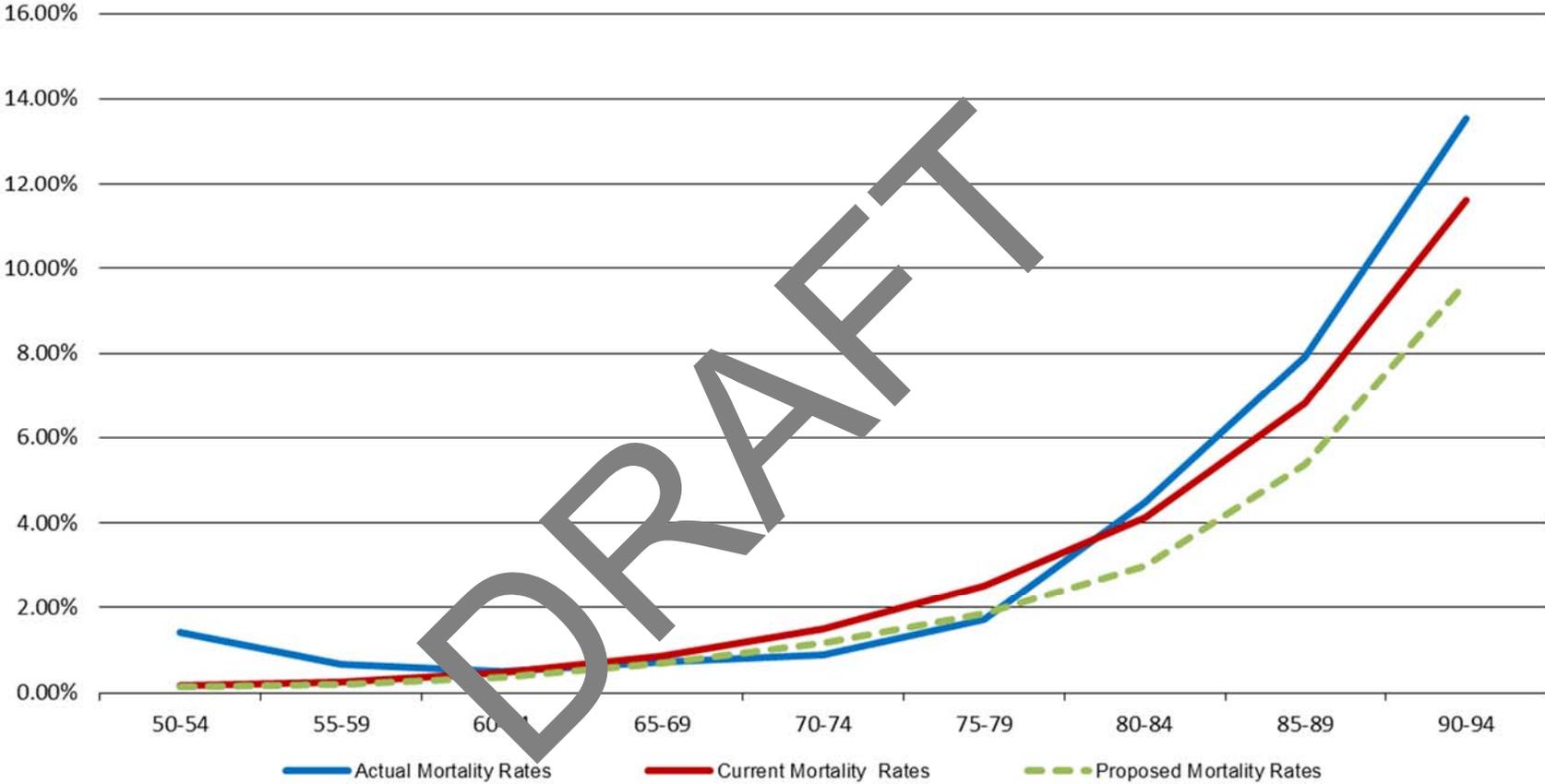
Age	<u>Male</u>		<u>Female</u>	
	Current	Proposed	Current	Proposed
50	33.7 (83.7)	34.8 (84.8)	36.5 (86.5)	38.6 (88.6)
55	29.0 (84.0)	29.8 (84.5)	31.8 (86.8)	33.5 (88.5)
60	24.4 (84.4)	25.4 (85.0)	27.1 (87.1)	28.6 (88.6)
65	20.1 (85.1)	20.4 (85.4)	22.7 (87.7)	23.8 (88.8)
70	16.1 (86.1)	16.2 (86.2)	18.6 (88.6)	19.4 (89.4)
75	12.5 (87.5)	12.4 (87.4)	14.8 (89.8)	15.4 (90.4)
80	9.4 (89.4)	9.2 (89.2)	11.5 (91.5)	11.9 (91.9)

# Death After Retirement (Non-Disabled) – Male



Exposures	Actual Deaths	Expected Deaths	Actual to Expected
14,484	546	452	83%

# Death After Retirement (Non-Disabled) – Female



Exposures	Actual Deaths	Expected Deaths	Actual to Expected
19,622	483	485	100%

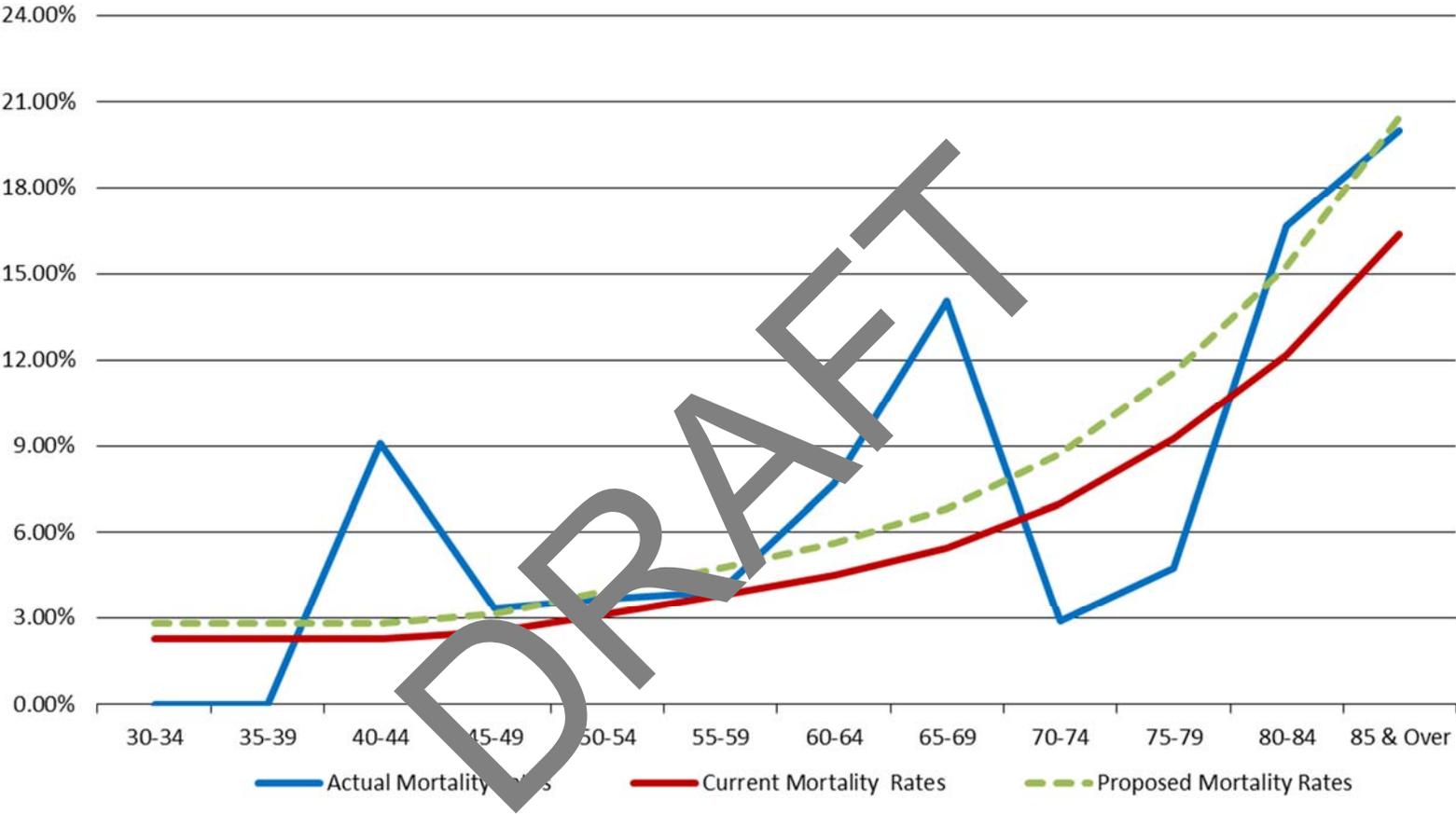
## Death After Retirement (Disabled)

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- Rates vary based on gender and age of the annuitant.
- Experience for disabled annuitants has been higher than expected using the current assumption. The ratio of actual to expected deaths is 145%, so there is more than sufficient margin for future mortality improvement.
- We recommend adjusting the current disability mortality table, RP-2000 Disabled Mortality Table, by increasing the mortality rates 25% to match the Fund's experience and build in sufficient margin for future mortality improvement.

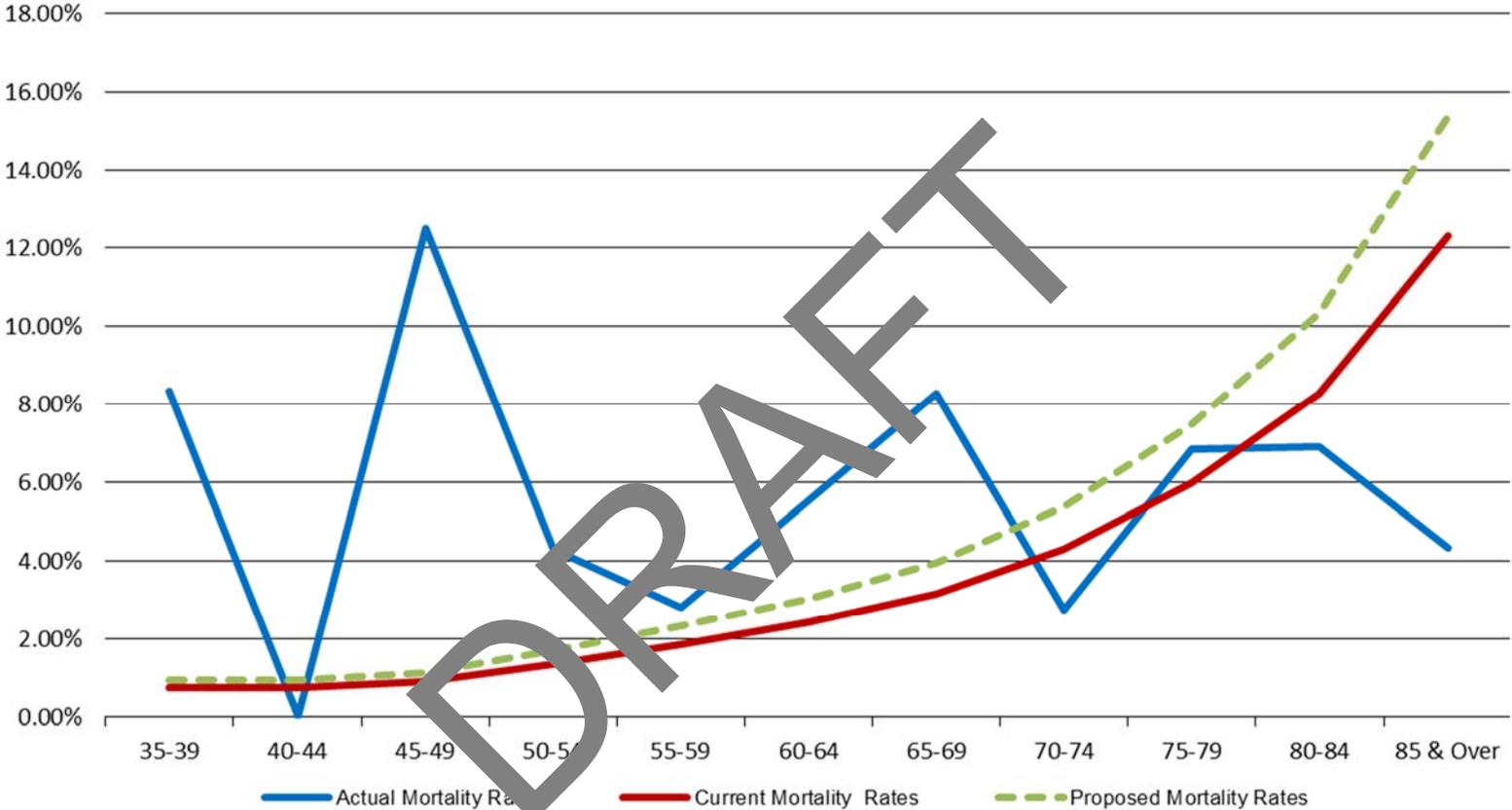
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# Death After Retirement (Disabled) – Male



Exposures	Actual Deaths	Expected Deaths	Actual to Expected	Proposed Deaths	Actual to Proposed
800	59	45	131%	56	105%

# Death After Retirement (Disabled) – Female



Exposures	Actual Deaths	Expected Deaths	Actual to Expected	Proposed Deaths	Actual to Proposed
949	50	30	167%	38	132%

## Death In Active Service

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- Mortality rates apply to active members
- Very few members die in active service.
  - Liability associated with active death is a small percentage of the total liability
  - Plan experience is insufficient to set an assumption
- Since we are adjusting the current MP-2000 Mortality Table for retired lives, we recommend using the same adjusted table for active members.

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# Spouse Information - PERS

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- Current assumptions:
  - 100% of Judges, 80% of non-Judge male and 65% of non-Judge female members are married.
  - Male spouses are three years older than female spouses.
  - 100% of spouses are of opposite gender.
- We have limited data on spouse information. The above assumptions are reasonable and similar to those used by other retirement systems.
- We recommend changing the percent married to 75%, for all members except Judges, to be consistent with similar plans. We recommend no change to the assumption for Judges.
- In addition, all optional forms of payment are actuarially equivalent, so these assumptions are not materially relevant in the calculation of liabilities. However, the assumptions do have a significant effect on the projections of future cash flow.
- If the Benefit Election assumption we are recommending (see page 64) is adopted, the spousal assumptions will only be used for death benefits.

# Spouse Information – Highway Patrol

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- Current assumptions:
  - 90% of members are married.
  - Male spouses are three years older than female spouses.
  - 100% of spouses are of opposite gender.
- We have limited data on spouse information. The above assumptions are reasonable and similar to those used by other retirement systems. However, 95% of the retirees are taking joint and survivor annuities.
- We recommend changing the percent married to 100% for all participants.
- All optional forms of payment are actuarially equivalent, so these assumptions are not materially relevant in the calculation of liabilities. However, the assumptions do have a significant effect on the projections of future cash flow.
- If the Benefit Election assumption we are recommending (see page 64) is adopted, the spousal assumptions will only be used for death benefits.

## Spouse Information – Job Service

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- Current assumptions:
  - 85% of members are married.
  - Male spouses are four years older than female spouses.
  - 100% of spouses are of opposite gender.
- We have limited data on spouse information. The above assumptions are reasonable and similar to those used by other retirement systems.
- We recommend no change to the assumption for Job Service.
- All optional forms of payment are actuarially equivalent, so these assumptions are not materially relevant in the calculation of liabilities. However, the assumptions do have a significant effect on the projections of future cash flow.
- If the Benefit Election assumption we are recommending (see page 65) is adopted, the spousal assumptions will only be used for death benefits.

## Miscellaneous Assumptions

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- Benefit Election – Currently 100% of married participants are assumed to elect the 50% joint & survivor annuity and 100% of the unmarried participants are assumed to elect the life annuity in the PERS and HPRS Systems. PERS experience, except Judges, shows that of those eligible for retirement, 50% of the population elect the life annuity, 42% elect a joint and survivor option, 6% elect a refund of employee contributions and 2% elect other options. We recommend changing this assumption for all PERS systems except Judges, as follows:

50%	elect life annuities
45%	elect 50% joint and survivor annuities
5%	elect refund of employee contributions

Judges System experience shows that all retirees have elected a joint and survivor annuity. We recommend changing the assumption for Judges to all members elect 50% joint and survivor annuities.

HPRS experience shows that 95% of all retirees have elected a joint and survivor annuity. We recommend changing the assumption for HPRS to all members elect 50% joint and survivor annuities.

## Miscellaneous Assumptions *(continued)*

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- Benefit Election *(continued)* – Currently in the Job Service plan, all participants are assumed to elect the 10-year certain and life annuity. Experience shows that 55% of participants elect the 10-year certain and life annuity and 45% of participants elect the 55% joint and survivor annuity. We recommend changing the assumption to 55% elect the 10-year certain and life annuity and 45% elect the 55% joint and survivor annuity.
- Refund of Employee Contributions (PERS and HPRS) – The current assumption is that vested members terminating from employment will elect a refund of contributions only when the member account balance has a higher value than the annuity they will forfeit by taking a refund. This assumption is consistent with the experience. Of the 559 PERS members who took a refund of employee contributions in fiscal year ending June 30, 2014, only 121 members were vested and only 19 members had 10 or more years of service. We do not recommend changing the assumption regarding which members elect the refund for the PERS systems and HPRS.

## Miscellaneous Assumptions *(continued)*

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- Refund of Employee Contributions (PERS and HPRS) *(continued)* - Of the participants who do not take the refund of the employee contributions in PERS, 100% of married participants are assumed to elect the 50% joint and survivor annuity and 100% of unmarried participants are assumed to elect the life annuity. However, we recommend changing the election assumption in the PERS systems for those who do not take the refund of employee contributions to 50% elect life annuities and 50% elect joint and survivor annuities. We recommend no change in this assumption for HPRS.
- Account Balance due to Vested Employer Contributions (PEP) (PERS only) – The current assumption is 100% of those who have contributed to a deferred compensation program will continue to do so, but those who have not contributed will not contribute in the future. Experience shows 37% of the July 1, 2014 active population was contributing to a deferred compensation plan, and only 2% of the continuing actives began contributing during the 2013-2014 plan year. Therefore, we do not recommend changing this assumption.

# Funding Policy

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- Funding Method - The current method used for all plans except Job Service is the Entry Age Cost Method determined as if the current benefit accrual rate had always been in effect. We recommend changing the cost method to the Entry Age Cost Method determined based on the same benefit terms reflected in each employee's actuarial present value of projected benefit payments. Our recommendation brings the cost method in line with the cost method required by GASB.
- Asset Valuation Method – The current Asset Method recognizes 20% of each year's total appreciation (depreciation) beginning with the year of occurrence. After 5 years the appreciation (depreciation) is fully recognized. There is no corridor test that limits how far the actuarial value of assets can deviate from the market value of assets. We are not recommending any changes in the asset valuation method at this time.

## Funding Policy *(continued)*

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- Amortization of Unfunded Actuarial Accrued Liability (UAAL) - For PERS and HPRS, the Board policy is to amortize the UAAL over an open period of 20 years. **Frequently under this method the UAAL is never paid off, and may increase before it declines. While this is an acceptable method of making payments toward the UAAL, the Board should verify that the method fits with its funding policy goals.**

The annual payments are determined as a level percent of payroll with payroll expected to increase. The increase, prior to our new recommendations on page 13, was 4.5% per year (4.0% for Judges). Our recommendation is to change the payroll increase to 4.0% per year (3.5% for Judges).

We recommend that a detailed funding policy review be conducted in the near future to ensure that the funding policy elements meet the Board's objectives.

# Summary of Economic Assumptions – Main System

Assumption	Current	Proposed																																	
Inflation	3.50%	2.75%																																	
Productivity	1.00%	1.25%																																	
Payroll Growth	4.50%	4.00%																																	
Salary Scale	Merit rates based on age and years of service plus inflation and productivity.	<p>Less than 3 years of employment:</p> <table border="1"> <thead> <tr> <th></th> <th><u>State</u></th> <th><u>Non-State</u></th> </tr> </thead> <tbody> <tr> <td>First:</td> <td>12.00%</td> <td>15.00%</td> </tr> <tr> <td>Second:</td> <td>9.50%</td> <td>10.00%</td> </tr> <tr> <td>Third:</td> <td>7.25%</td> <td>8.00%</td> </tr> </tbody> </table> <p>Remaining years based on age:</p> <table border="1"> <thead> <tr> <th></th> <th><u>State</u></th> <th><u>Non-State</u></th> </tr> </thead> <tbody> <tr> <td>Ages 18-24:</td> <td>7.25%</td> <td>10.00%</td> </tr> <tr> <td>Ages 25-29:</td> <td>7.25%</td> <td>7.50%</td> </tr> <tr> <td>Ages 30-39:</td> <td>6.50%</td> <td>6.75%</td> </tr> <tr> <td>Ages 40-49:</td> <td>6.25%</td> <td>6.50%</td> </tr> <tr> <td>Ages 50-59:</td> <td>5.75%</td> <td>6.00%</td> </tr> <tr> <td>60 &amp; Over:</td> <td>5.00%</td> <td>5.25%</td> </tr> </tbody> </table>		<u>State</u>	<u>Non-State</u>	First:	12.00%	15.00%	Second:	9.50%	10.00%	Third:	7.25%	8.00%		<u>State</u>	<u>Non-State</u>	Ages 18-24:	7.25%	10.00%	Ages 25-29:	7.25%	7.50%	Ages 30-39:	6.50%	6.75%	Ages 40-49:	6.25%	6.50%	Ages 50-59:	5.75%	6.00%	60 & Over:	5.00%	5.25%
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Ages 30-39:	6.50%	6.75%																																	
Ages 40-49:	6.25%	6.50%																																	
Ages 50-59:	5.75%	6.00%																																	
60 & Over:	5.00%	5.25%																																	
Investment Return	8.00%	7.75%																																	
Administrative Expense	\$1,100,000	Explicit load to normal cost equal to prior year administrative expenses plus inflation.																																	

# Summary of Economic Assumptions - Judges

Assumption	Current	Proposed
Inflation	3.50%	2.75%
Productivity	0.50%	0.75%
Payroll Growth	4.00%	3.50%
Salary Scale	5% for all years	4% for all years
Investment Return	8.00%	7.75%
Administrative Expense	\$7,500	Explicit load to normal cost equal to prior year administrative expenses plus inflation.

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# Summary of Economic Assumptions – National Guard

Assumption	Current	Proposed
Inflation	3.50%	2.75%
Productivity	1.00%	1.25%
Payroll Growth	4.50%	4.00%
Salary Scale	Merit rates based on age and years of service plus inflation and productivity	Less than 3 years: 20% 4 to 5 years: 10%  Remaining years based on age: Ages 18 - 29: 7.25% Ages 30 - 39: 6.50% Ages 40 - 49: 6.25% Ages 50 - 59: 5.75% 60 & Over: 5.00%
Investment Return	8.00%	7.75%
Administrative Expense	\$3,000	Explicit load to normal cost equal to prior year administrative expenses plus inflation.

# Summary of Economic Assumptions – Law Enforcement with Prior Service

Assumption	Current	Proposed
Inflation	3.50%	2.75%
Productivity	1.00%	1.25%
Payroll Growth	4.50%	4.00%
Salary Scale	Merit rates based on age and years of service plus inflation and productivity	Less than 3 years: 20% 4 to 5 years: 10%  Remaining years based on age: Ages 18 - 29: 7.25% Ages 30 - 39: 6.50% Ages 40 - 49: 6.25% Ages 50 - 59: 5.75% 60 & Over: 5.00%
Investment Return	8.00%	7.75%
Administrative Expense	\$2,500	Explicit load to normal cost equal to prior year administrative expenses plus inflation.

# Summary of Economic Assumptions – Law Enforcement without Prior Service

Assumption	Current	Proposed
Inflation	3.50%	2.75%
Productivity	1.00%	1.25%
Payroll Growth	4.50%	4.00%
Salary Scale	Merit rates based on age and years of service plus inflation and productivity	Less than 3 years: 20% 4 to 5 years: 10%  Remaining years based on age: Ages 18 - 29: 7.25% Ages 30 - 39: 6.50% Ages 40 - 49: 6.25% Ages 50 - 59: 5.75% 60 & Over: 5.00%
Investment Return	8.00%	7.75%
Administrative Expense	\$7,500	Explicit load to normal cost equal to prior year administrative expenses plus inflation.

# Summary of Economic Assumptions – Highway Patrolmen

Assumption	Current	Proposed
Inflation	3.50%	2.75%
Productivity	1.00%	1.25%
Payroll Growth	4.50%	4.00%
Salary Scale	Merit rates based on age and years of service plus inflation and productivity	Less than 3 years of employment: First: 15.00% Second: 10.00% Third: 8.00%  Remaining years based on age: Ages 18 - 35: 8.00% Ages 36 - 40: 7.50% Ages 41 - 50: 6.00% Ages 51 & Over: 5.00%
Investment Return	8.00%	7.75%
Administrative Expense	\$18,000	Explicit load to normal cost equal to prior year administrative expenses plus inflation.

# Summary of Economic Assumptions – Job Service

Assumption	Current	Proposed
Inflation	3.50%	2.75%
Productivity	1.00%	1.25%
Payroll Growth	N/A	N/A
Salary Scale	5.00%	3.50%
Investment Return	8.00%	7.75%
Administrative Expense	Implicitly included in the investment return assumption	Explicit load to normal cost equal to prior year administrative expenses plus inflation.
COLA	5.00%	3.00%

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# Summary of Demographic Assumptions – Main System

Assumption	Current	Proposed
Termination	Rates based on age and years of service	No change
Disability	Gender-distinct rates based on age	Lower rates at all ages
Active Retirements	Rates based on age and eligibility for unreduced benefits	Adjusted rates based on age and eligibility for unreduced benefits
Inactive Retirements	Earlier of age 64 and unreduced retirement date	Same as new active rates
Healthy Mortality	RP-2000 Combined Healthy Mortality, set back 2 years	RP-2000 Combined Healthy Mortality, set back 2 years for males and 3 years for females, projected generationally using SSA 2014 Intermediate Cost scale from 2014
Disabled Mortality	RP-2000 Disabled Mortality Table set back one year for males (no setback for females)	RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%
Active Mortality	Healthy Post-Retirement Mortality	Healthy Post-Retirement Mortality
Spouse Information	80% of males and 65% of females are married, male spouses are three years older than female spouses, and 100% of spouses are opposite gender.	75% are married. No other changes.
Benefit election	100% of married elect 50% joint & survivor 100% of non-married elect life annuity	50% elect life annuity 45% elect 50% joint & survivor 5% elect refund of contributions
Refund of Contributions	Only if account balance is higher than value of annuity	No Change
Account balance due to vested Employer Contributions (PEP)	100% of those contributing continue to contribute. Those who haven't contributed will not contribute in the future.	No Change

# Summary of Demographic Assumptions – Judges

Assumption	Current	Proposed
Termination	Rates based on age	Eliminate rates
Disability	Gender-distinct rates based on age	Lower rates at all ages
Active Retirements	Rates based on age	Adjusted rates based on age
Inactive Retirements	Earlier of age 64 and unreduced retirement date	Same as new active rates
Healthy Mortality	RP-2000 Combined Healthy Mortality, set back 2 years	RP-2000 Combined Healthy Mortality, set back 2 years for males and 3 years for females, projected generationally using SSA 2014 Intermediate Cost scale from 2014
Disabled Mortality	RP-2000 Disabled Mortality Table set back one year for males (no setback for females)	RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%
Active Mortality	Healthy Post-Retirement Mortality	Healthy Post-Retirement Mortality
Spouse Information	100% of all participants are married, male spouses are three years older than female spouses, and 100% of spouses are opposite gender.	No changes
Benefit Election	100% of married elect 50% joint & survivor 100% of non-married elect life annuity	100% elect 50% joint & survivor
Refund of Contributions	Only if account balance is higher than value of annuity	No Change

# Summary of Demographic Assumptions – National Guard

Assumption	Current	Proposed
Termination	Rates based on age and years of service	No change
Disability	Gender-distinct rates based on age	Lower rates at all ages
Active Retirements	Rates based on age	Adjusted rates based on age
Inactive Retirements	Age 55	Same as new active rates
Healthy Mortality	RP-2000 Combined Healthy Mortality, set back 3 years	RP-2000 Combined Healthy Mortality, set back 2 years for males and 3 years for females, projected generationally using SSA 2014 Intermediate Cost scale from 2014
Disabled Mortality	RP-2000 Disabled Mortality Table set back one year for males (no setback for females)	RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%
Active Mortality	Healthy Post-Retirement Mortality	Healthy Post-Retirement Mortality
Spouse Information	80% of males and 65% of females are married, male spouses are three years older than female spouses, and 100% of spouses are of opposite gender.	75% are married. No other changes.
Benefit Election	100% of married elect 50% joint & survivor 100% of non-married elect life annuity	50% elect life annuity 45% elect 50% joint & survivor 5% elect refund of contributions
Refund of Contributions	Only if account balance is higher than value of annuity	No Change
Account balance due to vested Employer Contributions (PEP)	100% of those contributing continue to contribute. Those who haven't contributed will not contribute in the future.	No Change

# Summary of Demographic Assumptions – Law Enforcement with & without Prior Service

Assumption	Current	Proposed
Termination	Rates based on age and years of service	No change
Disability	Gender distinct rates based on age	Lower rates at all ages
Active Retirements	Rates based on age	Adjusted rates based on age
Inactive Retirements	Earlier of age 55 and unreduced retirement date	Same as new active rates
Healthy Mortality	RP-2000 Combined Healthy Mortality, set back 2 years	RP-2000 Combined Healthy Mortality, set back 2 years for males and 3 years for females, projected generationally using SSA 2014 Intermediate Cost scale from 2014
Disabled Mortality	RP-2000 Disabled Mortality Table set back one year for males (no setback for females)	RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%
Active Mortality	Healthy Post-Retirement Mortality	Healthy Post-Retirement Mortality
Spouse Information	80% of males and 65% of females are married, male spouses are three years older than female spouses, and 100% of spouses are opposite gender.	75% are married. No other changes.
Benefit Election	100% of married elect 50% joint & survivor 100% of non-married elect life annuity	50% elect life annuity 45% elect 50% joint & survivor 5% elect refund of contributions
Refund of Contributions	Only if account balance is higher than value of annuity	No Change
Account balance due to vested Employer Contributions (PEP)	100% of those contributing continue to contribute. Those who haven't contributed will not contribute in the future.	No Change

# Summary of Demographic Assumptions – Highway Patrolmen

Assumption	Current	Proposed
Termination	Rates based on age and years of service	No change
Disability	Rates based on age	Lower rates at all ages
Active Retirements	Rates based on age and eligibility for unreduced benefits	Adjusted rates based on age
Inactive Retirements	Age 55	Same as new active rates
Healthy Mortality	RP-2000 Combined Healthy Mortality, set back one year	RP-2000 Combined Healthy Mortality, set back 2 years for males and 3 years for females, projected generationally using SSA 2014 Intermediate Cost scale from 2014
Disabled Mortality	RP-2000 Disabled Mortality Table set back one year for males (no setback for females)	RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%
Active Mortality	Healthy Post-Retirement Mortality	Healthy Post-Retirement Mortality
Spouse Information	90% of non-retired members are married, male spouses are three years older than female spouses, and 100% of spouses are opposite gender.	100% are married. No other changes.
Benefit Election	100% of married elect 50% joint & survivor 100% of non-married elect life annuity	100% elect 50% joint & survivor
Indexing for benefits of inactive members	4.5% per annum	4.0% per annum
Refund of Contributions	Only if account balance is higher than value of annuity.	No change

# Summary of Demographic Assumptions – Job Service

Assumption	Current	Proposed
Termination	Rates based on age	Not applicable
Disability	Rates based on age	Lower rates at all ages
Active Retirements	75% retire when first eligible. The rest retire at Normal Retirement Age	Adjusted rates based on age
Inactive Retirements	100% at first optional retirement age	Same as new active rates
Healthy Mortality	1994 Group Annuity Mortality Table	RP-2000 Combined Healthy Mortality, set back 2 years for males and 3 years for females, projected generationally using SSA 2014 Intermediate Cost scale from 2014
Disabled Mortality	1983 Railroad Retirement Board Disabled Life Mortality Table	RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%
Active Mortality	Healthy Post-Retirement Mortality	Healthy Post-Retirement Mortality
Spouse Information	85% of all non-retired are married, male spouses are four years older than female spouses, and 100% of spouses are opposite gender.	No change
Benefit Election	All participants are assumed to elect the 10-year certain and life annuity	55% elect 10-year certain and life 45% elect 55% joint and survivor

# Cost Impact on Main System Based on the July 1, 2014 Actuarial Valuation

Description	Current Assumptions	All Proposed Assumptions Except Investment Return	All Proposed Assumptions
Actuarial Accrued Liability	\$2,866.5M	\$2,869.4M	\$2,848.8M
Actuarial Value of Assets	\$1,837.9M	\$1,837.9M	\$1,837.9M
Unfunded Actuarial Accrued Liability	\$1,028.6M	\$931.5M	\$1,010.9M
Funded Percentage	64.3%	66.4%	64.5%
Total Normal Cost including Expenses	\$99.1M	\$119.4M	\$123.9M
Actuarially Determined Employer Contribution Rate	11.06%	12.51%	13.43%
Employer Statutory Rate	7.12%	7.12%	7.12%
Margin / (Deficit)	(3.94)%	(5.39)%	(6.31)%
Effective Amortization Period	Infinite	Infinite	Infinite

# Cost Impact on Judges Based on the July 1, 2014 Actuarial Valuation

Description	Current Assumptions	All Proposed Assumptions Except Investment Return	All Proposed Assumptions
Actuarial Accrued Liability	\$39.0M	\$36.7M	\$37.6M
Actuarial Value of Assets	\$35.5M	\$35.5M	\$35.5M
Unfunded Actuarial Accrued Liability	\$3.5M	\$1.2M	\$2.1M
Funded Percentage	91.0%	96.7%	94.4%
Total Normal Cost including Expenses	\$1.3M	\$1.3M	\$1.3M
Actuarially Determined Employer Contribution Rate	14.80%	11.68%	13.31%
Employer Statutory Rate	17.52%	17.52%	17.52%
Margin / (Deficit)	2.72%	5.84%	4.21%
Effective Amortization Period	9.7 years	2.7 years	5.3 years

# Cost Impact on National Guard Based on the July 1, 2014 Actuarial Valuation

Description	Current Assumptions	All Proposed Assumptions Except Investment Return	All Proposed Assumptions
Actuarial Accrued Liability	\$2,944K	\$2,782K	\$2,859K
Actuarial Value of Assets	\$2,586K	\$2,586K	\$2,586K
Unfunded Actuarial Accrued Liability	\$358K	\$196K	\$273K
Funded Percentage	87.0%	93.0%	90.5%
Total Normal Cost including Expenses	\$126K	\$152K	\$159K
Actuarially Determined Employer Contribution Rate	8.14%	8.74%	9.70%
Employer Statutory Rate	7.00%	7.00%	7.00%
Margin / (Deficit)	(1.14)%	(1.74)%	(2.70)%
Effective Amortization Period	Infinite	Infinite	Infinite

# Cost Impact on Law Enforcement with Prior Service Based on the July 1, 2014 Actuarial Valuation

Description	Current Assumptions	All Proposed Assumptions Except Investment Return	All Proposed Assumptions
Actuarial Accrued Liability	\$28.0M	\$26.7M	\$27.5M
Actuarial Value of Assets	\$18.0M	\$18.0M	\$18.0M
Unfunded Actuarial Accrued Liability	\$10.0M	\$8.7M	\$9.5M
Funded Percentage	64.4%	67.4%	65.5%
Total Normal Cost including Expenses	\$1.7M	\$2.0M	\$2.1M
Actuarially Determined Employer Contribution Rate	5.52%	10.59%	11.39%
Employer Statutory Rate	9.81%/10.31%*	9.81%/10.31%*	9.81%/10.31%*
Margin / (Deficit)	0.38%	(0.69)%	(1.49)%
Effective Amortization Period	17.9 years	27.6 years	44.9 years

\* 10.31% for BCI

# Cost Impact on Law Enforcement without Prior Service Based on the July 1, 2014 Actuarial Valuation

Description	Current Assumptions	All Proposed Assumptions Except Investment Return	All Proposed Assumptions
Actuarial Accrued Liability	\$2,264K	\$2,040K	\$2,101K
Actuarial Value of Assets	\$1,832K	\$1,832K	\$1,832K
Unfunded Actuarial Accrued Liability	\$432K	\$208K	\$269K
Funded Percentage	80.9%	89.8%	87.2%
Total Normal Cost including Expenses	\$440K	\$528K	\$549K
Actuarially Determined Employer Contribution Rate	7.42%	8.38%	9.01%
Employer Statutory Rate	7.93%	7.93%	7.93%
Margin / (Deficit)	0.51%	(0.45)%	(1.08)%
Effective Amortization Period	10.7 years	Infinite	Infinite

# Cost Impact on Highway Patrolmen Based on the July 1, 2014 Actuarial Valuation

Description	Current Assumptions	All Proposed Assumptions Except Investment Return	All Proposed Assumptions
Actuarial Accrued Liability	\$75.5M	\$75.5M	\$77.6M
Actuarial Value of Assets	\$54.6M	\$54.6M	\$54.6M
Unfunded Actuarial Accrued Liability	\$20.9M	\$20.9M	\$23.0M
Funded Percentage	72.3%	72.3%	70.3%
Total Normal Cost including Expenses	\$2.1M	\$2.3M	\$2.4M
Actuarially Determined Employer Contribution Rate	21.70%	23.66%	25.96%
Employer Statutory Rate	19.70%	19.70%	19.70%
Margin / (Deficit)	(2.00)%	(3.95)%	(6.26)%
Effective Amortization Period	25.0 years	34.2 years	51.4 years

# Cost Impact on Job Service Based on the July 1, 2014 Actuarial Valuation

Description	Current Assumptions	All Proposed Assumptions Except Investment Return	All Proposed Assumptions
Present Value of Benefits	\$65.5M	\$61.9M	\$63.3M
Actuarial Value of Assets	\$78.2M	\$78.2M	\$78.2M
Unfunded Actuarial Accrued Liability	\$(12.7)M	\$(16.3)M	\$(14.9)M
Funded Percentage	119.4%	126.3%	123.4%
Total Normal Cost including Expenses	\$0.00M	\$0.03M	\$0.03M
Actuarially Determined Contribution Rate	0%	0%	0%
Statutory Rate	0%	0%	0%
Margin / (Deficit)	N/A	N/A	N/A
Effective Amortization Period	N/A	N/A	N/A

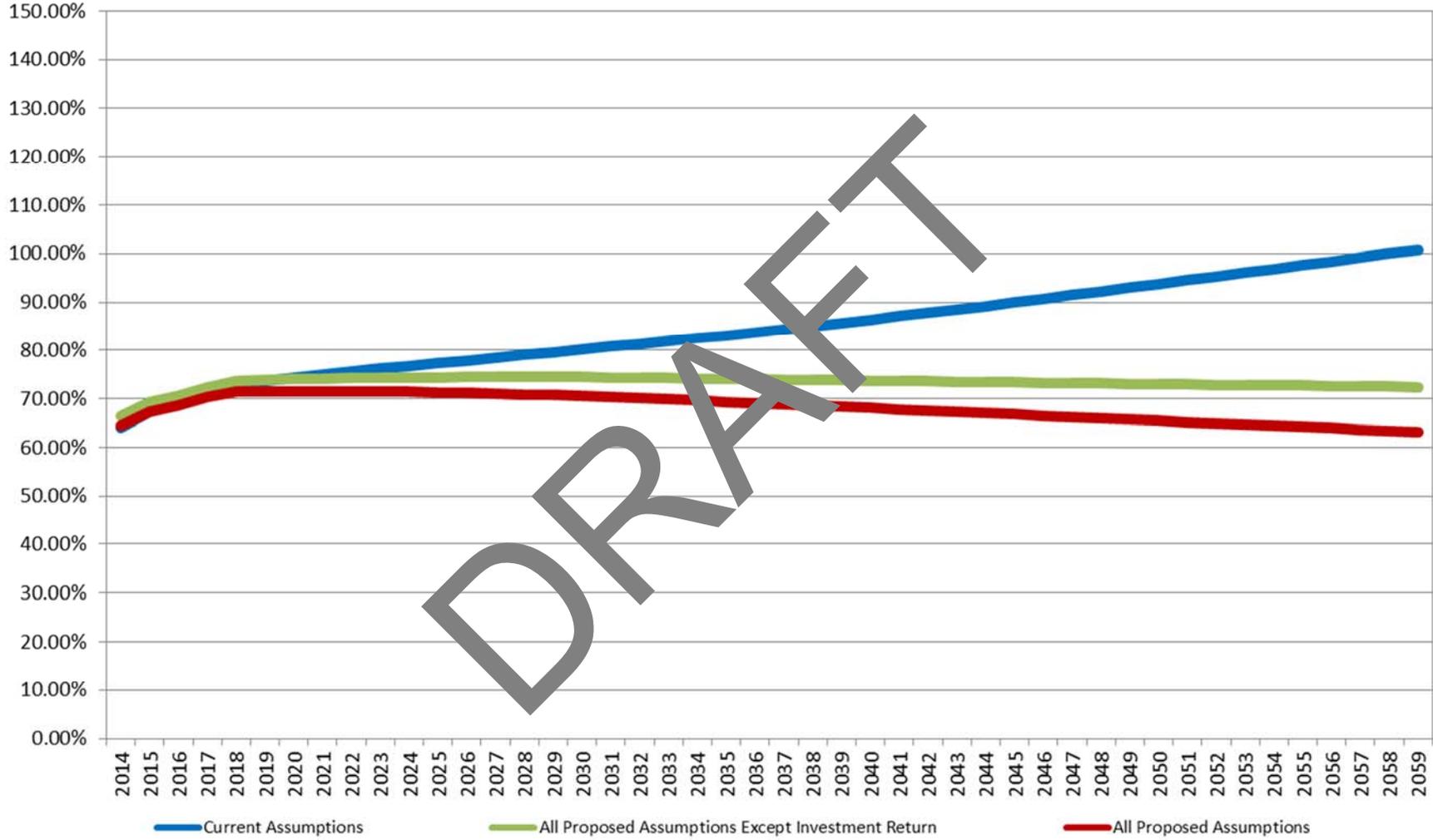
# Cost Impact Projections – Main System

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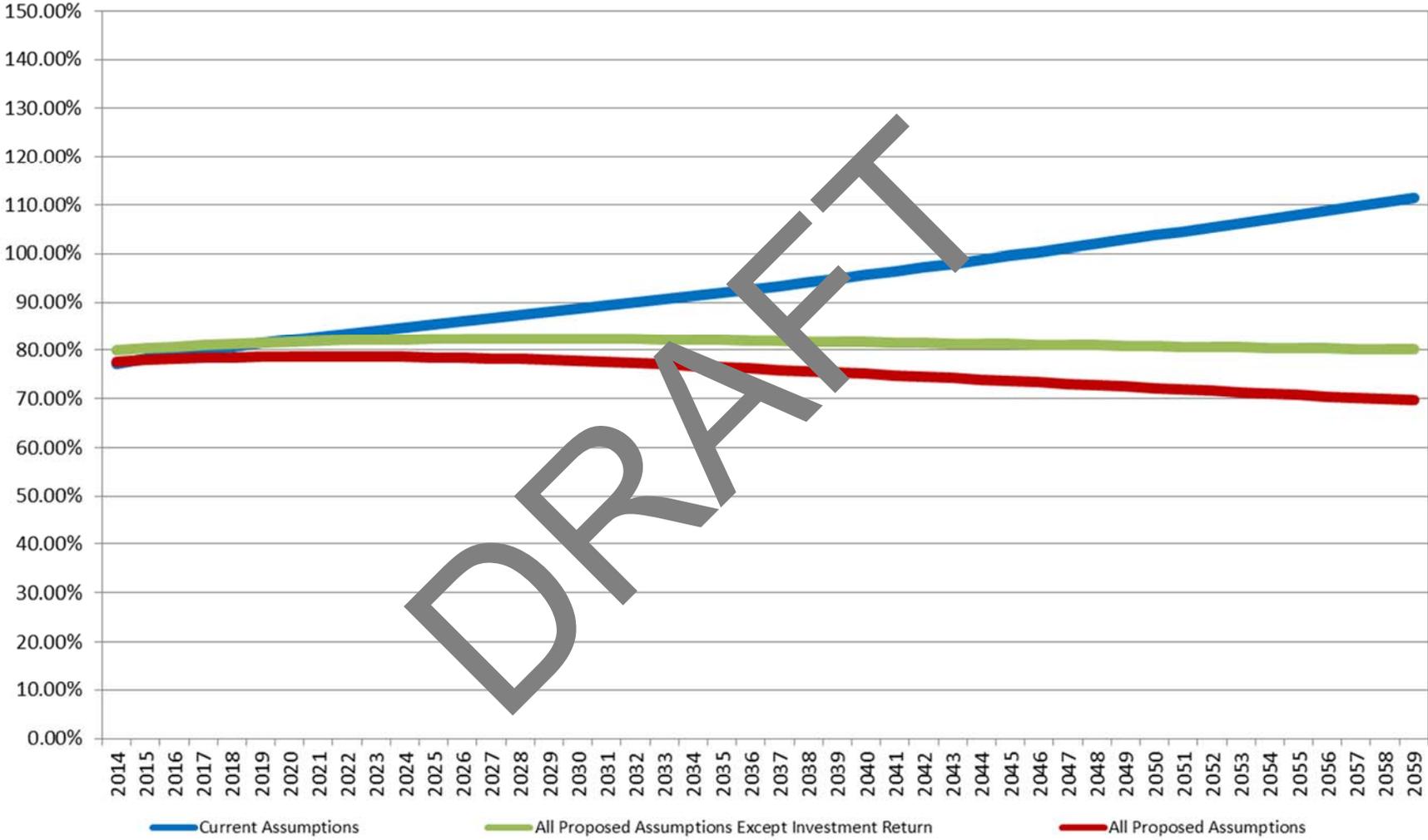
- Projections of estimated funded ratios for 45 years
  - Baseline based on July 1, 2014, actuarial valuation using current assumptions
- Includes contribution rates as follows:
  - Member rate is 7.00% for fiscal year ending June 30, 2015 and thereafter
  - Employer rate is 7.12% for fiscal year ending June 30, 2015 and thereafter

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# Projected Funded Ratios (AVA Basis) – Main System



# Projected Funded Ratios (MVA Basis) – Main System



# Questions?

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# Actuarial Certification

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May 21, 2015

We are pleased to submit this presentation on the actuarial experience of the North Dakota Public Employees Retirement System for the period July 1, 2009, through June 30, 2014. This investigation is the basis for our recommendation of the assumptions and methods to be used for the July 1, 2015, actuarial valuation.

All current actuarial assumptions and methods were reviewed as part of this study. Some of our recommendations reflect changes to the assumptions and methods used in the July 1, 2014, actuarial valuation while other current assumptions and methods remain appropriate.

Our analysis was conducted in accordance with generally accepted actuarial principles as prescribed by the Actuarial Standards Board (ASB) and the American Academy of Actuaries. Additionally, the development of all assumptions contained herein is in accordance with ASB Actuarial Standard of Practice (ASOP) No. 27 (*Selection of Economic Assumptions for Measuring Pension Obligations*) and ASOP No. 35 (*Selection of Demographic and Other Non-Economic Assumptions for Measuring Pension Obligations*).

The undersigned actuaries are experienced with performing experience studies for large public-sector pension plans and are qualified to render the opinions contained in this report.

Sincerely,

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Brad Ramirez, FSA, MAAA, FCA, EA  
Vice President & Consulting Actuary

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Laura L. Mitchell, MAAA, EA  
Vice President & Consulting Actuary

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Tammy F. Dixon, FSA, MAAA, EA  
Vice President and Actuary

# APPENDIX

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- Full schedule of proposed new assumption tables
  - Salary Increase
  - Disability rates
  - Unreduced retirement
  - Reduced retirement
  - Healthy mortality
  - Disabled mortality

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# APPENDIX

## Proposed Salary Increase (Service-Based Rates)

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Years of Service	Current Total Salary Increase Rate	State Proposed Total Salary Increase Rate	Non-State Proposed Total Salary Increase Rate	National Guard and Law Enforcement Proposed Total Salary Increase Rate
0	8.25%	12.00%	15.00%	20.00%
1	7.25%	9.50%	12.00%	20.00%
2	6.75%	7.25%	8.00%	20.00%
3	6.50%	N/A	N/A	10.00%
4	6.25%	N/A	N/A	10.00%

For Judges and Job Service, the current salary increase rate is 5.00% regardless of service. The proposed rates are 4.00% for Judges and 3.50% for Job Service regardless of service.

# APPENDIX – Proposed Salary Increase (Age-Based Rates) - Main\*, National Guard and Law Enforcement

Age	Current Total Salary Increase	Proposed Total Salary Increase	Age	Current Total Salary Increase	Proposed Total Salary Increase
18	6.25%	7.25%	30	5.93%	6.50%
19	6.25%	7.25%	31	5.82%	6.50%
20	6.25%	7.25%	32	5.72%	6.50%
21	6.25%	7.25%	33	5.64%	6.50%
22	6.25%	7.25%	34	5.57%	6.50%
23	6.25%	7.25%	35	5.50%	6.50%
24	6.25%	7.25%	36	5.44%	6.50%
25	6.25%	7.25%	37	5.38%	6.50%
26	6.25%	7.25%	38	5.32%	6.50%
27	6.25%	7.25%	39	5.27%	6.50%
28	6.22%	7.25%	40	5.23%	6.25%
29	6.07%	7.25%	41	5.20%	6.25%

\*State Only

# APPENDIX – Proposed Salary Increase (Age-Based Rates) - Main\*, National Guard and Law Enforcement *(continued)*

Age	Current Total Salary Increase	Proposed Total Salary Increase	Age	Current Total Salary Increase	Proposed Total Salary Increase
42	5.17%	6.25%	54	4.94%	5.75%
43	5.14%	6.25%	55	4.93%	5.75%
44	5.12%	6.25%	56	4.92%	5.75%
45	5.11%	6.25%	57	4.91%	5.75%
46	5.09%	6.25%	58	4.90%	5.75%
47	5.07%	6.25%	59	4.88%	5.75%
48	5.05%	6.25%	60	4.86%	5.00%
49	5.04%	6.25%	61	4.81%	5.00%
50	5.02%	5.75%	62	4.74%	5.00%
51	5.00%	5.75%	63	4.70%	5.00%
52	4.98%	5.75%	64	4.70%	5.00%
53	4.96%	5.75%	65+	4.70%	5.00%

\*State Only

# APPENDIX – Proposed Salary Increase (Age-Based Rates) - Main Non-State

Age	Current Total Salary Increase	Proposed Total Salary Increase	Age	Current Total Salary Increase	Proposed Total Salary Increase
18	6.25%	7.25%	30	5.93%	6.50%
19	6.25%	7.25%	31	5.82%	6.50%
20	6.25%	7.25%	32	5.72%	6.50%
21	6.25%	7.25%	33	5.64%	6.50%
22	6.25%	7.25%	34	5.57%	6.50%
23	6.25%	7.25%	35	5.50%	6.50%
24	6.25%	7.25%	36	5.44%	6.50%
25	6.25%	7.25%	37	5.38%	6.50%
26	6.25%	7.25%	38	5.32%	6.50%
27	6.25%	7.25%	39	5.27%	6.50%
28	6.22%	7.25%	40	5.23%	6.25%
29	6.07%	7.25%	41	5.20%	6.25%

# APPENDIX – Proposed Salary Increase (Age-Based Rates) - Main Non-State *(continued)*

Age	Current Total Salary Increase	Proposed Total Salary Increase	Age	Current Total Salary Increase	Proposed Total Salary Increase
42	5.17%	6.25%	54	4.94%	5.75%
43	5.14%	6.50%	55	4.93%	5.75%
44	5.12%	6.50%	56	4.92%	5.75%
45	5.11%	6.50%	57	4.91%	5.75%
46	5.09%	6.50%	58	4.90%	5.75%
47	5.07%	6.50%	59	4.88%	5.75%
48	5.05%	6.50%	60	4.86%	5.00%
49	5.04%	6.50%	61	4.81%	5.00%
50	5.02%	5.75%	62	4.74%	5.00%
51	5.00%	5.75%	63	4.70%	5.00%
52	4.98%	5.75%	64	4.70%	5.00%
53	4.96%	5.75%	65+	4.70%	5.00%

# APPENDIX

## Disability Retirement - PERS

Age	<u>Males</u>		<u>Females</u>	
	Current Rate	Proposed Rate	Current Rate	Proposed Rate
20 – 24	0.02%	0.01%	0.01%	0.01%
25 – 29	0.03%	0.02%	0.02%	0.01%
30 – 34	0.04%	0.02%	0.02%	0.01%
35 – 39	0.06%	0.03%	0.03%	0.02%
40 – 44	0.09%	0.05%	0.05%	0.03%
45 – 49	0.15%	0.09%	0.09%	0.04%
50 – 54	0.25%	0.15%	0.15%	0.08%
55 – 59	0.41%	0.25%	0.25%	0.12%
60 – 64	0.63%	0.39%	0.39%	0.20%

# APPENDIX

## Proposed Unreduced Retirement – Main System

Age	Current Retirement Rate	Proposed Retirement Rate	Age	Current Retirement Rate	Proposed Retirement Rate
50	0.00%	30.00%	63	25.00%	30.00%
51	8.00%	10.00%	64	30.00%	20.00%
52	8.00%	10.00%	65	30.00%	20.00%
53	8.00%	10.00%	66	20.00%	15.00%
54	8.00%	10.00%	67	20.00%	15.00%
55	8.00%	10.00%	68	20.00%	15.00%
56	10.00%	8.00%	69	20.00%	15.00%
57	10.00%	8.00%	70	20.00%	15.00%
58	10.00%	8.00%	71	20.00%	15.00%
59	10.00%	8.00%	72	20.00%	15.00%
60	10.00%	8.00%	73	20.00%	15.00%
61	10.00%	15.00%	74	20.00%	15.00%
62	35.00%	30.00%	75	100.00%	100.00%

# APPENDIX

## Proposed Reduced Retirement – Main System

Age	Current Retirement Rate	Proposed Retirement Rate	Age	Current Retirement Rate	Proposed Retirement Rate
55	2.00%	1.00%	66	20.00%	20.00%
56	2.00%	1.00%	67	20.00%	15.00%
57	2.00%	1.00%	68	20.00%	15.00%
58	2.00%	1.00%	69	20.00%	15.00%
59	2.00%	1.00%	70	20.00%	15.00%
60	40.00%	2.00%	71	20.00%	15.00%
61	10.00%	5.00%	72	20.00%	15.00%
62	20.00%	10.00%	73	20.00%	15.00%
63	15.00%	10.00%	74	20.00%	15.00%
64	10.00%	10.00%	75	100.00%	100.00%
65	30.00%	3.00%			

# APPENDIX

## Proposed Retirement - Judges

Age	Current Retirement Rate	Proposed Retirement Rate	Age	Current Retirement Rate	Proposed Retirement Rate
55	0.00%	10.00%	66	50.00%	20.00%
56	0.00%	10.00%	67	50.00%	20.00%
57	0.00%	10.00%	68	50.00%	20.00%
58	0.00%	10.00%	69	50.00%	20.00%
59	0.00%	10.00%	70	100.00%	20.00%
60	10.00%	10.00%	71	100.00%	20.00%
61	10.00%	10.00%	72	100.00%	20.00%
62	20.00%	10.00%	73	100.00%	20.00%
63	20.00%	10.00%	74	100.00%	20.00%
64	20.00%	10.00%	75	100.00%	100.00%
65	50.00%	20.00%			

# APPENDIX – Proposed Retirement - National Guard and Law Enforcement

Age	Current Retirement Rate	Proposed Retirement Rate	Age	Current Retirement Rate	Proposed Retirement Rate
50	0.00%	25.00%	63	20.00%	50.00%
51	0.00%	25.00%	64	50.00%	50.00%
52	0.00%	25.00%	65	100.00%	50.00%
53	0.00%	25.00%	66	100.00%	20.00%
54	0.00%	25.00%	67	100.00%	20.00%
55	20.00%	10.00%	68	100.00%	20.00%
56	20.00%	10.00%	69	100.00%	20.00%
57	20.00%	10.00%	70	100.00%	20.00%
58	20.00%	10.00%	71	100.00%	20.00%
59	20.00%	10.00%	72	100.00%	20.00%
60	20.00%	10.00%	73	100.00%	20.00%
61	20.00%	10.00%	74	100.00%	20.00%
62	20.00%	50.00%	75	100.00%	100.00%

# APPENDIX

## Proposed Retirement – Job Service

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Age	Current Retirement Rate	Proposed Retirement Rate
55	*	15.00%
56	*	15.00%
57	*	15.00%
58	*	15.00%
59	*	15.00%
60	*	15.00%
61	*	15.00%
62	*	15.00%
63	*	15.00%
64	*	15.00%
65	100.00%	100.00%

\*75% if first time eligible for optional retirement, otherwise 100% at Normal Retirement Age

# APPENDIX

## Proposed Healthy Mortality – All Systems

Males			Females		
Age	Current Mortality Rate	Proposed Mortality Rate	Age	Current Mortality Rate	Proposed Mortality Rate
50	0.17%	0.19%	50	0.13%	0.13%
55	0.27%	0.29%	55	0.20%	0.20%
60	0.47%	0.53%	60	0.35%	0.35%
65	0.88%	1.00%	65	0.67%	0.66%
70	1.61%	1.79%	70	1.22%	1.22%
75	2.73%	3.04%	75	2.07%	2.07%
80	4.69%	5.21%	80	3.41%	3.41%
85	8.05%	8.91%	85	5.63%	5.63%
90	13.60%	15.06%	90	9.63%	9.63%
95	21.66%	23.17%	95	15.76%	15.76%
100	29.99%	31.53%	100	21.52%	21.52%

Proposed mortality rates above are sample rates for 2014. For actuarial valuation purposes, mortality rates will be projected from 2014 on a generational basis using the SSA 2014 Intermediate Cost Improvement Scale.

# APPENDIX

## Proposed Disabled Mortality – All Systems

Males			Females		
Age	Current Mortality Rate	Proposed Mortality Rate	Age	Current Mortality Rate	Proposed Mortality Rate
40	2.26%	2.82%	40	0.75%	0.93%
45	2.26%	2.82%	45	0.75%	0.93%
50	2.77%	3.46%	50	1.15%	1.44%
55	3.42%	4.27%	55	1.65%	2.07%
60	4.07%	5.08%	60	2.18%	2.73%
65	4.83%	6.04%	65	2.80%	3.50%
70	5.96%	7.45%	70	3.70%	4.70%
75	7.75%	9.65%	75	5.22%	6.53%
80	10.34%	12.92%	80	7.23%	9.04%
85	13.49%	16.97%	85	10.02%	12.53%
90	16.92%	21.15%	90	14.00%	17.51%
95	25.07%	31.34%	95	19.45%	23.41%
100	33.02%	41.28%	100	23.75%	29.68%



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# Memorandum

**TO:** PERS Board

**FROM:** Bryan

**DATE:** May 21, 2015

**SUBJECT:** Defined Contribution Plan Reporting – April 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 451 members have elected the DC plan since it started in 2000. Of these, the second table shows that 231 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 48 members (out of 1969 since 10/2013) have elected the DC 401(a) plan through April 2015.

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

**Defined Contribution Reporting - April 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
<b>Total</b>	<b>451</b>	<b>100</b>

Four new enrollments in April 2015.

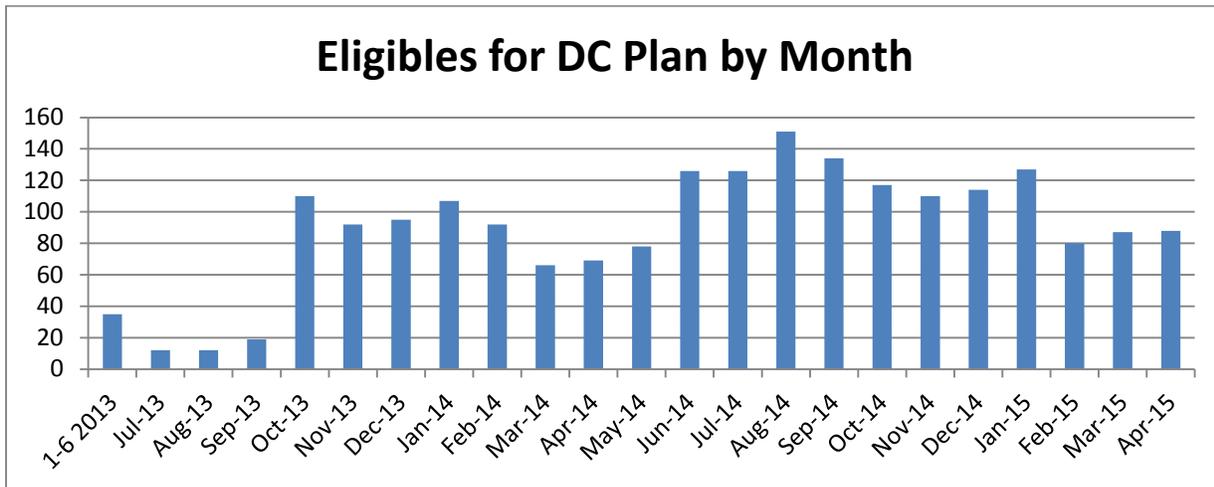
<b>Current Status</b>	<b>Frequency</b>	<b>Percent</b>
<b>Enrolled</b>	231	51.22
<b>Retired</b>	19	4.21
<b>Suspended</b>	74	16.41
<b>Withdrawn</b>	127	28.16

51.22% of those electing the DC 401(a) plan are still active.

<b>NDPERS DC 401(a) Active MEMBERS – April 2015</b>
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<b>Agency</b>	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Frequency</b>	<b>Cumulative Percent</b>
<b>Workforce Safety &amp; Insurance</b>	80	34.63	80	34.63
<b>Adjutant General ND National Guard</b>	12	5.19	92	39.83

Agency	Frequency	Percent	Cumulative Frequency	Cumulative Percent
Legislative Council	11	4.76	103	44.59
North Dakota State University	10	4.33	113	49.35
Department Of Commerce	8	3.46	121	52.81
Information Technology Dept	8	3.46	129	56.28
Others (48 groups)	102	44.16	231	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	126	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	114	6
2015 January - 110	127	2
2015 February - 89	80	0
2015 March - 76	87	0
2015 April - 103	88	0
	1969	48 (2.4%)



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# Memorandum

**TO:** NDPERS Board

**FROM:** Bryan Reinhardt

**DATE:** May 21, 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, and plan design have been completed. Information is available on the NDPERS web site and a mailing went out May 15<sup>th</sup>. The team is currently working on data file testing. Attached is the implementation timeline.

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



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# Memorandum

**TO:** PERS Board

**FROM:** Sparb & Bryan

**DATE:** May 21, 2015

**SUBJECT:** NDPERS RHIC Nondiscrimination Testing

NDPERS staff along with Segal has determined that the IRC 105(h) nondiscrimination rules apply to the Retiree Health Insurance Credit (RHIC) plan. However, under the special rule for retired employees under Treasury Regulations section 105-11(c)(3)(iii) where benefits under the RHIC do not vary based on compensation during employment, we cannot determine that the RHIC plan is providing nondiscriminatory benefits under IRC 105(h) without additional IRS guidance. We agree that since all full-time employees automatically participate in the RHIC, the plan should pass the eligibility test under IRC 105(h). Finally, it appears that the statutory provisions of the RHIC are sufficient for providing the written terms of that plan.

The special rule for retired employees under Treasury Regulations section 105-11(c)(3)(iii) states, "To the extent that an employer provides benefits under a self-insured medical reimbursement plan to a retired employee that would otherwise be excludible from gross income under section 105(b), determined without regard to section 105(h), such benefits shall not be considered a discriminatory benefit under this paragraph (c). The preceding sentence shall not apply to a retired employee who was a highly compensated individual unless the type, and the dollar limitations, of benefits provided retired employees who were highly compensated individuals are the same for all other retired participants. If this subdivision applies to a retired participant, that individual is not considered an employee for purposes of determining the highest paid 25 percent of all employees under paragraph (d) of this section solely by reason of receiving such plan benefits."

In addition, note that the benefit is a flat dollar amount per year of service with no consideration to compensation.

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 to Send	May 1, 2015	5/4/2015
RHIC Overview & Claim Form	NDPERS – Kathy/MaryJo	May 1, 2015	5/4/2015

Complete data file testing	NDPERS- Sharmain/Ron/ASI	May 4 – May 30, 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.	
Negative Payee Accounts	Sharmain	After May 15 letter mailings. May 30?	
PERSLink RHIC reprogramming	Sharmain/Sagitec	May 30, 2015?	
Finalize ASIFlex generated confirmation letter	Anita & MaryJo	June 1, 2015	
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/Sharmain	Immediately (Sharmain already gathering) with publishing on June 15th	
Provide initial eligibility to ASI	NDPERS- Sharmain/Ron	June 8, 2015	
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	
Plan Start Date		July 1, 2015	
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. May Board Agenda.
Communications – possible use of MSS for instruction links & vendor link	NDPERS – Sharmain	? Tabled	



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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** May 13, 2015  
**SUBJECT:** Investments

Attached for your information is a recent investment update provided to the PERS Investment Subcommittee.

# **PERS Interim Investment Review**

**RIO Update**

May 11, 2015

Dave Hunter

Executive Director/Chief Investment Officer

ND Retirement & Investment Office (RIO)

State Investment Board (SIB)

# Executive Summary for periods ended March 31, 2015

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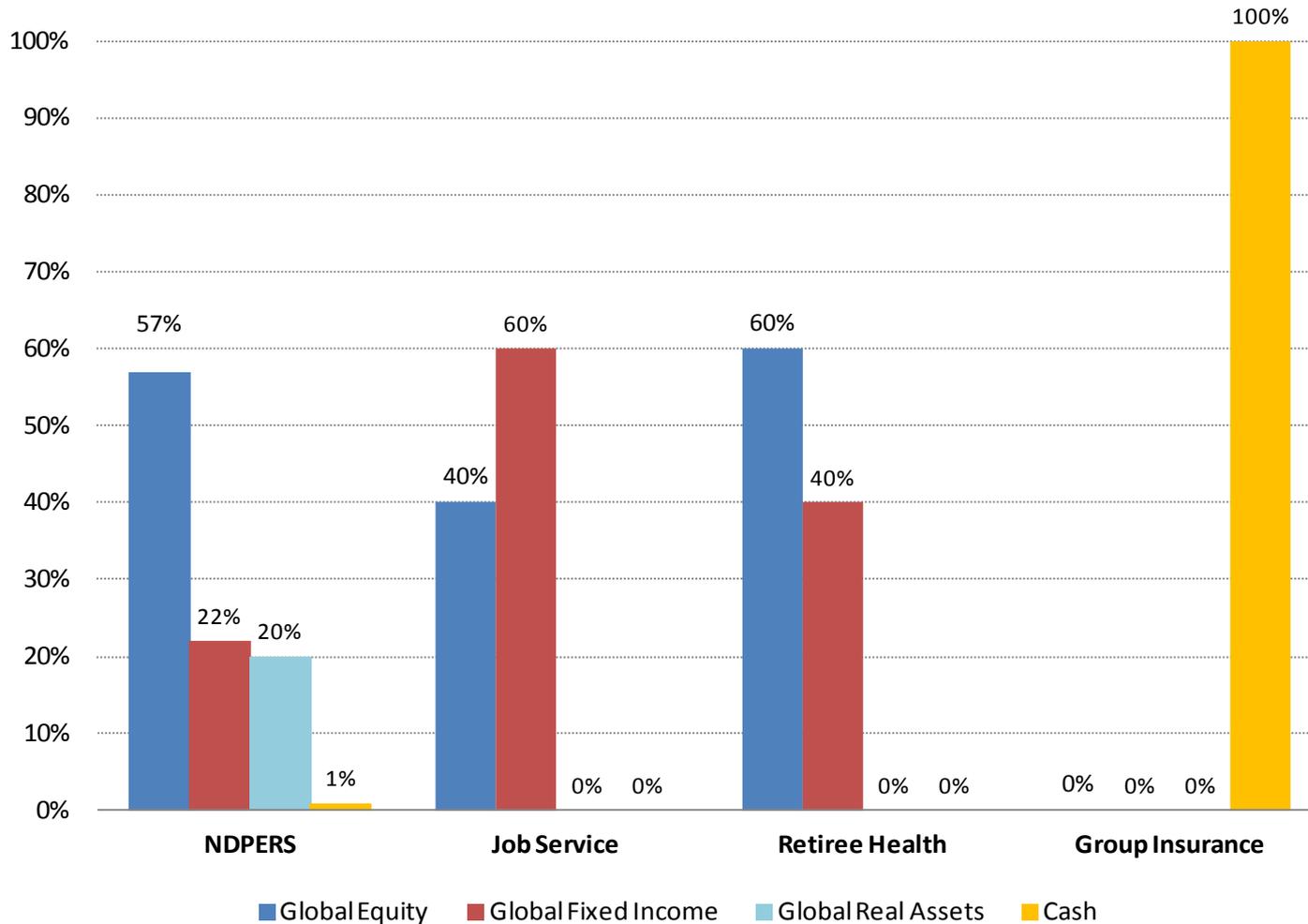
## Investment Performance –

- Asset allocation is the primary driver of investment returns. PERS Main Plan generated a net return of 6.5% for the 1-year ended March 31, 2015, which exceeded the policy benchmark by roughly 1.2%.
- For the current fiscal year to date ended March 31, 2015, the PERS Main Plan generated a net investment return of 2.8% versus a policy benchmark of 1.9%. Strong returns in U.S. Large Cap Equity (+9.1% actual versus +7.2% index) and U.S. Fixed Income (+3.6% actual versus +2.4% index) were partially offset by negative results in our International Equity (-4.8% actual versus -5.0% index) and International Debt mandates (-7.4% actual versus -12.5% index). Global Real Assets were the only major asset class to underperform its relative benchmark (+5.9% actual versus +6.7% index) in the past year largely due to Timber (+3.5% actual versus +9.5% index).
- PERS investment returns have consistently ranked in the second quartile of the Callan Public Fund Sponsor Database over the last 1-, 3-, and 5-year periods. On an asset allocation adjusted basis, PERS returns ranked in the 28<sup>th</sup> percentile for the one-year period ended March 31, 2015.

## Risk Update –

- During the “Last 5 Years”, PERS risk (as measured by actual standard deviation of the PERS portfolio divided by the policy benchmark) has steadily declined from over 120% to less than 105% on a rolling 3- and 5-years basis.

# PERS Funds Target Asset Allocation



## PERS and Job Service Returns and Risk Levels – March 31, 2015

	Current FYTD 3/31/2015	1 Yr Ended 3/31/2015	3 Yrs Ended 3/31/2015	5 Yrs Ended 3/31/2015	Risk 5 Yrs Ended 3/31/2015	Risk Adj Excess Return 5 Yrs Ended 3/31/2015
<b>PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)</b>						
\$	2,345,979,927					
Total Fund Return - Net	2.8%	6.5%	10.0%	9.2%	8.7%	0.1%
Policy Benchmark Return	1.9%	5.3%	9.1%	8.8%	8.3%	
<b>EXCESS RETURN</b>	0.9%	1.2%	0.9%	0.4%	104.3%	
<b>JOB SERVICE PENSION PLAN</b>						
\$	96,920,165					
Total Fund Return - Net	3.9%	7.2%	9.5%	8.9%	6.4%	0.5%
Policy Benchmark Return	2.4%	5.7%	7.5%	7.8%	6.0%	
<b>EXCESS RETURN</b>	1.5%	1.5%	2.0%	1.0%	106.6%	

**Net Investment Returns:** Current fiscal year to date returns of approximately 2.8% (to March 31, 2015) are below long-term expectations, but exceed the policy benchmark by 0.9%. During the past year, net returns approximated **6.5%** for PERS and **7.2%** for Job Service, while active management was responsible for generating nearly \$30 million of Excess Return. Over the past 5-years, net returns approximated **9.2%** for PERS and **8.9%** for Job Service both of which exceeded their long-term rate of return expectations of **8%** and **7%**, respectively.

**Risk:** Investment performance has been achieved while adhering to prescribed risk management guidelines which limit portfolio risk (as measured by standard deviation) to 115% of policy. PERS actual risk level approximated **104.3%** while Job Service approximated **106.6%** of policy for the 5-years ended March 31, 2015.

# PERS Asset Allocation – Actual vs. Target at March 31, 2015

## Total Fund Exceed Policy Benchmark by 0.87% - Current Fiscal YTD

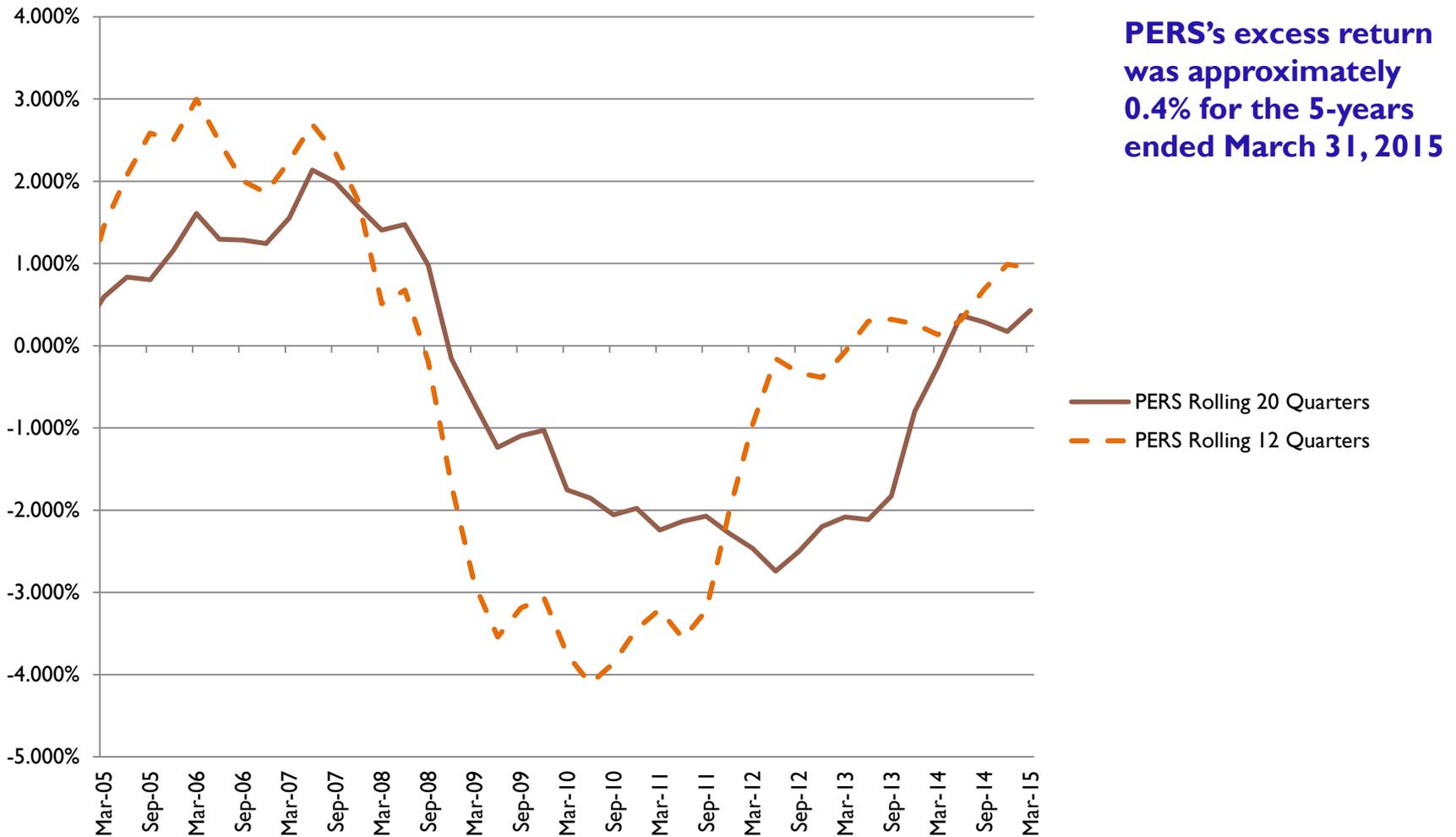
	March-15			Current Fiscal YTD		Prior Year FY14	
	Market Value	Allocation		Gross <sup>(7)</sup>	Net	Gross (7)	Net
		Actual	Policy				
<b>TOTAL FUND</b>	<b>2,401,309,136</b>	<b>100.0%</b>	<b>100.0%</b>	<b>3.0%</b>	<b>2.8%</b>	<b>16.8%</b>	<b>16.4%</b>
<i>POLICY TARGET BENCHMARK</i>				1.9%	1.9%	15.7%	15.7%
<b>EXCESS RETURN</b>				1.1%	<b>0.87%</b>	1.1%	<b>0.71%</b>
<b>GLOBAL EQUITIES</b>	<b>1,375,790,749</b>	<b>57.3%</b>	<b>57.0%</b>	<b>2.8%</b>	<b>2.5%</b>	<b>22.3%</b>	<b>21.9%</b>
<i>Benchmark</i>				1.4%	1.4%	21.9%	21.9%
<b>GLOBAL FIXED INCOME</b>	<b>561,536,563</b>	<b>23.4%</b>	<b>22.0%</b>	<b>1.5%</b>	<b>1.3%</b>	<b>8.0%</b>	<b>7.8%</b>
<i>Benchmark</i>				-1.1%	-1.1%	7.2%	7.2%
<b>GLOBAL REAL ASSETS</b>	<b>419,350,121</b>	<b>17.5%</b>	<b>20.0%</b>	<b>6.2%</b>	<b>5.9%</b>	<b>11.4%</b>	<b>11.0%</b>
<i>Benchmark</i>				6.7%	6.7%	8.5%	8.5%
<b>Total Cash Equivalents</b>	<b>44,631,702</b>	<b>1.9%</b>	<b>1.0%</b>	<b>0.04%</b>	<b>0.04%</b>	<b>0.04%</b>	<b>0.04%</b>
<i>90 Day T-Bill</i>				0.02%	0.02%	0.06%	0.06%

NOTE: Monthly returns and market values are preliminary and subject to change.

- ▶ Based on the broad asset allocation framework adopted in 2011, the PERS Total Fund was slightly **overweight to Global Equities (0.3%), Global Fixed Income (1.4%) and Cash (0.9%)** while **underweight to Global Real Assets (-2.5%)** as compared to its target asset allocation on March 31, 2015.

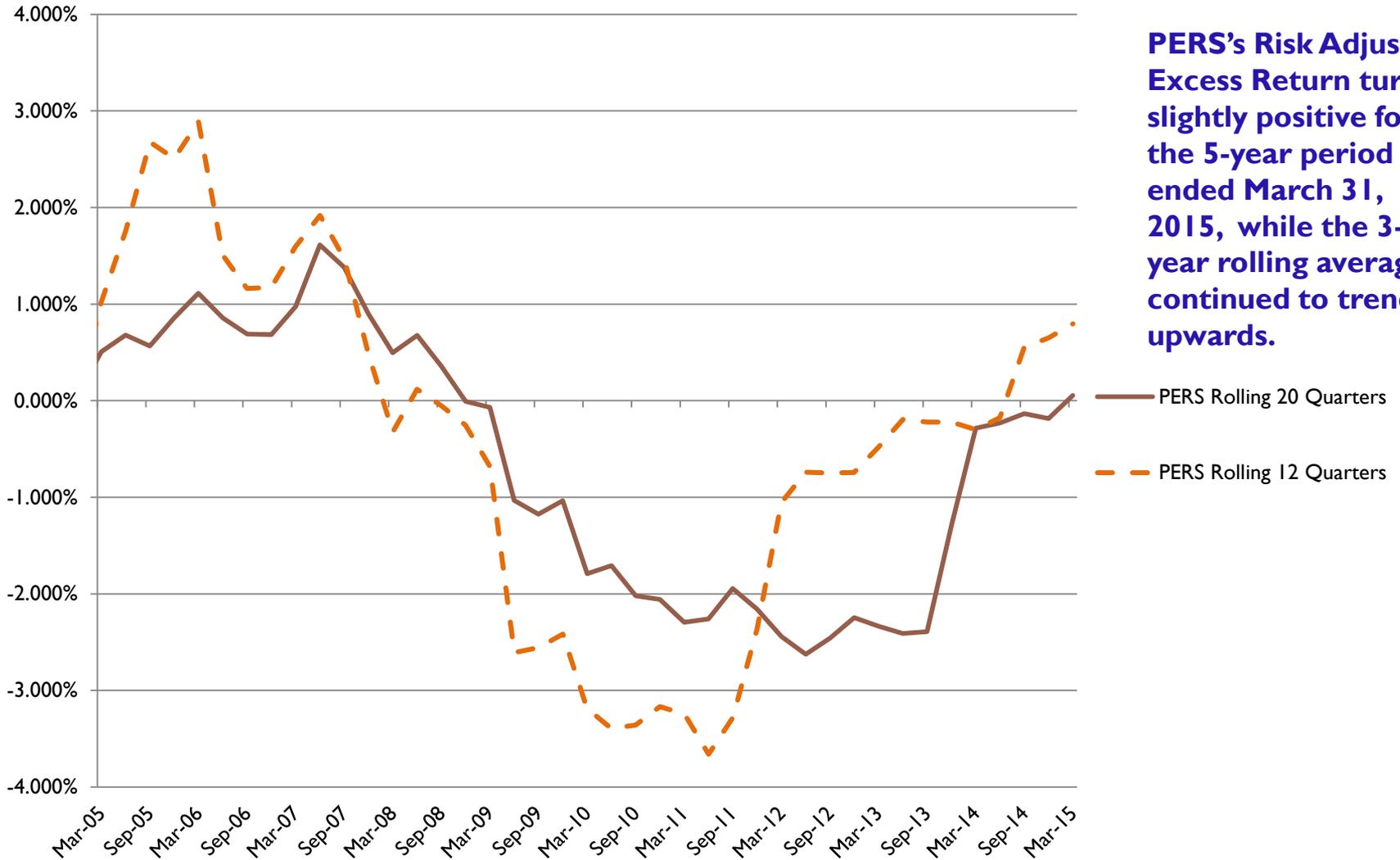
# PERS Main Plan - Excess Return Relative to Policy Benchmark

## 10 Years Ended 3/31/2015



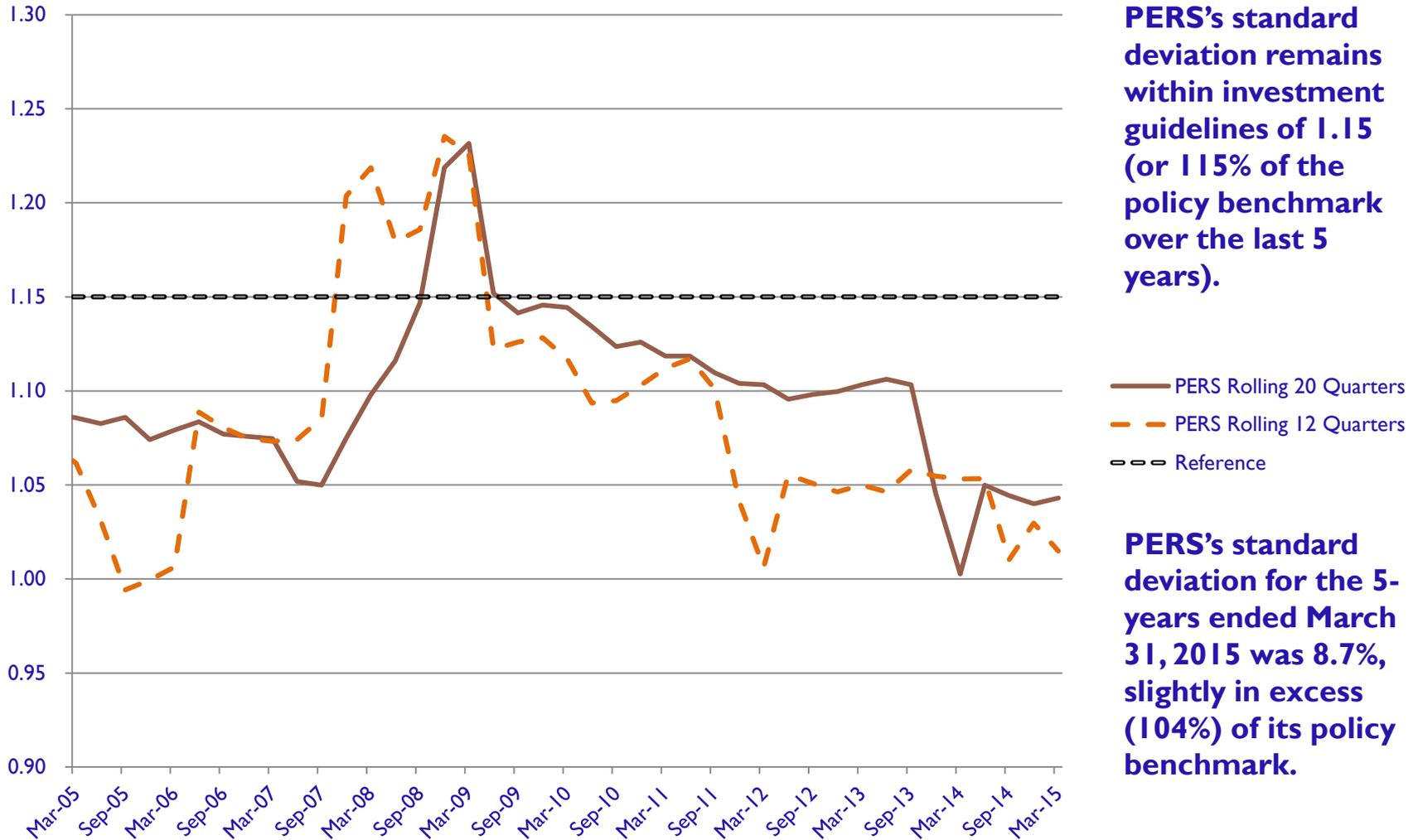
# PERS Main Plan - Risk Adjusted Excess Return

## 10 Years Ended 3/30/2015



# PERS Main Plan - Relative Std. Deviation to Policy Benchmark

## 10 Years Ended 3/31/2015



# Job Service Allocation – Actual vs. Target at March 31, 2015

## Total Fund Exceed Policy Benchmark by 1.45% - Current Fiscal YTD

	March-15			Current Fiscal YTD		Prior Year FY14	
	Allocation			Gross <sup>(5)</sup>	Net	Gross <sup>(5)</sup>	Net
	Market Value	Actual	Policy				
<b>TOTAL FUND</b>	<b>98,026,580</b>	<b>100%</b>	<b>100%</b>	<b>4.1%</b>	<b>3.9%</b>	<b>13.8%</b>	<b>13.5%</b>
<i>POLICY TARGET BENCHMARK</i>				2.4%	2.4%	13.0%	13.0%
<b>EXCESS RETURN</b>				1.7%	<b>1.45%</b>	0.8%	<b>0.5%</b>
<b>GLOBAL EQUITIES</b>	<b>38,879,540</b>	<b>39.7%</b>	<b>40%</b>	<b>4.8%</b>	<b>4.4%</b>	<b>24.7%</b>	<b>24.2%</b>
<i>Benchmark</i>				3.2%	3.2%	24.5%	24.5%
<b>GLOBAL FIXED INCOME</b>	<b>58,678,953</b>	<b>59.9%</b>	<b>60%</b>	<b>3.6%</b>	<b>3.4%</b>	<b>6.9%</b>	<b>6.7%</b>
<i>Benchmark</i>				1.8%	1.8%	5.8%	5.8%
<b>Total Cash Equivalents</b>	<b>468,087</b>	<b>0.5%</b>	<b>0.0%</b>	<b>0.04%</b>	<b>0.04%</b>	<b>0.04%</b>	<b>0.04%</b>
<i>90 Day T-Bill</i>				0.02%	0.02%	0.06%	0.06%

NOTE: Monthly returns and market values are preliminary and subject to change.

- ▶ Based on the recently adopted asset allocation, the Job Service Fund was **underweight to Global Equities (0.3%) and Global Fixed Income (0.1%) while slightly overweight to Cash (0.5%)** as compared to its target asset allocation on March 31, 2015.
- ▶ The PERS Board approved a de-risking strategy for this closed plan on January 5, 2015, which resulted in the long-term expected return being reduced from 8% to 7%. RIO implemented this de-risking strategy in the first calendar quarter of 2015 using existing managers and intends to further de-risk this plan using an SEI investment platform in the future.

# Retiree Health & Group Insurance Returns & Risk - March 31, 2015

	Current FYTD 3/31/2015	1 Yr Ended 3/31/2015	3 Yrs Ended 3/31/2015	5 Yrs Ended 3/31/2015	Risk 5 Yrs Ended 3/31/2015	Risk Adj Excess Return 5 Yrs Ended 3/31/2015
<b>PERS RETIREE HEALTH</b>						
\$	89,889,545					
Total Fund Return - Net	3.6%	<b>7.4%</b>	10.8%	<b>10.3%</b>	<b>9.3%</b>	0.1%
Policy Benchmark Return	4.1%	7.7%	10.1%	9.6%	<b>8.7%</b>	
<b>EXCESS RETURN</b>	<b>-0.5%</b>	<b>-0.3%</b>	<b>0.7%</b>	<b>0.67%</b>	<b>106.4%</b>	
<b>PERS GROUP INSURANCE</b>						
\$	45,003,806					
Total Fund Return - Net	0.01%	<b>0.01%</b>	0.13%	<b>0.20%</b>	<b>0.07%</b>	0.01%
Policy Benchmark Return	0.02%	0.03%	0.07%	0.09%	<b>0.03%</b>	
<b>EXCESS RETURN</b>	<b>-0.01%</b>	<b>-0.02%</b>	<b>0.06%</b>	<b>0.11%</b>		

**Net Investment Returns:** Returns have been below expectations in the current fiscal year. During the past year, net returns approximated **7.4%** for PERS Retiree Health and **0.01%** for Group Insurance. Over the past five years, net investment returns approximated **10.3%** for PERS Retiree Health and **0.2%** for Group Insurance. Active management has been responsible for generating approximately **0.67%** of Excess Return for Retiree Health and **0.11%** of Excess Return of Group Insurance for the five year period ended March 31, 2015.

**Risk:** Investment performance has been achieved while remaining generally consistent with policy expectations (as measured by standard deviation). PERS Retiree Health actual risk level approximated **106.4%** while Group Insurance was within **0.04%** (i.e. 0.07% versus 0.04%) of policy for the 5-years ended March 31, 2015.



**North Dakota  
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**Sparb Collins**  
Executive Director  
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# Memorandum

**TO:** NDPERS Board

**FROM:** MaryJo

**DATE:** May 7, 2015

**SUBJECT:** 457 Plan Transfers for Active Employees

The City of Bismarck has a Defined Benefit 401(a) Fire Pension plan and participates as a group in the NDPERS 457 plan. Members in the Fire Pension plan are requesting that they be allowed to transfer funds from the NDPERS 457 deferred compensation plan for the purchase of service credit in the City of Bismarck Fire Pension Plan. Historically, the purchase of service credit using 457 funds has only been allowed for active participating members in the NDPERS 401(a) defined benefit plan. As staff has not previously been presented with this issue, we requested assistance from our legal counsel as well as our plan consultant, The Segal Company. Both legal counsel and our consultant noted inconsistencies in regard to provisions in the deferred compensation plan document, the administrative rules, and IRS Code 457. Attachment 1 references the information provided in the deferred compensation plan document and the administrative rules. Attachment 2 provides the e-mail correspondence between Segal and Jan Murtha.

In reviewing the information with Melanie at Segal the following was provided:

The transfer you describe from the statewide 457(b) plan to the Bismarck 401(a) defined benefit plan to purchase service credit would be permitted under IRS rules for service purchases. Code sections 457 and 415 specifically permits trustee-to-trustee transfers (in-service) from a governmental 457(b) plan to a qualified governmental defined benefit plan for the purchase of service credit. The relevant language in Code section 415(n)(3)(D) states as follows:

*"In the case of a trustee-to-trustee transfer to which ... 457(e)(17)(A) applies (without regard to whether the transfer is made between plans maintained by the same employer) - the limitations of subparagraph B [referring to air time rules] shall not apply in determining whether the transfer is for the purchase of permissive service*

*credit ... and the distribution rules applicable .... To the defined benefit governmental plan to which any amounts are so transferred shall to such amounts and any benefits attributable to such amounts.”*

In addition, the relevant language in Code section 457(e)(17)(A) states as follows:

*“TRUSTEE-TO-TRUSTEE TRANSFERS TO PURCHASE PERMISSIVE SERVICE CREDIT. No amount shall be includible in gross income by reason of a direct trustee-to-trustee transfer to a defined benefit governmental plan ... if such transfer is - for the purchase of permissive service credit under such plan ... .”*

Jan provided the following assessment:

*“There appears to be a discrepancy between the deferred compensation plan document and the administrative rules specifically 8.4(c) of the plan document that would allow the proposed transfer and Admin Rule 71-04-03-07 which does not. The admin rule was adopted in 2004 whereas the plan document was updated in 2007.*

*“The deferred comp plan summary specifies that transfers from the 457 plan for service purchase are allowed if you are purchasing service in the DB plan, whereas your actual plan document reads much more broadly and allows it for purchase of service in any DB plan.”*

Segal is already working on a project to restate both the Deferred Compensation Plan and Companion Plan documents. Melanie confirmed, “Our restatement will utilize the IRS model language for governmental 457(b) plans, and thus an in-service transfer for service purchase would clearly be permitted using that language.”

#### **Board Action Requested:**

- 1) Decide that a plan to plan transfer is interpreted as a distinct event not constituting a distribution of assets, and therefore 71-03-03-07 does not apply. The plan document does apply and the transfer will be allowed because plan to plan transfers are not commented on in NDAC.
- 2) Decide that there is a conflict between the plan document and NDAC. With this discrepancy, the transfer will be allowed under the Board’s authority to adjust benefits for reasons of inequity under NDCC 54-52-04(12).
- 3) Deny the member requests and amend the Plan Document or NDAC to make one consistent with the other.

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

## Attachment 1

**NDAC 71-04-03-07. Distribution of Assets.** Distribution of assets may be made only upon separation from service as defined in section 71-04-01-01, or in accordance with section 71-04-03-05 or 71-04-08-01. (Adopted 2004)

### **71-04-001-01. Definitions**

11. "Separation from service" means that term as defined under Internal Revenue Code section 402(d)(4)(A)(3i) and includes termination of employment with the employer by reason of death, disability, retirement, resignation, or discharge.

**71-04.03-05. Unforeseeable emergency.** A participant who, prior to separation from service, experiences an unforeseeable emergency as defined in section 71-04-01-01 may apply for a distribution of the participants deferred compensation account to the extent reasonably needed to satisfy the financial need. The participant may make application by completing a financial hardship form and delivering it to the retirement board offices.

**71-04-08-01. Payment in accordance with qualified domestic relations orders.** Retirement moneys must be paid in accordance with any qualified domestic relations order issued in compliance with North Dakota Century Code section 54-52.2-03.3.

### **NDCC 54-52-04. Board authority.**

12. Except as provided by section 54-52-17.7, the board may adjust service and make any correction of member, retiree, or beneficiary records and benefits after an error or inequity has been determined.

## **Plan Document**

### **8.4 Plan to Plan Transfers**

(c) Subject to the rules established by the Board and as permitted under section 457(e)(17) of the Code, an Employee may elect at any time to transfer all or a portion of the employee's Deferred Compensation account to a defined benefit governmental plan (as defined in section 414(d) of the Code) for the purchase of permissive service credit (as defined in Section 415(n) of the Code) or for repayments under Section 415(k)(3) of the Code.

## Attachment 2

**From:** Murtha, Janilyn K.  
**Sent:** Tuesday, April 28, 2015 2:35 PM  
**To:** Collins, J. Sparb; Steffes, MaryJo V.  
**Subject:** FW: 457 plan rollovers

MaryJo and Sparb,

There appears to be a discrepancy between your deferred comp plan document and the admin rules, specifically 8.4(c) of the plan document that would allow the proposed transfer and Admin Rule 71-04-03-07 which does not. The admin rule was adopted in 2004 whereas the plan doc I'm looking at was updated in 2007.

It should be noted that the deferred comp plan summary specifies that transfers from the 457 plan for service purchase are allowed if your purchasing service in the DB plan, whereas your actual plan document reads much more broadly and allows it for purchase of service in any DB plan.

A quick review of the plan document indicates that the admin rules for the deferred comp plan need either some substantial updating or need to be repealed so they don't conflict with your plan document.

Options for going forward:

- 1) Decide to interpret a plan to plan transfer as a distinct event not constituting a distribution of assets, and therefore 71-03-03-07 does not apply and the plan document does because plan to plan transfers are not commented on in the admin rules and the request by the members in this situation will be honored.
- 2) Decide that there is a conflict between the document and the admin rules and have the Board review the member requests at its next meeting and given the discrepancy is in the plan document the Board could choose to allow the transfer under its authority to adjust benefits for reasons of inequity under 54-52-04(12).
- 3) Deny the member requests, let them appeal if they choose, and either amend the Plan Document or the Admin Rules to make one consistent with the other.

Regardless of how you proceed you still have a conflict between the Plan Document and the Plan Summary Document as I've indicated in the second paragraph above that needs to be addressed.

Let me know if you have any questions.

**From:** Murtha, Janilyn K.  
**Sent:** Tuesday, April 28, 2015 1:37 PM  
**To:** 'Walker, Melanie'; Steffes, MaryJo V.  
**Cc:** Collins, J. Sparb  
**Subject:** RE: 457 plan rollovers

Thank you Melanie, that's very helpful and I'll look forward to your restatement. While I'll also review the language in the plan document you referred to, I think it's possible that the phrase "subject to the rules established by the Board" may interfere with allowing this transaction. As there is a rule that limits the transactions, and while the statute in 54-52 that allows for employee purchase of service credit does permit the use of pre-tax funds to do so, it's only for purchase of service the PERS DB plan. It looks like this admin rule really should be modified to make things more clear.

Will your review of the Deferred comp and companion plan documents also include a review of the applicable admin rules? If not I'll discuss with PERS the possibility of coordinating such a review on our end so that the admin rules will sync up. Thanks again for all of your help on this!

**From:** Walker, Melanie [<mailto:mwalker@segalco.com>]  
**Sent:** Tuesday, April 28, 2015 12:12 PM  
**To:** Murtha, Janilyn K.; Steffes, MaryJo V.  
**Cc:** Collins, J. Sparb  
**Subject:** RE: 457 plan rollovers

Jan,

In response to the direct questions in your email:

1) The IRS rules allowing in-service transfers from a 457(b) plan to a governmental DB plan have been significantly revised and clarified in the last 9 years to make such a transfer easier and more useful for the purpose of purchasing service. Thus, it is possible that the Admin Code language in 2004 did not allow in-service transfers because not many participants requested such a transfer.

2) However, the in-service transfer rules under the Internal Revenue Code are completely voluntary for a 457(b) plan, so your plan is not required to include the in-service transfer rules in the plan.

In addition, here is some information about your 457 plan and transfers that may be helpful:

A) Currently, your 457 plan document states in Section 8.4 (a) that a participant is entitled to benefits upon separation from service. However, Section 8.4(c) states that “ *Subject to the rules established by the Board and as permitted under Section 457(e)(17) of the Code, an Employee may elect at any time to transfer all or a portion of the Employee’s Deferred Compensation account to a defined benefit governmental plan ... for the purchase of permissive service credit ... .*”

This language appears to already permit an in-service transfer from the plan to a governmental plan for the purchase of service credit.

B) Segal is already working on a project to restate both the Deferred Compensation Plan and Companion Plan documents. Our restatement will utilize the IRS model language for governmental 457(b) plans, and thus an in-service transfer for service purchase would clearly be permitted using that language.

Please let me know if you have additional questions about this matter.

Regards.

**Melanie Walker, JD**  
**Vice President**  
**The Segal Group**  
5990 Greenwood Plaza Blvd., Suite 118 | Greenwood Village, CO 80111-4708  
T 303.714.9942 | F 303.223.9234  
[mwalker@segalco.com](mailto:mwalker@segalco.com)

**From:** Murtha, Janilyn K. [<mailto:jmurtha@nd.gov>]  
**Sent:** Tuesday, April 28, 2015 8:25 AM  
**To:** Walker, Melanie; Steffes, MaryJo V.  
**Cc:** Collins, J. Sparb  
**Subject:** RE: 457 plan rollovers

Melanie,

First thank you for your help on this issue thus far, we can see that this would be a permitted distribution under the IRS rules. Unfortunately, I have some follow-up questions on this that I hope you may be able to help me with. There is apparently a conflict on this between state and federal law and I'm trying to understand how such a conflict arose and what the Boards options may be if they want to remedy the conflict. Under the Administrative Rules for the deferred comp program, assets may only be distributed on separation from employment, financial emergency, and under a QDRO (the rule is below and the language both highlighted and underlined is my own additions). It appears that this rule is more restrictive than what is otherwise permitted under the IRS rules because it doesn't acknowledge or permit the transaction being requested.

With that said, could the failure to permit this transaction be the result of a timing issue? In that, this rule was passed in 2004 and I question whether the language permitting the transaction you described under IRS rules was enacted after that time?

Also could the discrepancy between the IRS rules permitting this and the state law not permitting this affect the qualified status of the plan (ie is allowing these type of transfers permitted or required)? For example, can an employer maintain a qualified 457 plan that has greater restrictions on transfers otherwise permitted under federal law? Under the ND statutes, 54-52.2-03 requires the Board to maintain the plan in compliance with IRS rules and under 54-52.2-03.2 the Board is directed to do all things necessary to preserve the tax-exempt status of the plan.

I appreciate any additional insight you may have on this issue.

Janilyn

**71-04-03-07. Distribution of assets.** Distribution of assets may be made only upon **separation from service** as defined in section 71-04-01-01, or in accordance with section 71-04-03-05(**emergency**) or 71-04-08-01(**QDRO**).

**History:** Effective May 1, 2004.

**General Authority:** NDCC 28-32-02, 54-52-03.2

**Law Implemented:** NDCC 54-52.2-03, 54-52.2-03.2

**From:** Walker, Melanie [<mailto:mwalker@segalco.com>]

**Sent:** Monday, April 27, 2015 2:19 PM

**To:** Steffes, MaryJo V.

**Cc:** Murtha, Janilyn K.

**Subject:** RE: 457 plan rollovers

Mary Jo,

The transfer you describe from the statewide 457(b) plan to the Bismarck 401(a) defined benefit plan to purchase service credit would be permitted under IRS rules for service purchases. Code sections 457 and 415 specifically permits trustee-to-trustee transfers (in-service) from a governmental 457(b) plan to a qualified governmental defined benefit plan for the purchase of service credit. The relevant language in Code section 415(n)(3)(D) states as follows:

*“In the case of a trustee-to-trustee transfer to which ... 457(e)(17)(A) applies (without regard to whether the transfer is made between plans maintained by the same employer) - the limitations of subparagraph B [referring to air time rules] shall not apply in determining whether the transfer is for the purchase of permissive service credit ... and the distribution rules applicable .... To the defined benefit governmental plan to which any amounts are so transferred shall to such amounts and any benefits attributable to such amounts.”*

In addition, the relevant language in Code section 457(e)(17)(A) states as follows:

*“TRUSTEE-TO-TRUSTEE TRANSFERS TO PURCHASE PERMISSIVE SERVICE CREDIT. No amount shall be includible in gross income by reason of a direct trustee-to-trustee transfer to a defined benefit governmental plan ... if such transfer is - for the purchase of permissive service credit under such plan ... .”*

I hope this is helpful. Please let me know if you need anything else on this matter.

**Melanie Walker, JD**  
**Vice President**

**The Segal Group**

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[mwalker@segalco.com](mailto:mwalker@segalco.com)

**From:** Steffes, MaryJo V. [<mailto:msteffes@nd.gov>]

**Sent:** Thursday, April 23, 2015 2:37 PM

**To:** Walker, Melanie

**Subject:** 457 plan rollovers

Hi Melanie,

The state sponsors a 457 plan that is available to various participating political subdivisions. The City of Bismarck has its own Defined Benefit 401(a) Fire Pension plan and a 457 deferred compensation plan. The City of Bismarck also offers the NDPERS 457 plan to eligible participants. We have been asked by participants in the City of Bismarck plan to allow rollovers to the City of Bismarck 401(a) Fire pension plan to allow purchase of service credits within that plan. NDPERS has only allowed actively participating members to transfer internally within 457 plans or to the NDPERS 401(a) plan to buy service credit. We have not allowed transfers to other plans outside of NDPERS unless there is a qualified separation of employment. Can you provide more information on where this may be addressed in IRS code? Is it permissible to allow a rollover outside of NDPERS to another governmental retirement plan to purchase service credit?

Please let me know if you have any additional questions.

Thank you,

*MaryJo Steffes*

Benefit Programs Administrator  
North Dakota Public Employees Retirement System  
Phone: 701.328.3958



# Memo

To: NDPERS Board  
From: Bryan T. Reinhardt  
Date: 5/15/2015  
Re: 457 Companion Plan & 401(a) Plan 1st Quarter 2015 Report

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Here is the 1st quarter 2015 investment report for the 401(a) & 457 Companion Plan. The reports are available separately on the NDPERS web site. The NDPERS Investment Subcommittee reviewed the 1st quarter reports.

Assets in the 401(a) plan increased to \$35.4 million as of March 31, 2015. The number of participants is at 311 (249 active), up slightly from when the plan started. The largest funds are the TIAA-CREF Lifecycle funds with 68% of assets.

Assets in the 457 Companion Plan increased to \$71.2 million as of March 31, 2015. The number of participants is increasing and is now at 5,731 (4,341 active). The largest funds are the TIAA-CREF Lifecycle funds with 74% of assets.

## Benchmarks:

Fund returns for the quarter were mostly positive (except the Large Value and Emerging Markets funds). The markets have rebounded and all the funds in the core lineup have positive returns across the 3-year and 5-year periods. Most of the core funds performed well compared to their benchmarks and peer funds. Note that index funds are expected to slightly underperform their benchmarks because of fund administration fees.

## Fund / Investment News:

The NDPERS Investment Subcommittee reviewed a 1st quarter plan and investment overview with TIAA-CREF. The Subcommittee marked the T.Rowe Price Equity Income Fund (PRFDX), Wells Fargo Growth Admin Fund (SGRKX), RidgeWorth Mid Cap Fund (SMVTX), Allianz NFJ Small Cap Fund (PVADX), Brown Capital Small Cap Fund (BCSIX), and Oppenheimer Developing Markets Fund (ODVYX) as underperforming for the quarter. The Investment Subcommittee recommends putting the T.Rowe Price Equity Income Fund (PRFDX) on Formal Fund Review due to poor recent performance and a planned manager change in October 2015.

## **Board Action Requested:**

Put the T.Rowe Price Equity Income Fund (PRFDX) on Formal Fund Review.

NDPERS  
Quarterly Investment Report  
1st Quarter  
1/1/2015 – 3/31/2015



North Dakota Public Employees Retirement System  
400 E Bdwy, Suite 505  
Box 1657  
Bismarck, ND 58502

## NDPERS 401(a) Defined Contribution Plan & 457 Companion Plan - TIAA-CREF

<b>INITIAL OFFERING:</b>			
	Hartford Dividend & Growth T.Rowe Price Equity Income	Vanguard 500 Index Signal Vanguard Dividend Growth	Franklin Growth Adv Wells Fargo Adv Growth Adm
			<b>LARGE</b>
	RidgeWorth Mid Cap Value Equity I	ASTON/Fairpointe Mid Cap I Columbia Mid Cap Index A	Prudential Jennison Mid Cap Growth Z
			<b>MEDIUM</b>
	Allianz NFJ Small Cap Value	DFA US Small Cap	Brown Capital Mgmt Small Co Inv
			<b>SMALL</b>
	<b>VALUE</b>	<b>BLEND</b>	<b>GROWTH</b>
<b>BALANCED FUND:</b>	T.Rowe Price Capital Appreciation		
<b>INCOME FUNDS:</b>	Wells Fargo Stable Value Fund J	Vanguard Prime Money Market	
<b>BOND FUNDS:</b>	PIMCO Total Return Bond Fund	Prudential High Yield Z	
	PIMCO Real Return Admin Bond Fund	Templeton Global Bond	
<b>REAL ESTATE:</b>	Cohen & Steers Realty Shares		
<b>INTERNATIONAL FUNDS:</b>	Mutual Global Discovery Z	Vanguard Total Intl Stock Index	Oppenheimer Developing Markets Y
<b>LIFESTYLE FUNDS:</b>	TIAA-CREF Lifecycle Ret Income	TIAA-CREF Lifecycle 2025	TIAA-CREF Lifecycle 2045
	TIAA-CREF Lifecycle 2010	TIAA-CREF Lifecycle 2030	TIAA-CREF Lifecycle 2050
	TIAA-CREF Lifecycle 2015	TIAA-CREF Lifecycle 2035	TIAA-CREF Lifecycle 2055
	TIAA-CREF Lifecycle 2020	TIAA-CREF Lifecycle 2040	
<b>FUND STYLE CHANGES:</b>			
←			
→			
↑			
↓			
	ASTON/Fairpointe Mid Cap I	RidgeWorth Mid Cap Value Equity	
			<b>MEDIUM</b>
			<b>SMALL</b>
	<b>VALUE</b>	<b>BLEND</b>	<b>GROWTH</b>
<b>OTHER FUNDS:</b>			
<b>CURRENT LINEUP:</b>			
	Hartford Dividend & Growth T.Rowe Price Equity Income	Vanguard 500 Index Signal Vanguard Dividend Growth	Franklin Growth Adv Wells Fargo Adv Growth Adm
			<b>LARGE</b>
	ASTON/Fairpointe Mid Cap I	Columbia Mid Cap Index A RidgeWorth Mid Cap Value Equity	Prudential Jennison Mid Cap Growth Z
			<b>MEDIUM</b>
	Allianz NFJ Small Cap Value	DFA US Small Cap	Brown Capital Mgmt Small Co Inv
			<b>SMALL</b>
	<b>VALUE</b>	<b>BLEND</b>	<b>GROWTH</b>
<b>BALANCED FUND:</b>	T.Rowe Price Capital Appreciation		
<b>INCOME FUNDS:</b>	Wells Fargo Stable Value Fund J	Vanguard Prime Money Market	
<b>BOND FUNDS:</b>	PIMCO Total Return Bond Fund	Prudential High Yield Z	
	PIMCO Real Return Admin Bond Fund	Templeton Global Bond	
<b>REAL ESTATE:</b>	Cohen & Steers Realty Shares		
<b>INTERNATIONAL FUNDS:</b>	Mutual Global Discovery Z	Vanguard Total Intl Stock Index	Oppenheimer Developing Markets Y
<b>LIFESTYLE FUNDS:</b>	TIAA-CREF Lifecycle Ret Income	TIAA-CREF Lifecycle 2025	TIAA-CREF Lifecycle 2045
	TIAA-CREF Lifecycle 2010	TIAA-CREF Lifecycle 2030	TIAA-CREF Lifecycle 2050
	TIAA-CREF Lifecycle 2015	TIAA-CREF Lifecycle 2035	TIAA-CREF Lifecycle 2055
	TIAA-CREF Lifecycle 2020	TIAA-CREF Lifecycle 2040	

## NDPERS Investment Benchmarks - 1st Quarter 2015

	<u>Quarter</u>	<u>Y-T-D</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>
<u>Stable Value / Money Market Fund</u>					
<b>Vanguard Prime Money Market - VMMXX</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.01%</b>	<b>0.02%</b>	<b>0.03%</b>
<b>Wells Fargo Stable Return Fund J - WFSJ#</b>	<b>0.20%</b>	<b>0.20%</b>	<b>0.74%</b>	<b>0.89%</b>	<b>1.25%</b>
3 Month T-Bill Index	0.01%	0.01%	0.03%	0.05%	0.07%
<u>Fixed Income Fund</u>					
<b>PIMCO Real Return Admin - PARRX</b>	<b>1.50%</b>	<b>1.50%</b>	<b>2.51%</b>	<b>0.63%</b>	<b>4.13%</b>
<b>PIMCO Total Return Bond Fund - PTRAX &lt;ON WATCH&gt;</b>	<b>2.15%</b>	<b>2.15%</b>	<b>5.38%</b>	<b>3.77%</b>	<b>4.72%</b>
Barclays Aggregate Bond Index	1.61%	1.61%	5.72%	3.10%	4.41%
Taxable Bond Fund Universe	1.39%	1.39%	2.48%	3.25%	4.57%
<b>Prudential High Yield Z - PHYZX</b>	<b>2.51%</b>	<b>2.51%</b>	<b>2.33%</b>	<b>7.15%</b>	<b>8.35%</b>
ML High Yield Bond Fund Index	2.54%	2.54%	2.05%	7.47%	8.40%
High Yield Bond Fund Universe	2.28%	2.28%	0.71%	6.36%	7.44%
<b>Templeton Global Bond Adv - TGBAX</b>	<b>0.22%</b>	<b>0.22%</b>	<b>1.29%</b>	<b>4.24%</b>	<b>4.74%</b>
Citi World Govt Bond Index	-2.51%	-2.51%	-5.50%	-1.64%	1.42%
World Bond Fund Universe	-0.28%	-0.28%	-0.81%	1.67%	3.24%
<u>Real Estate Fund</u>					
<b>Cohen &amp; Steers Realty Shares - CSRSX</b>	<b>5.14%</b>	<b>5.14%</b>	<b>24.77%</b>	<b>13.93%</b>	<b>14.97%</b>
FTSE NAREIT All Equity REITs Index	4.75%	4.75%	23.95%	14.18%	15.74%
Real Estate Fund Universe	4.17%	4.17%	21.71%	12.98%	14.90%
<u>Balanced Fund</u>					
<b>T.Rowe Price Capital Appreciation - PACLX</b>	<b>3.13%</b>	<b>3.13%</b>	<b>12.28%</b>	<b>13.76%</b>	<b>12.26%</b>
60% Large Cap Value Univ & 40% Taxable Bond Universe	0.51%	0.51%	5.22%	9.89%	9.02%
60% Russell 1000 Value & 40% Agg Bond Index	0.21%	0.21%	7.89%	11.10%	10.01%
<u>Large Cap Equities - Value</u>					
<b>Hartford Dividend &amp; Growth - HDGTX</b>	<b>-0.03%</b>	<b>-0.03%</b>	<b>9.62%</b>	<b>15.02%</b>	<b>12.83%</b>
<b>T.Rowe Price Equity Income - PRFDX</b>	<b>-1.03%</b>	<b>-1.03%</b>	<b>4.71%</b>	<b>13.31%</b>	<b>11.67%</b>
Russell 1000 Value Index	-0.72%	-0.72%	9.33%	16.44%	13.75%
Large Cap Value Fund Universe	-0.08%	-0.08%	7.04%	14.32%	11.98%
<u>Large Cap Equities - Blend</u>					
<b>Vanguard 500 Index Signal - VIFSX</b>	<b>0.94%</b>	<b>0.94%</b>	<b>12.69%</b>	<b>16.07%</b>	<b>14.43%</b>
<b>Vanguard Dividend Growth Fund - VDIGX</b>	<b>0.86%</b>	<b>0.86%</b>	<b>10.72%</b>	<b>15.01%</b>	<b>14.11%</b>
S&P 500 Index	0.95%	0.95%	12.73%	16.11%	14.47%
Large Cap Blend Fund Universe	0.80%	0.80%	9.18%	14.75%	12.73%
<u>Large Cap Equities - Growth</u>					
<b>Wells Fargo Adv Growth Adm - SGRKX &lt;ON WATCH&gt;</b>	<b>4.80%</b>	<b>4.80%</b>	<b>11.23%</b>	<b>12.44%</b>	<b>16.90%</b>
Russell 3000 Growth Index	4.05%	4.05%	15.76%	16.45%	15.71%
<b>Franklin Growth Adv - FCGAX</b>	<b>3.37%</b>	<b>3.37%</b>	<b>16.29%</b>	<b>15.90%</b>	<b>13.91%</b>
Russell 1000 Growth Index	3.84%	3.84%	16.09%	16.34%	15.63%
Large Cap Growth Fund Universe	2.97%	2.97%	11.43%	14.89%	13.62%
<u>Mid Cap Equities - Value</u>					
<b>RidgeWorth Mid Cap Value Equity I - SMVTX</b>	<b>0.37%</b>	<b>0.37%</b>	<b>7.76%</b>	<b>16.34%</b>	<b>13.39%</b>
Russell Mid Cap Value	2.42%	2.42%	11.70%	18.60%	15.84%
Mid Cap Value Fund Universe	2.35%	2.35%	7.83%	16.20%	13.39%
<u>Mid Cap Equities - Blend</u>					
<b>Columbia Mid Cap Index A - NTIAX</b>	<b>5.21%</b>	<b>5.21%</b>	<b>11.66%</b>	<b>16.49%</b>	<b>15.20%</b>
S&P Mid Cap 400	5.31%	5.31%	12.19%	17.03%	15.72%
<b>ASTON/Fairpointe Mid Cap I - ABMIX</b>	<b>2.33%</b>	<b>2.33%</b>	<b>7.29%</b>	<b>18.95%</b>	<b>15.22%</b>
Wilshire 4500 Index	5.26%	5.26%	10.64%	17.56%	15.81%
Mid Cap Blend Fund Universe	3.00%	3.00%	7.50%	15.57%	13.47%
<u>Mid Cap Equities - Growth</u>					
<b>Prudential Jennison Mid Cap Growth Z - PEGZX</b>	<b>6.20%</b>	<b>6.20%</b>	<b>14.90%</b>	<b>14.79%</b>	<b>14.91%</b>
Russell Mid Cap Growth	5.38%	5.38%	15.56%	17.41%	16.43%
Mid Cap Growth Fund Universe	4.84%	4.84%	9.20%	14.77%	14.15%
<b>Fund Returns in RED do not meet both benchmarks.</b>					
<b>Fund Returns in BLACK meet both benchmarks.</b>					

## NDPERS Investment Benchmarks - 1st Quarter 2015

	<u>Quarter</u>	<u>Y-T-D</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>
<b>Small Cap Equities - Value</b>					
<b>Allianz NFJ Small Cap Value - PVADX</b>	<b>2.73%</b>	<b>2.73%</b>	<b>3.98%</b>	<b>12.49%</b>	<b>12.35%</b>
Russell 2000 Value Index	1.98%	1.98%	4.43%	14.79%	12.54%
Small Value Fund Universe	2.30%	2.30%	2.82%	14.29%	12.33%
<b>Small Cap Equities - Blend</b>					
<b>DFA US Small Cap - DFSTX</b>	<b>3.99%</b>	<b>3.99%</b>	<b>7.71%</b>	<b>17.52%</b>	<b>16.04%</b>
Russell 2000 Index	4.32%	4.32%	8.21%	16.27%	14.57%
Small Blend Fund Universe	3.52%	3.52%	4.65%	14.85%	13.50%
<b>Small Cap Equities - Growth</b>					
<b>Brown Capital Mgmt Small Co Inv - BCSIX</b>	<b>4.75%</b>	<b>4.75%</b>	<b>9.59%</b>	<b>18.47%</b>	<b>17.71%</b>
Russell 2000 Growth Index	6.63%	6.63%	12.06%	17.74%	16.58%
Small Growth Fund Universe	5.42%	5.42%	6.19%	15.09%	14.88%
<b>International Equity Funds</b>					
<b>Mutual Global Discovery Z - MDISX</b>	<b>3.21%</b>	<b>3.21%</b>	<b>6.37%</b>	<b>13.05%</b>	<b>9.96%</b>
<b>Vanguard Total Intl Stock Index Inv - VGTSX</b>	<b>4.09%</b>	<b>4.09%</b>	<b>-1.05%</b>	<b>6.62%</b>	<b>N/A</b>
MSCI EAFE	5.02%	5.02%	-1.18%	9.07%	5.94%
International Stock Fund Universe	3.94%	3.94%	0.85%	7.77%	6.11%
<b>Oppenheimer Developing Markets Y - ODVYX</b>	<b>-1.28%</b>	<b>-1.28%</b>	<b>-4.12%</b>	<b>2.62%</b>	<b>4.77%</b>
MSCI Emerging Markets Index	2.24%	2.24%	0.44%	0.31%	1.75%
Diversified Emerging Mkts Universe	2.14%	2.14%	-1.14%	0.98%	1.31%
<b>Asset Allocation Funds:</b>					
<b>TIAA-CREF Lifecycle Ret Income - TLIRX</b>	<b>2.44%</b>	<b>2.44%</b>	<b>5.35%</b>	<b>7.00%</b>	<b>7.45%</b>
Income Benchmark	1.90%	1.90%	5.98%	7.25%	7.05%
<b>TIAA-CREF Lifecycle 2010 - TCLEX</b>	<b>2.49%</b>	<b>2.49%</b>	<b>5.66%</b>	<b>7.74%</b>	<b>8.03%</b>
2010 Benchmark	2.01%	2.01%	6.33%	8.13%	7.74%
<b>TIAA-CREF Lifecycle 2015 - TCLIX</b>	<b>2.66%</b>	<b>2.66%</b>	<b>5.93%</b>	<b>8.40%</b>	<b>8.50%</b>
2015 Benchmark	2.12%	2.12%	6.57%	8.90%	8.32%
<b>TIAA-CREF Lifecycle 2020 - TCLTX</b>	<b>2.82%</b>	<b>2.82%</b>	<b>6.20%</b>	<b>9.31%</b>	<b>9.12%</b>
2020 Benchmark	2.24%	2.24%	6.85%	9.88%	9.05%
<b>TIAA-CREF Lifecycle 2025 - TCLFX</b>	<b>3.02%</b>	<b>3.02%</b>	<b>6.55%</b>	<b>10.22%</b>	<b>9.72%</b>
2025 Benchmark	2.36%	2.36%	7.13%	10.86%	9.78%
<b>TIAA-CREF Lifecycle 2030 - TCLNX</b>	<b>3.14%</b>	<b>3.14%</b>	<b>6.74%</b>	<b>11.03%</b>	<b>10.25%</b>
2030 Benchmark	2.41%	2.41%	7.61%	11.54%	10.23%
<b>TIAA-CREF Lifecycle 2035 - TCLRX</b>	<b>3.31%</b>	<b>3.31%</b>	<b>6.98%</b>	<b>11.74%</b>	<b>10.73%</b>
2035 Benchmark	2.49%	2.49%	7.81%	12.42%	10.83%
<b>TIAA-CREF Lifecycle 2040 - TCLOX</b>	<b>3.46%</b>	<b>3.46%</b>	<b>7.12%</b>	<b>12.22%</b>	<b>11.04%</b>
2040 Benchmark	2.54%	2.54%	7.93%	12.93%	11.19%
<b>TIAA-CREF Lifecycle 2045 - TTFRX</b>	<b>3.45%</b>	<b>3.45%</b>	<b>7.08%</b>	<b>12.20%</b>	<b>11.00%</b>
2045 Benchmark	2.54%	2.54%	7.92%	12.94%	11.19%
<b>TIAA-CREF Lifecycle 2050 - TLFrx</b>	<b>3.45%</b>	<b>3.45%</b>	<b>7.07%</b>	<b>12.18%</b>	<b>11.03%</b>
2050 Benchmark	2.54%	2.54%	7.91%	12.93%	11.18%
<b>TIAA-CREF Lifecycle 2055 - TTRLX</b>	<b>3.41%</b>	<b>3.41%</b>	<b>7.04%</b>	<b>12.21%</b>	<b>N/A</b>
2055 Benchmark	2.54%	2.54%	7.91%	12.93%	11.18%
Income Benchmark is comprised of 27.5% Wilshire 5000, 12.5% MSCI EAFE, 47.4% Ag Bond, 2.5% ML HY Bond, 10.1% 3 Month T-Bill					
2010 Benchmark is comprised of 32.6% Wilshire 5000, 14.5% MSCI EAFE, 42.8% Ag Bond, 2.8% ML HY Bond, 7.3% 3 Month T-Bill					
2015 Benchmark is comprised of 36.9% Wilshire 5000, 16.4% MSCI EAFE, 38.1% Ag Bond, 3.4% ML HY Bond, 5.2% 3 Month T-Bill					
2020 Benchmark is comprised of 42.5% Wilshire 5000, 18.8% MSCI EAFE, 31.1% Ag Bond, 4.4% ML HY Bond, 3.2% 3 Month T-Bill					
2025 Benchmark is comprised of 48.1% Wilshire 5000, 21.1% MSCI EAFE, 24.2% Ag Bond, 5.4% ML HY Bond, 1.2% 3 Month T-Bill					
2030 Benchmark is comprised of 53.8% Wilshire 5000, 23.4% MSCI EAFE, 22.8% Ag Bond					
2035 Benchmark is comprised of 59.4% Wilshire 5000, 25.8% MSCI EAFE, 14.8% Ag Bond					
2040 Benchmark is comprised of 62.7% Wilshire 5000, 27.2% MSCI EAFE, 10.1% Ag Bond					
2045 Benchmark is comprised of 62.7% Wilshire 5000, 27.3% MSCI EAFE, 10.0% Ag Bond					
2050 Benchmark is comprised of 62.6% Wilshire 5000, 27.4% MSCI EAFE, 10.0% Ag Bond					
2055 Benchmark is comprised of 62.6% Wilshire 5000, 27.4% MSCI EAFE, 10.0% Ag Bond					
Wilshire 5000 Index	1.61%	1.61%	12.24%	16.19%	14.56%
MSCI EAFE	5.02%	5.02%	-1.18%	9.07%	5.94%
Barclays Aggregate Bond Index	1.61%	1.61%	5.72%	3.10%	4.41%
ML High Yield Bond Fund Index	2.54%	2.54%	2.05%	7.47%	8.40%
3 Month T-Bill Index	0.01%	0.01%	0.03%	0.05%	0.07%
<b>Fund Returns in RED do not meet both benchmarks. Fund Returns in BLACK meet both benchmarks.</b>					

## DC 401(a) Plan

401(a)	Assets	Pct
TIAA-CREF Lifecycle 2030 Fund Retirement	\$5,455,031	15.4%
TIAA-CREF Lifecycle 2025 Fund Retirement	\$4,930,463	13.9%
TIAA-CREF Lifecycle 2035 Fund Retirement	\$4,593,708	13.0%
TIAA-CREF Lifecycle 2020 Fund Retirement	\$3,803,417	10.7%
TIAA-CREF Lifecycle 2015 Fund Retirement	\$1,936,425	5.5%
TIAA-CREF Lifecycle 2040 Fund Retirement	\$1,373,367	3.9%
TIAA-CREF Lifecycle 2010 Fund Retirement	\$1,173,053	3.3%
Wells Fargo Stable Return Fund - J	\$1,136,519	3.2%
Vanguard Total International Stock Index Fund Admiral	\$938,940	2.6%
Vanguard 500 Index Fund Admiral	\$896,434	2.5%
Wells Fargo Advantage Growth Fund Administrator	\$767,319	2.2%
PIMCO Total Return Fund Admin	\$695,888	2.0%
T. Rowe Price Capital Appreciation Fund Advisor	\$648,884	1.8%
Franklin Growth Fund Advisor	\$573,974	1.6%
T. Rowe Price Equity Income Fund	\$534,438	1.5%
Cohen & Steers Realty Shares	\$532,851	1.5%
AllianzGI NFJ Small Cap Value Fund Administrative	\$530,711	1.5%
Hartford Dividend and Growth Fund R5	\$519,675	1.5%
ASTON/Fairpointe Mid Cap Fund I	\$499,360	1.4%
Self Directed Brokerage Account	\$475,993	1.3%
Vanguard Dividend Growth Fund Investor	\$359,487	1.0%
TIAA-CREF Lifecycle 2045 Fund Retirement	\$321,158	0.9%
RidgeWorth Mid Cap Value Equity Fund I	\$318,821	0.9%
Oppenheimer Developing Markets Fund Y	\$312,438	0.9%
Columbia Mid Cap Index Fund A	\$293,447	0.8%
Franklin Mutual Global Discovery Fund Z	\$261,319	0.7%
Prudential Jennison Mid-Cap Growth Fund Z	\$228,782	0.6%
TIAA-CREF Lifecycle Retirement Income Fund Retirement	\$206,856	0.6%
Prudential High Yield Fund Z	\$200,556	0.6%
Brown Capital Management Small Company Fund Institutional	\$198,323	0.6%
Templeton Global Bond Fund Advisor	\$192,424	0.5%
Vanguard Prime Money Market Fund Investor	\$180,562	0.5%
PIMCO Real Return Fund Administrative	\$141,592	0.4%
TIAA-CREF Lifecycle 2050 Fund Retirement	\$121,033	0.3%
DFA U.S. Small Cap Portfolio Institutional	\$47,659	0.1%
TIAA-CREF Lifecycle 2055 Fund Retirement	\$39,119	0.1%
TIAA-CREF Money Market Fund Retirement	\$0	0.0%
<b>Total</b>	<b>\$35,440,025</b>	<b>100.0%</b>

## 457 Companion Plan

457(b)	Assets	Pct
TIAA-CREF Lifecycle 2020 Fund Retirement	\$11,503,021	16.2%
TIAA-CREF Lifecycle 2025 Fund Retirement	\$11,273,669	15.8%
TIAA-CREF Lifecycle 2015 Fund Retirement	\$7,512,109	10.6%
TIAA-CREF Lifecycle 2030 Fund Retirement	\$7,279,343	10.2%
TIAA-CREF Lifecycle 2035 Fund Retirement	\$4,612,349	6.5%
TIAA-CREF Lifecycle 2040 Fund Retirement	\$3,411,556	4.8%
TIAA-CREF Lifecycle 2045 Fund Retirement	\$2,666,274	3.7%
Vanguard 500 Index Fund Admiral	\$2,366,033	3.3%
TIAA-CREF Lifecycle 2010 Fund Retirement	\$2,267,455	3.2%
Vanguard Total International Stock Index Fund Admiral	\$1,548,446	2.2%
TIAA-CREF Lifecycle 2050 Fund Retirement	\$1,487,260	2.1%
AllianzGI NFJ Small Cap Value Fund Administrative	\$1,456,775	2.0%
PIMCO Total Return Fund Admin	\$1,453,675	2.0%
Wells Fargo Stable Return Fund - J	\$1,072,233	1.5%
Columbia Mid Cap Index Fund A	\$1,017,249	1.4%
Vanguard Dividend Growth Fund Investor	\$1,014,124	1.4%
Franklin Growth Fund Advisor	\$916,666	1.3%
T. Rowe Price Equity Income Fund	\$891,044	1.3%
Wells Fargo Advantage Growth Fund Administrator	\$872,818	1.2%
T. Rowe Price Capital Appreciation Fund Advisor	\$784,128	1.1%
Templeton Global Bond Fund Advisor	\$657,452	0.9%
Cohen & Steers Realty Shares	\$644,424	0.9%
Hartford Dividend and Growth Fund R5	\$567,873	0.8%
ASTON/Fairpointe Mid Cap Fund I	\$520,046	0.7%
Oppenheimer Developing Markets Fund Y	\$440,234	0.6%
Prudential Jennison Mid-Cap Growth Fund Z	\$376,231	0.5%
Prudential High Yield Fund Z	\$334,317	0.5%
RidgeWorth Mid Cap Value Equity Fund I	\$323,049	0.5%
Self Directed Brokerage Account	\$319,855	0.4%
Franklin Mutual Global Discovery Fund Z	\$305,890	0.4%
PIMCO Real Return Fund Administrative	\$286,587	0.4%
Brown Capital Management Small Company Fund Institutional	\$267,832	0.4%
Vanguard Prime Money Market Fund Investor	\$253,576	0.4%
TIAA-CREF Lifecycle 2055 Fund Retirement	\$156,837	0.2%
TIAA-CREF Lifecycle Retirement Income Fund Retirement	\$156,134	0.2%
DFA U.S. Small Cap Portfolio Institutional	\$142,001	0.2%
TIAA-CREF Money Market Fund Retirement	\$0	0.0%
<b>Total</b>	<b>\$71,158,562</b>	<b>100.0%</b>



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

**Sparb Collins**  
Executive Director  
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1-800-803-7377

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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** May 13, 2015  
**SUBJECT:** Legislation

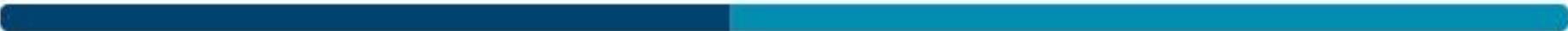
Attached is a PowerPoint presentation that I have given to several groups reviewing the actions taken this last session. We will review it at our Board meeting.



# PERS UPDATE

What Passed

What Didn't



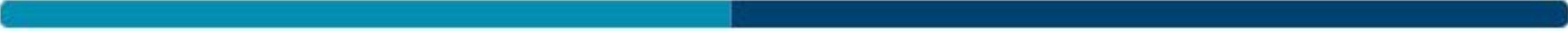
# Legislation

## Passed

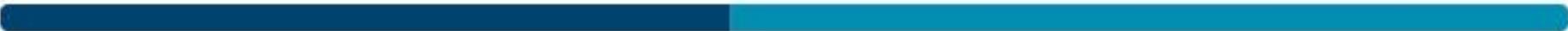
- HB 1038 - Health
- HB 1062 - PERS
- HB 1072 - Health
- HB 1080 – Retirement (SB 2015)
- HB 1154 – Retirement (SB 2015)
- HCR 3003 – Health

## Did not Pass

- SB 2038 - Retirement
- SB 2039 - Retirement
- SB 2102 – Retirement
- SB 2022 – PERS
- HB 1475 -Health



**WHAT DID PASS**



# HB 1038

- Passed
- Telemedicine
- PERS already covered telemedicine

# HB 1062

- PERS Technical Bill
  - Updates Federal Compliance for all systems
  - Makes Miscellaneous changes in the
    - HP System
    - Main
    - DC Plan
    - Health plan

# HB 1072

- Coverage of Cancer Treatment Medications
- *“The policy copayment, deductible, and coinsurance amounts for patient-administered cancer treatment medications do not exceed the amounts for cancer treatment medications that are injected or are intravenously administered by a health care provider, regardless of the formulation or benefit category;”*

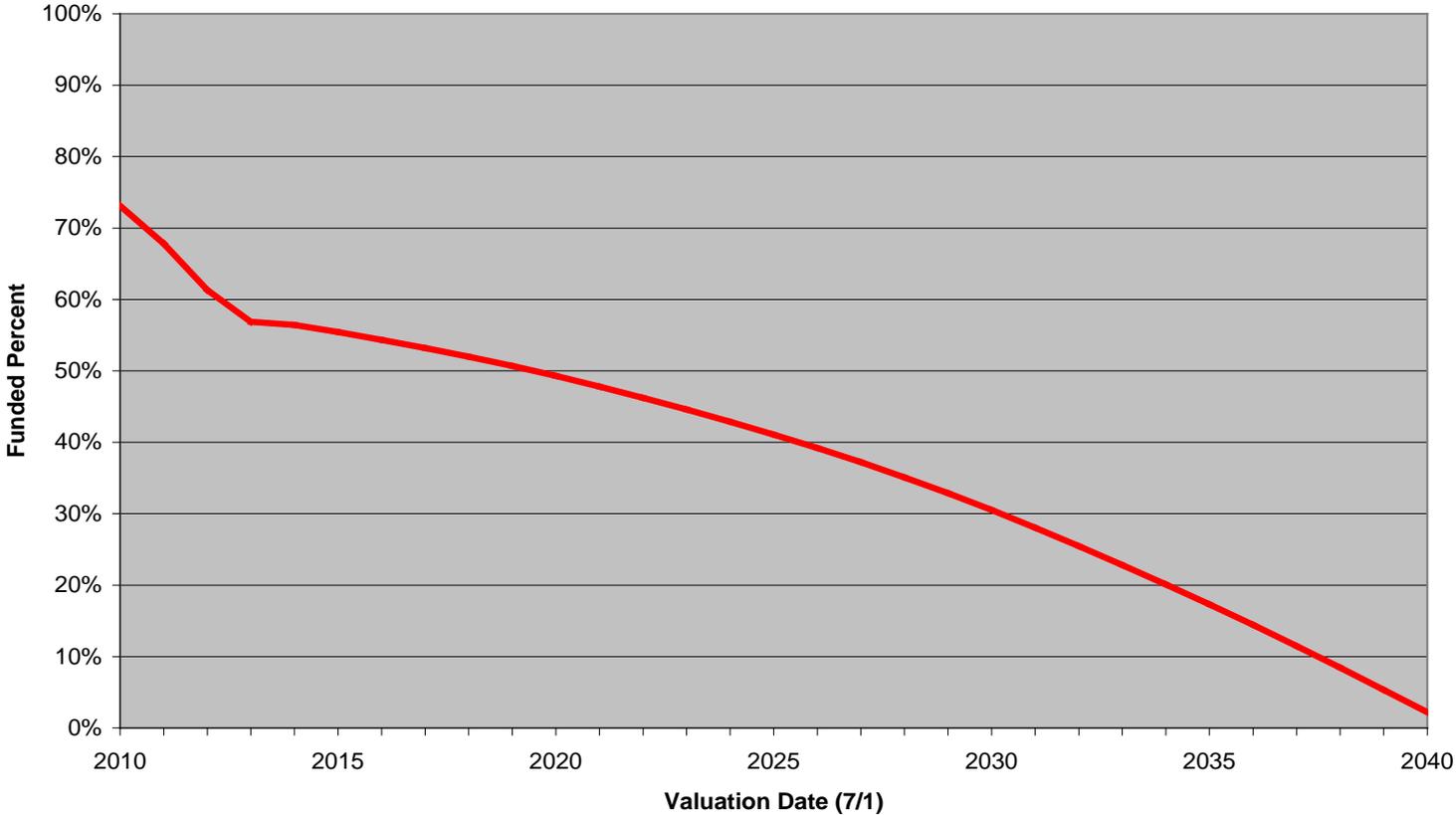
# SB 2102

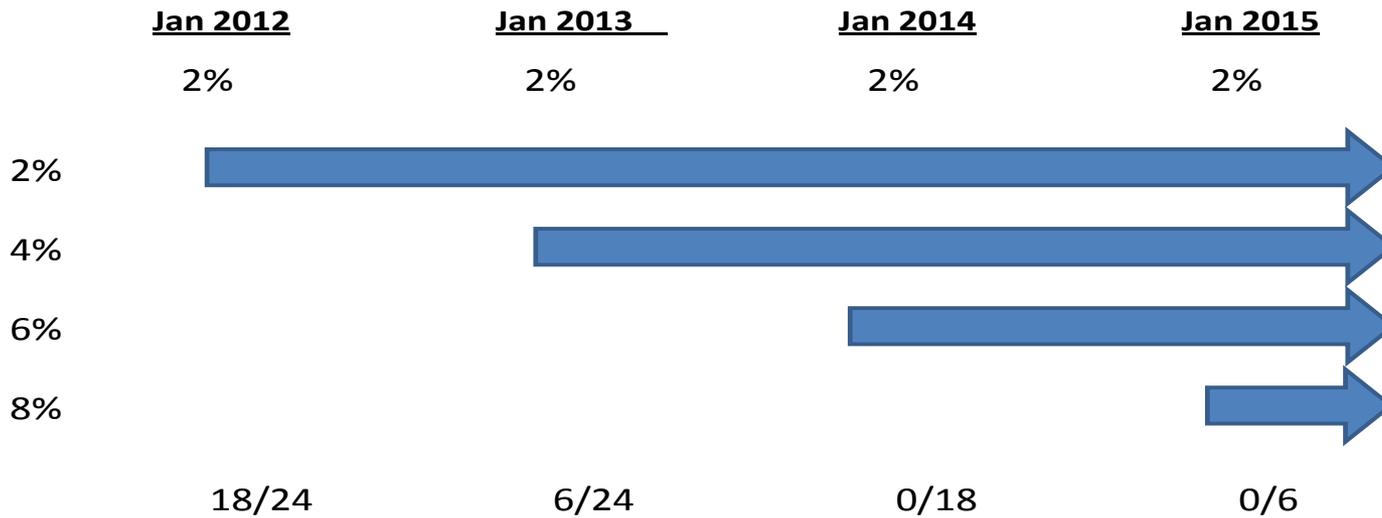
- Closes the PERS National Guard plan and transfers the members to the Law Enforcement plan

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Provisions	As proposed	As Approved by House	
Increase employer/employee contributions by 1% each (Temporary employees 2%)	Included	Deleted	
Decrease the contribution for State Bureau of Criminal Investigation by .5%	Included	Included	
Final average salary based on 5 years	Included	Included	
Change Rule of 85 to 90 with minimum age of 60	Included	Included	SB 2015
Change early retirement reduction from 6% per year to 8%	Included	Included	SB 2015
Reduce Multiplier from 2% to 1.9%		Added	
Fully funded status	2035	2052	

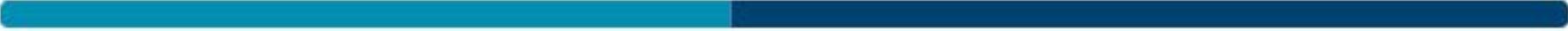
**PERS (Main System)  
Projected Funded Ratio Under Current Plan  
(Actuarial Value of Assets to Actuarial Accrued Liability)  
Based on July 1, 2010 Data**





Months increase effective for 2011-2013/ Months effective for 2013-2015

2015 and beyond 100% effective

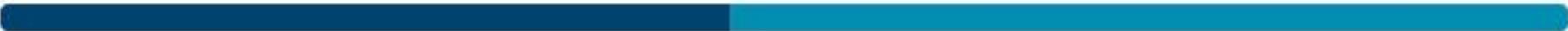


**This proposal was intended to accomplish three objectives:**

**1. To stop the downward trend in the funded status of the plans**

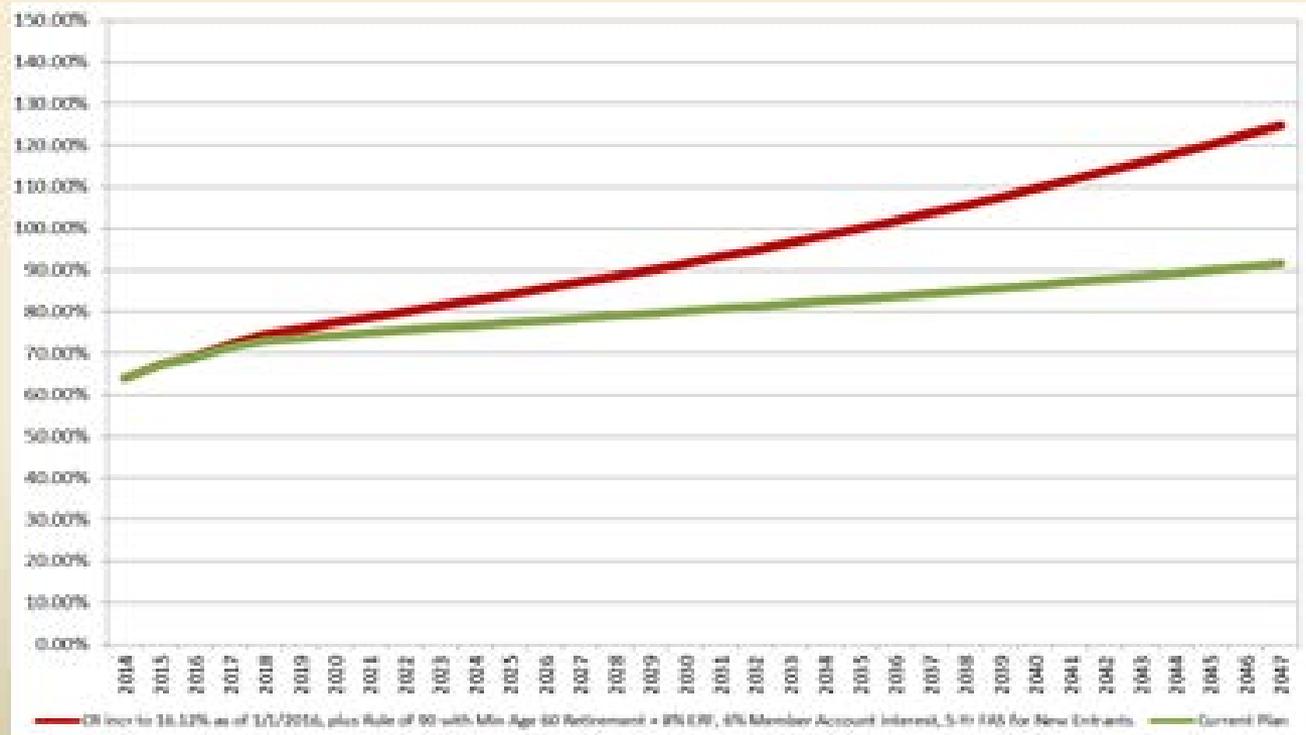
**2. To stabilize the plans**

**3. To put the plans on a course back to 100% funded status**



## Projected Funded Ratios (AVA Basis) – Main System

RULE OF 90 WITH MINIMUM RETIREMENT AGE 60, 8% ERF, 5-YEAR FAS FOR NEW ENTRANTS AND 2% CONTRIB INCREASE ON JANUARY 1, 2016 (IN MILLIONS)

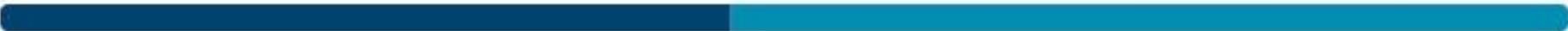


# HB 1154

- Allow current DC plan members to transfer back to the DB plan
- Must transfer balance back and pay an additional 2% contribution
- Bill failed
- Provision ended up in SB 2015



# **PERS HEALTH PLAN**



# Bid History

- 2004 – Fully/ Self Insured
- 2006 – Renewal with BCBS
- 2008 – Renewal with BCBS
- 2010 – Renewal with BCBS (ACA)
- 2012 – Fully Insured
  - BCBS
  - Sanford

# 2013-15 Premiums (BAFO)

BCBS Premium

Sanford Premium

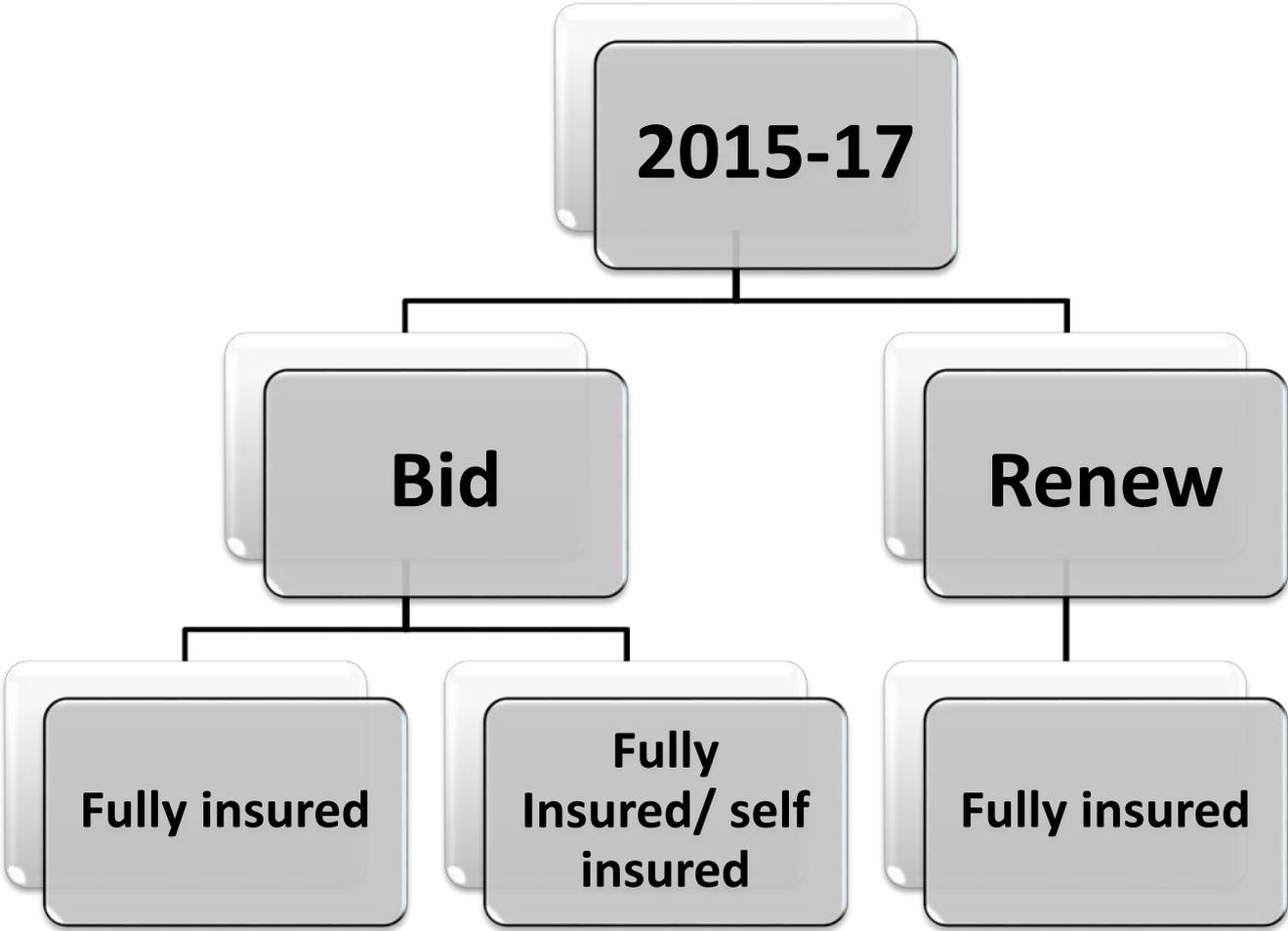
**12.98%**

**25.49%**

\$1001.72

\$1112.62

# Plan Placement 2015-17



# Bid History

- 2004 – Fully/ Self Insured
- 2006 – Renewal with BCBS
- 2008 – Renewal with BCBS
- 2010 – Renewal with BCBS (ACA)
- 2012 – Fully Insured
  - BCBS
  - Sanford
- 2014 – Fully/Self Insured

# 2015-17 Premiums (BAFO)

BCBS Premium

**20%**

Sanford Premium

**15%**

# HCR 3003

- **NOW, THEREFORE, BE IT RESOLVED BY THE HOUSE OF REPRESENTATIVES OF NORTH DAKOTA, THE SENATE CONCURRING THEREIN:**
- That the Legislative Management study state contributions for state employee health insurance premiums, including the feasibility and desirability of establishing a maximum state contribution for state employee health insurance premiums and the effect of losing the state's grandfathered status under the federal Affordable Care Act; and

# PERS PreMedicare Coverage - HB 1058

## •PreMedicare Retiree can stay on the PERS plan

- COBRA @ 102% of premium
- Thereafter at 150% for single, 2 to 2.5 times the single rate for family coverage

Sixty-third Legislative Assembly of North Dakota  
In Regular Session Commencing Tuesday, January 8, 2013

HOUSE BILL NO. 1058  
(Government and Veterans Affairs Committee)  
(At the request of the Public Employees Retirement System Board)

AN ACT to amend and reenact sections 54-52.1-02, 54-52.1-03.2, and 54-52.1-03.3 of the North Dakota Century Code, relating to benefit coverage and health benefits credit for retired employees not eligible for medicare and retired employees eligible for medicare under the uniform group insurance program; and to provide a contingent effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

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

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

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

1. Medical and hospital benefits coverage group consisting of active eligible employees and retired employees not eligible for medicare, except for employees who first retire after the effective date of this Act and are not eligible for medicare on their retirement. In determining premiums for coverage under this subsection for retired employees not eligible for medicare, the rate for a non-medicare retiree single plan is one hundred fifty percent of the active member single plan rate, the rate for a non-medicare retiree family plan of two people is twice the non-medicare retiree single plan rate, and the rate for a non-medicare retiree family plan of three or more persons is two and one-half times the non-medicare retiree single plan rate.
2. In addition to the coverage provided in subsection 1, another coverage option may be provided for retired employees not eligible for medicare, except for employees who first retire after the effective date of this Act and are not eligible for medicare on their retirement. provided the option does not increase the implicit subsidy as determined by the governmental accounting standards board's other postemployment benefit reporting procedure. In offering this additional option, the board may have an open enrollment but thereafter enrollment for this option must be as specified in section 54-52.1-03.
3. Retired medicare-eligible employee group medical and hospital benefits coverage.
4. Active eligible employee life insurance benefits coverage.
5. Retired employee life insurance benefits coverage.
6. Terminated employee continuation group medical and hospital benefits coverage.
7. Terminated employee conversion group medical and hospital benefits coverage.
8. Dental benefits coverage.
9. Vision benefits coverage.

- Closes the plan in 2015
- Main reason is “guarantee issue” that is a PERS member will also be able to get health insurance
- Credit is tied to PERS health insurance to encourage a broader cross section of retirees to take plan thereby helping rates
- Also an indirect subsidy for rates, shows on states financials (\$95 per month for retiree plan and \$5 per month for active plan)
- Implicit Subsidy on state financials of about 54 million and growing – not presently funded



**WHAT DID NOT PASS**



# HB 1475 - Concerns

- Network
- Different Pre Auth
- Data
- Marketing
- Rx Audit

# HB 1300

- Allow PERS network to be portable
- Presently with BCBS
- Make contact with PERS so any provider could use it

# SB 2038 and SB 2039

- Interim Study
- Establish a DC plan for new state employees and set up a contingency fund
- Reserve fund was removed

# SB 2022

- PERS Budget
- Other provisions
  - Change board
  - RX audit
  - Term of contract
  - Data sharing
  - Network rates
  - Health Reserve Fund