NDPERS BOARD MEETING
Agenda

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

August 23, 2012 **Time: 8:30 AM**

I. MINUTES
- A. July 19, 2012

II. DENTAL PLAN PRESENTATIONS *
- Delta Dental – 40 minutes
- United Concordia (UCCI) Dental – 40 minutes

III. GROUP INSURANCE
- A. * Health Bid – Sparb (Board Action)
- B. Prescription Drug Plan Rates – Sparb (Board Action)
- C. Quarterly Executive Summary – BCBS
- D. Annual Health Care Report – Bryan (Information)

IV. RETIREMENT
- A. Law Enforcement Plan – Sparb (Board Action)
- B. National Guard Retirement Plan – Sparb (Board Action)

V. DEFERRED COMPENSATION/DEFINED CONTRIBUTION
- A. TIAA-CREF Update – Sparb (Information)
- B. Hartford Update – Sparb (Information)
- C. 457 Provider Training – Deb (Information)
- D. Investment Subcommittee Report – Sparb (Board Action)

VI. MISCELLANEOUS
- A. PERSLink Member Self-Service Update – Sharon (Information)
- B. Quarterly Consultant Fees – (Information)
- C. SIB Agenda

VII. FLEXCOMP
- A. *FlexComp RFP – Kathy & Sparb (Board Action)
- B. FlexComp Appeals
  1. Case ID 85
  2. Case ID 82

*Executive Session Pursuant to North Dakota Century Code §44-04-19.1 (9) and §44-04-19.2, to discuss negotiating strategy relating to the dental, health, and flexcomp bids.

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

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

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

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

Memorandum

TO: PERS Board

FROM: Sparb and Kathy

DATE: August 15, 2012

SUBJECT: Dental RFP

More detailed information was provided to the Board relating to the proposals submitted. This information is available upon request at the conclusion of the bid award process.

At this meeting we will have presentations from two of the firms that submitted a response to our dental RFP. We have let them know that they have about 20 to 30 minutes for a presentation followed by 10 to 20 minutes of questions. In total, there is 40 minutes for each.

The Board will be going into Executive Session pursuant to North Dakota Century Code §44-04-19.1 (9) and §44-04-19.2, to discuss negotiating strategy relating to the dental insurance bid.

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Memorandum

TO: PERS Board

FROM: Sparb

DATE: August 14, 2012

SUBJECT: Health Bid Proposals

More detailed information was provided to the Board relating to the proposals submitted. This information is available upon request at the conclusion of the bid award process.

Pat Pechacek from Deloitte will be at the next meeting to review the attached. We received two responses to our recent RFP on the group health insurance plan. They were from:

BCBSND
Sanford Health

The Board will be going into Executive Session pursuant to North Dakota Century Code §44-04-19.1 (9) and §44-04-19.2, to discuss negotiating strategy relating to the health insurance bid.

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Memorandum

TO: PERS Board

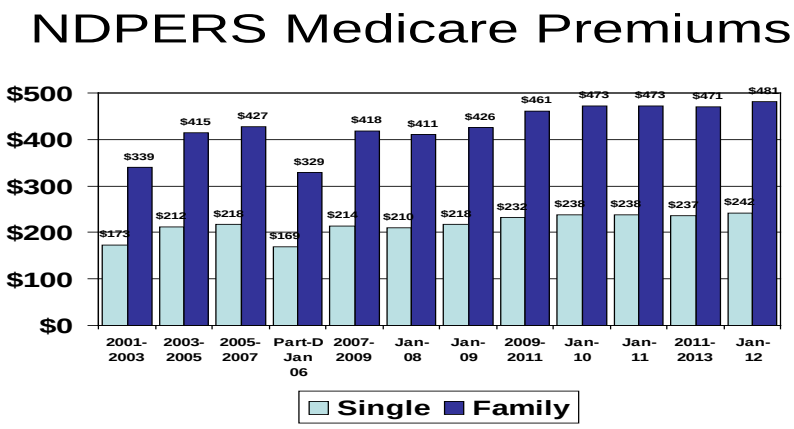
FROM: Sparb

DATE: August 15, 2012

SUBJECT: Prescription Drug Plan Rates

Attached please find the proposed renewal for the Medicare prescription drug plan (PDP) for 2013. The proposed rate is a -23.6% decrease. The primary reason for the decrease is due to negotiations with the prescription drug companies that were conducted as a part of the development of the Affordable Health Care Act which resulted in an agreement to provide additional discounts on prescriptions. The benefit of this additional discount is reflected on Line 7b of the renewal calculation. This is a one time benefit and establishes a new base from which we will go forward.

The following is our Medicare rate history:



As you will note, we have been able to keep these rates fairly stable over the last several years. If the proposed rate for the PDP is approved, the single plan premium will go down by $17.70 a month and the family plan premium will go down by $35.38 per month.
I have forwarded the attached to Deloitte for their review and comment and I will share that with you at the Board meeting.

Board Action Requested

To approve or disapprove the attached PDP rate for 2013.

North Dakota Public Employees Retirement System

2013 Renewal for Group Prescription Drug Plan

	2012		2013		
Enrollment on 7/31/2012	Monthly Premium	Annual Income	Monthly Premium	Annual Income	Rate Change
7,436	$74.90	$6,683,477	$57.20	$5,104,070	-23.6%

Notes for 2013 Renewal:

- The Centers for Medicare and Medicaid Services (CMS) reported on August 6, 2012 the national average monthly bid amount for standard Part D individual coverage of $79.64 and the Part D base beneficiary premium for 2013 (average individual premium) of $31.17.

  Further information on this topic can be found at the CMS website:
  http://www.cms.gov/Medicare/Health-Plans/MedicareAdvtgSpecRateStats/Downloads/PartDandMABenchmarks2013.pdf

- Direct CMS subsidy payments, which account for more than 40% of the expected claim costs for the NDPERS GPDP, are derived from bidding averages discussed above. For the 2013 NDPERS GPDP rating estimated total CMS payments are not yet known. We have assumed the payments are set at the averages shown above.

- The NDPERS Group Prescription Drug Plan (GPDP) has been rated for 2013 based on prior claim experience from 2011.

- Effective January 1, 2013, the manufacturer discount program will apply to employer group Part D plans. This reduction in premium is included in the 2013 renewal calculation.

North Dakota Public Employees Retirement System

2013 Renewal for Group Prescription Drug Plan

1. Allowed Claims Amounts (Incurred 1-1-11 thru 12-31-11)	14,939,860
2. Incurred Allowed Claims for base period	14,939,860
3. Member Months Exposed (1-1-11 thru 12-31-11)	83,066
4. Adjusted Experience Period Allowed Claims PMPM [(2) / (3)]	179.86
5. Trend [24 months @ 1.0% annual]	1.020
6. Rating Period Allowed Claims PMPM [(4) x (5)]	183.45
7a. Rating Period Member Cost Share PMPM [(6) x 0.265]	48.61
7b. Manufacturer Discount Program Paid PMPM [(6) x 0.118]	21.65
7. Total of Member Cost Share and Manufacturer Discount PMPM [(7a) + (7b)]	70.26
8. Rating Period Plan Paid PMPM [(6) - (7)]	113.19
9. Estimated 2013 Rx Drug Rebate PMPM	18.33
10. 2013 Plan Payments PMPM [(8) - (9)]	94.86
11. 2013 Anticipated Loss Ratio	87.5%
12. 2013 Gross Premium to BCBSND [(10) / (11)]	108.41
13. CMS Payments to BCBSND	51.20
14. Calculated Member Premium [(12) - (13)]	57.21
15. Rounded to Nearest $0.10	57.20

North Dakota Public Employees Retirement System

2013 Renewal for Group Prescription Drug Plan

Data Request

2011 and 2012Q1 Rebates for NDPERS

Q1-2011	$388,036
Q2-2011	$398,767
Q3-2011	$414,647
Q4-2011	$417,958
Q1-2012	$383,241
Total	**$2,002,649**

2011 and 2013 projected risk scores for NDPERS

2011 risk score	0.8608
2013 projected risk score	0.8268

January 2011 - December 2011 Costs for NDPERS

Month	Total Cost	Member Cost	Plan Cost
Jan-11	$1,242,025	$392,190	$849,835
Feb-11	$1,125,460	$343,547	$781,913
Mar-11	$1,287,322	$382,876	$904,446
Apr-11	$1,176,949	$341,710	$835,239
May-11	$1,220,501	$346,390	$874,111
Jun-11	$1,272,389	$340,939	$931,450
Jul-11	$1,211,029	$308,337	$902,692
Aug-11	$1,320,863	$326,863	$994,000
Sep-11	$1,229,021	$297,377	$931,644
Oct-11	$1,260,370	$292,251	$968,119
Nov-11	$1,299,681	$296,323	$1,003,358
Dec-11	$1,294,250	$286,446	$1,007,804
Total	$14,939,860	$3,955,249	$10,984,611

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Memorandum

TO: PERS Board

FROM: Sparb

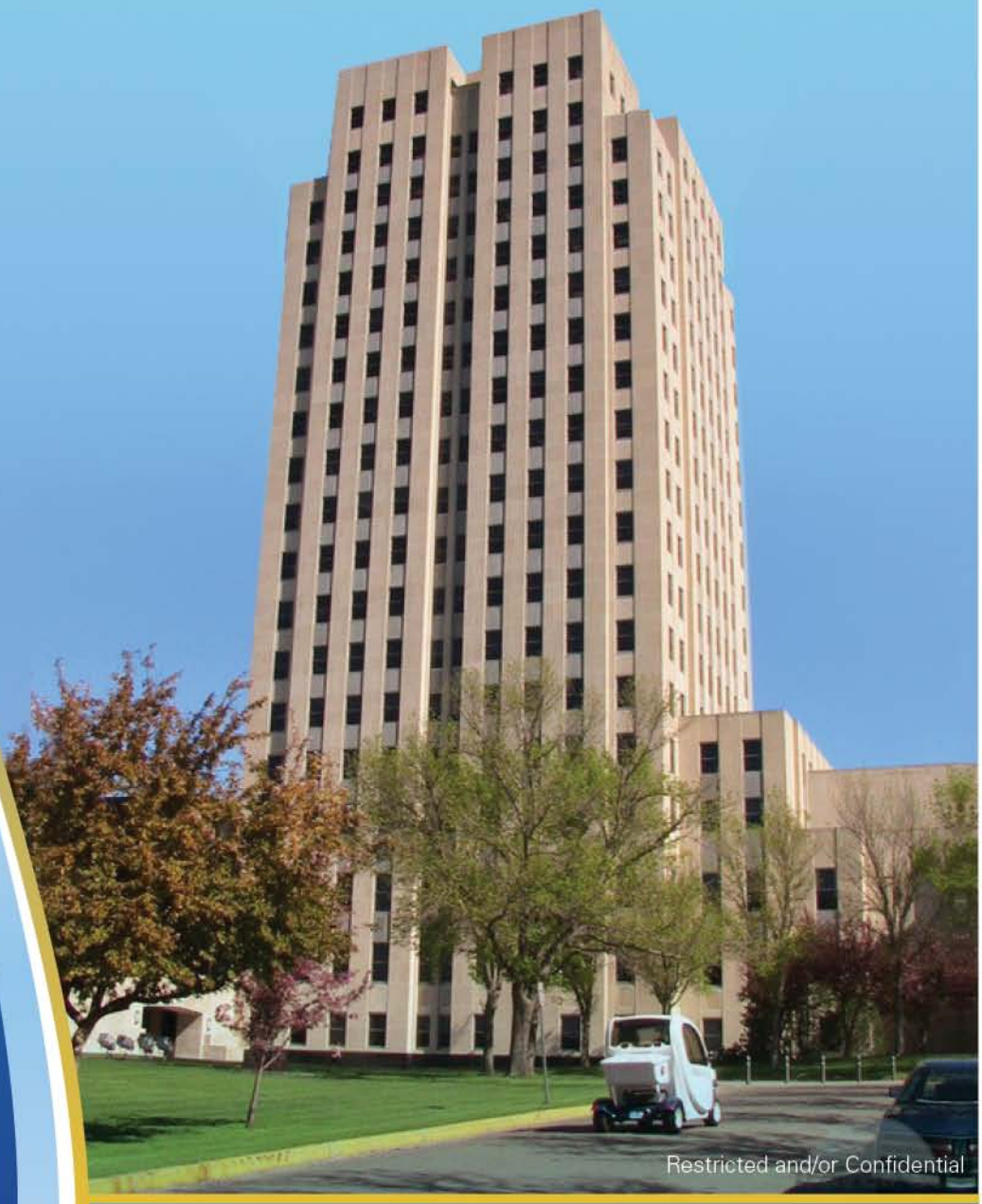
DATE: August 14, 2012

SUBJECT: BCBS Quarterly Executive Summary

Attached is the BCBS Quarterly Executive Summary. Representatives from BCBS will be at the meeting to review this with the Board.

NDPERS Executive Summary

Q2 | Presented August 2012



Restricted and/or Confidential

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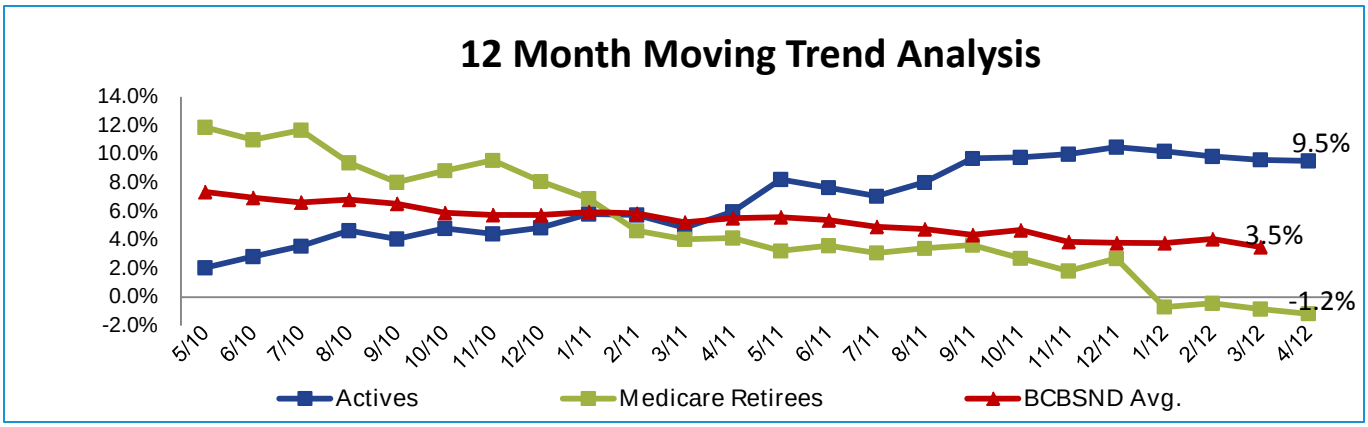
NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

ND

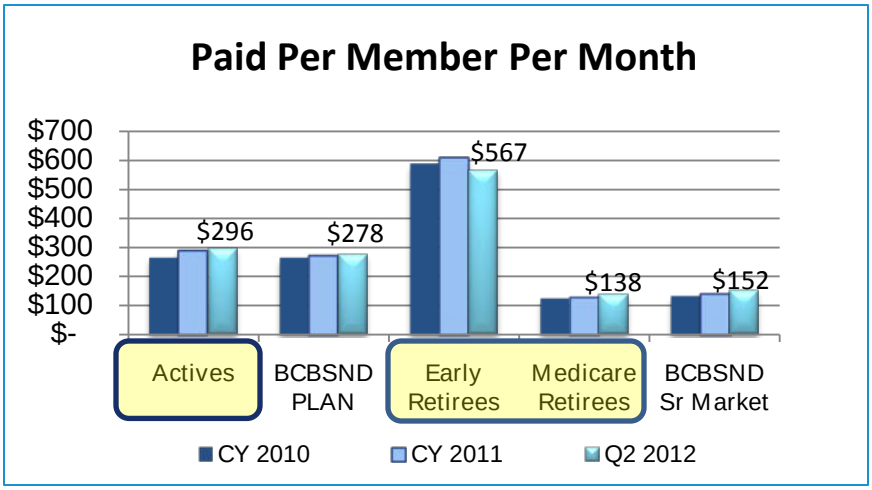
Blue Cross Blue Shield of North Dakota is an independent licensee of the Blue Cross & Blue Shield Association

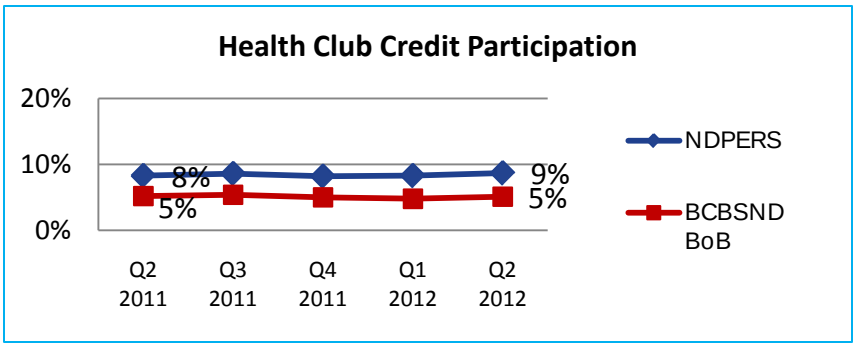
Noridian Mutual Insurance Company

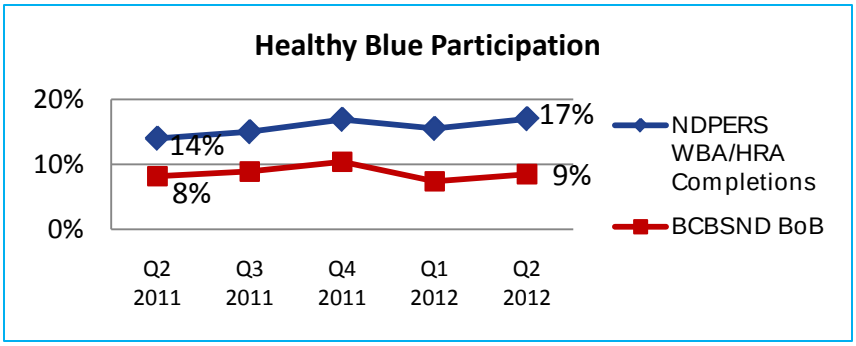


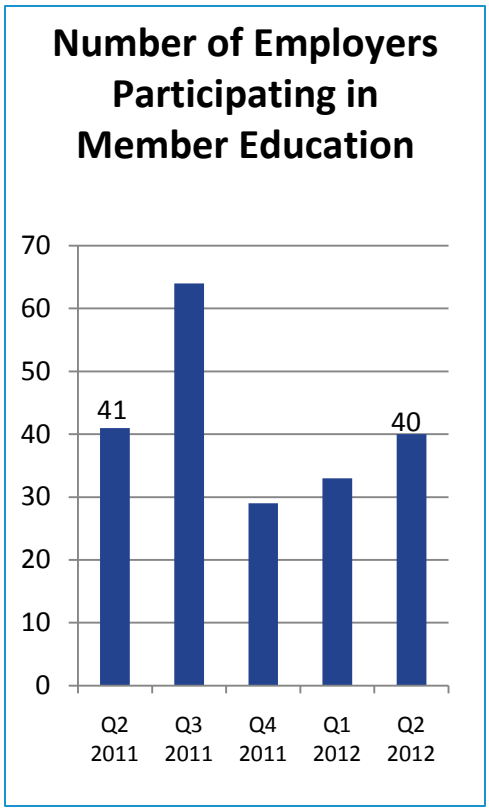
Membership Comparison

	2011	Q2 2012
Actives	50,886	53,563
Early Retirees	1,221	1,241
Medicare Retirees	6,923	7,324









Actives include Political Subs and State Employees

Quarters are cumulative to calendar year end

NDPERS Biennium Comparison

Paid through June 30, 2012

	Premium	Admin Fee	Interest on Surplus	Estimated Incurred Claims	Gain (Loss)	Gain (Loss) as % of Premium	Biennium Gain (loss)	% of Premium
July 07 - Apr 08	135,681	7,342	283	125,786	2,836	2.1%	-3,106	-0.9%
July 09 - Apr 10	174,681	9,234	131	144,491	21,087	12.1%	38,097	9.0%
July 11 - Apr 12	193,011	10,255	34	174,788	8,002	4.1%	N/A	N/A

Note: Reported in Thousands

The biennium beginning July 09 ended with a significant gain compared to the loss on the July 07 biennium. Current biennium gains are better than the July 07 biennium. It is important to note that the July 11 - Apr 12 claims include estimated reserves. Actual claims run-out may vary from original reserve estimates.

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

NDPERS Quarterly Trend Analysis

Paid through June 30, 2012

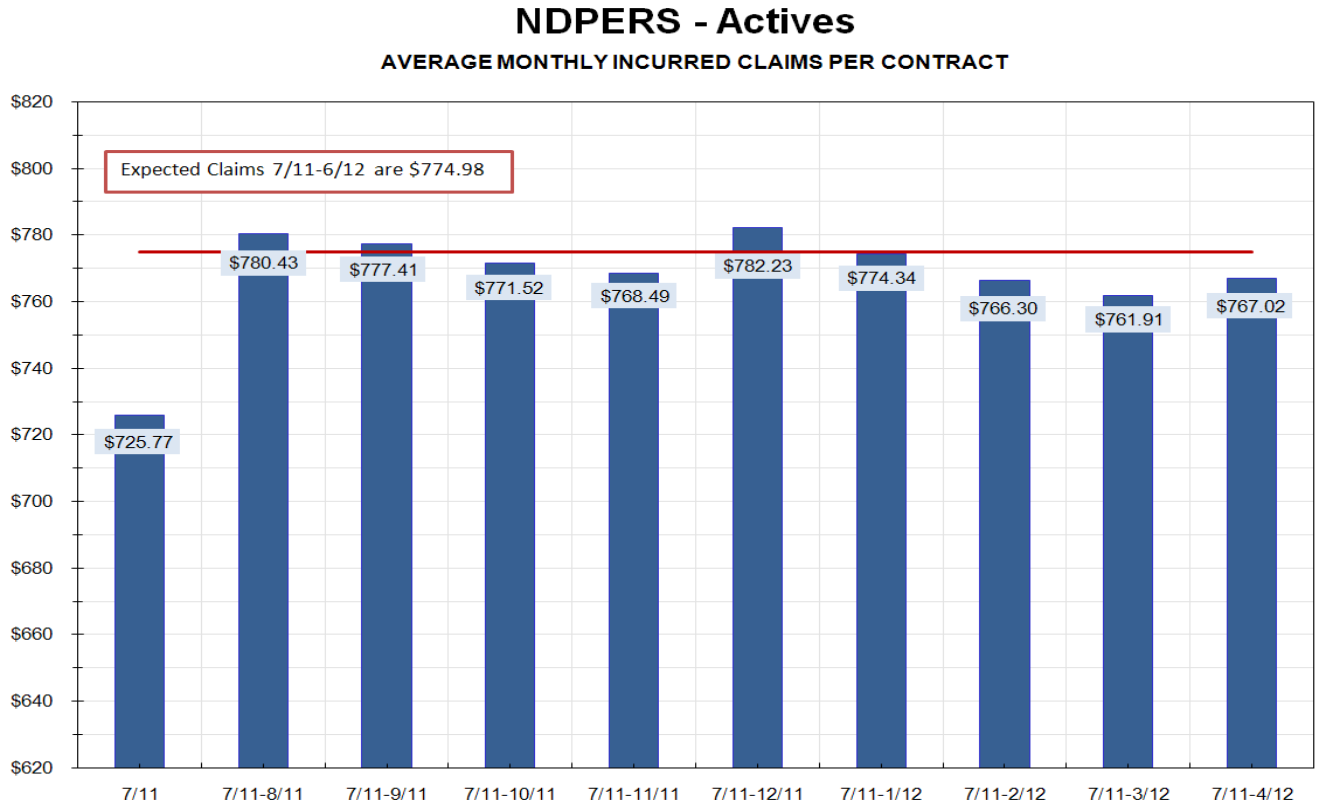
Twelve Month Moving Average				
Incurred Month	Est Incurred Claim/Contract		Annual Trend	
	Actives	Med Retirees	Actives	Med Retirees
6/10	662.03	165.61	2.8%	11.0%
7/10	666.56	166.18	3.6%	11.7%
8/10	671.94	165.93	4.7%	9.4%
9/10	671.34	165.50	4.1%	8.0%
10/10	673.90	166.30	4.8%	8.8%
11/10	676.87	168.00	4.4%	9.6%
12/10	679.81	167.05	4.9%	8.1%
1/11	686.49	170.92	5.8%	6.9%
2/11	690.78	170.83	5.7%	4.6%
3/11	692.21	170.66	4.9%	4.0%
4/11	698.38	170.94	6.0%	4.1%
5/11	708.95	170.51	8.2%	3.2%
6/11	712.69	171.57	7.7%	3.6%
7/11	713.57	171.31	7.1%	3.1%
8/11	725.80	171.59	8.0%	3.4%
9/11	736.42	171.51	9.7%	3.6%
10/11	739.76	170.82	9.8%	2.7%
11/11	744.49	171.08	10.0%	1.8%
12/11	751.03	171.57	10.5%	2.7%
1/12	756.42	169.74	10.2%	-0.7%
2/12	758.67	170.09	9.8%	-0.4%
3/12	758.65	169.24	9.6%	-0.8%
4/12	764.93	168.96	9.5%	-1.2%

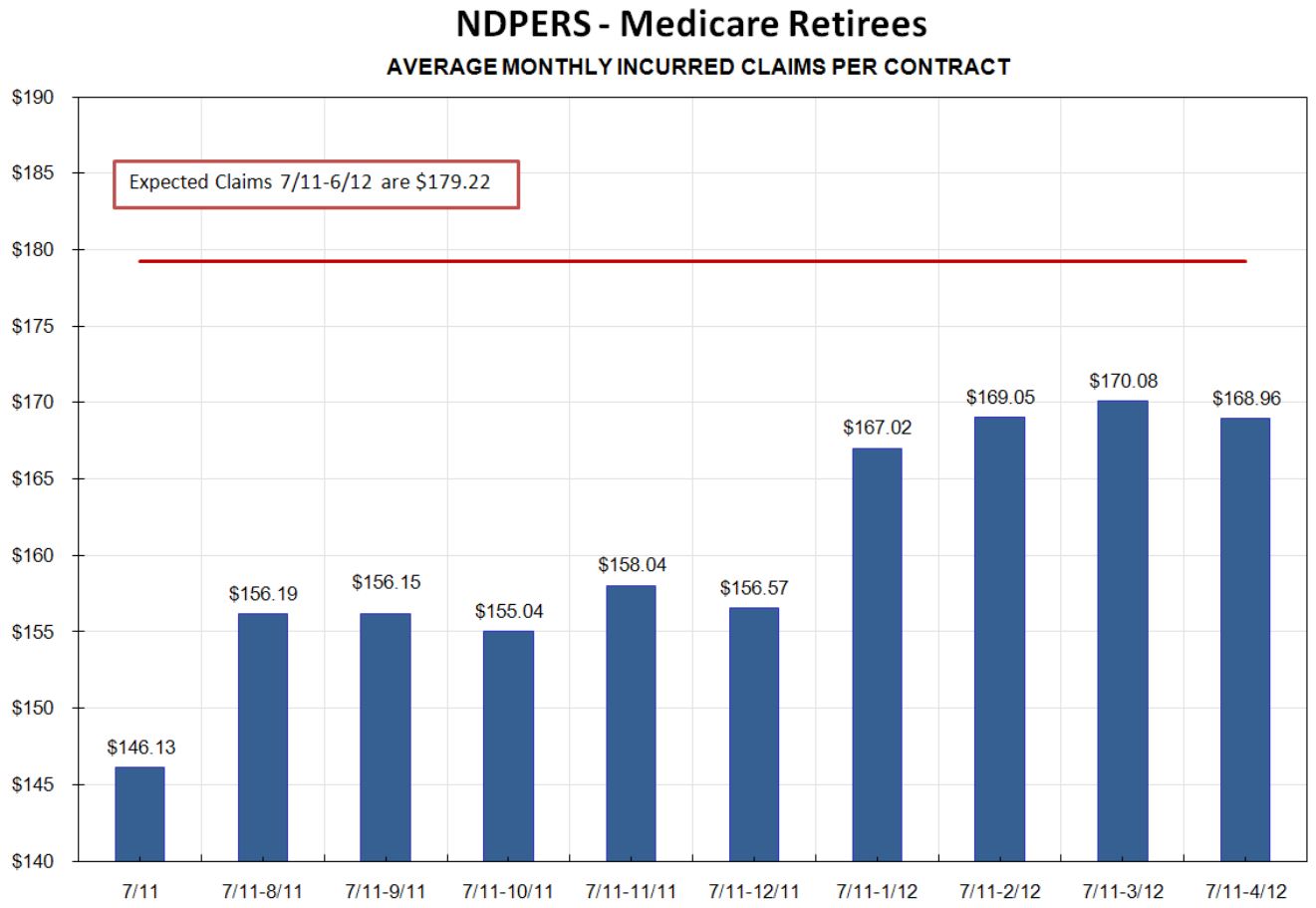
The 9.6% twelve month rolling trend for NDPERS Actives through March 2012 is greater than the Blue Cross Blue Shield overall trend of 3.5%.

A 7.5% trend was used in rating the first year of the biennium beginning July 2011. A 9% claims trend was used for the second year.

NDPERS Quarterly Trend Analysis

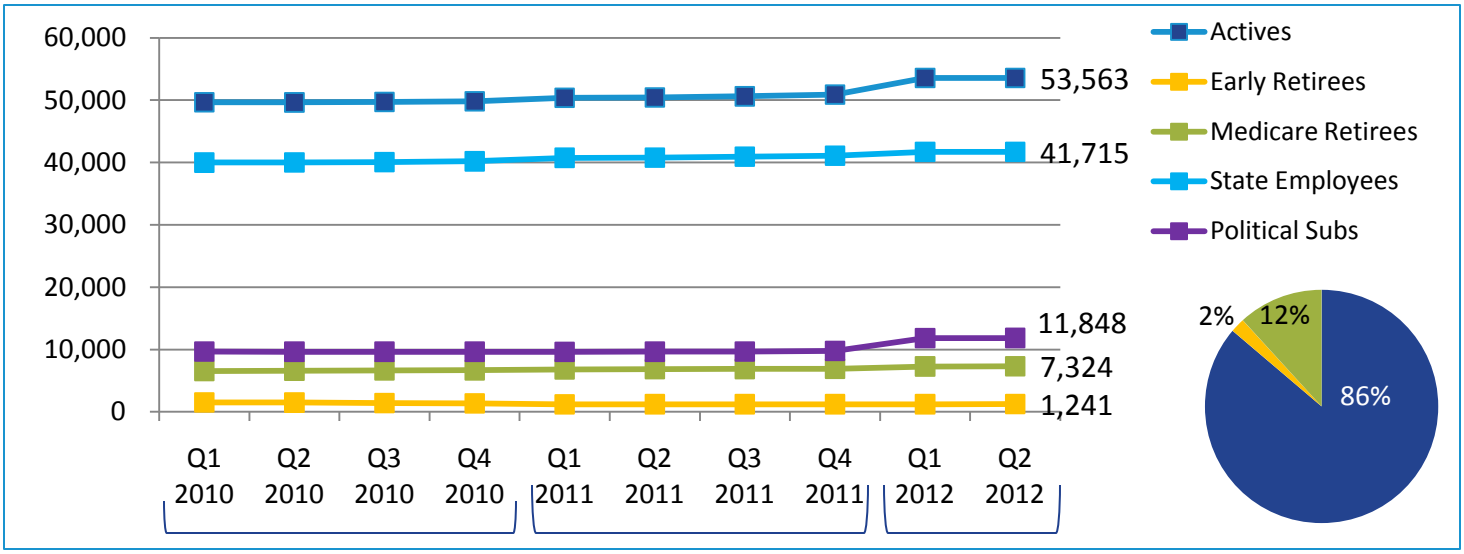
Paid through April 30, 2012



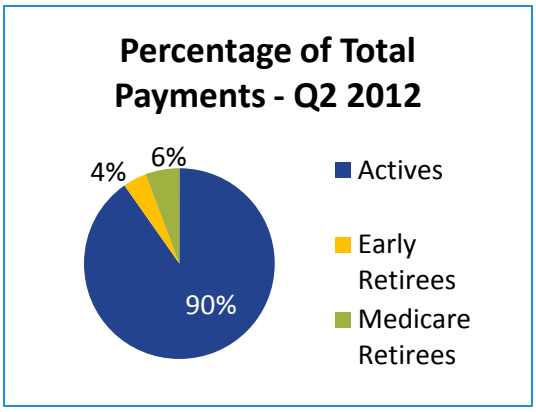


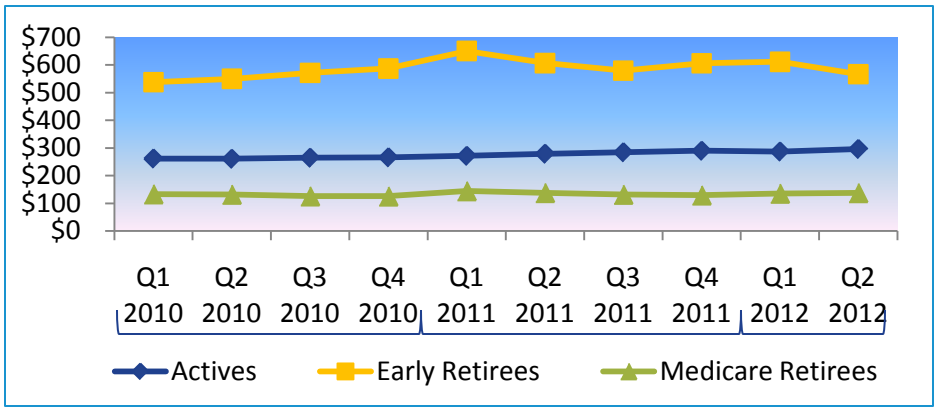
Membership & Health Utilization Summary

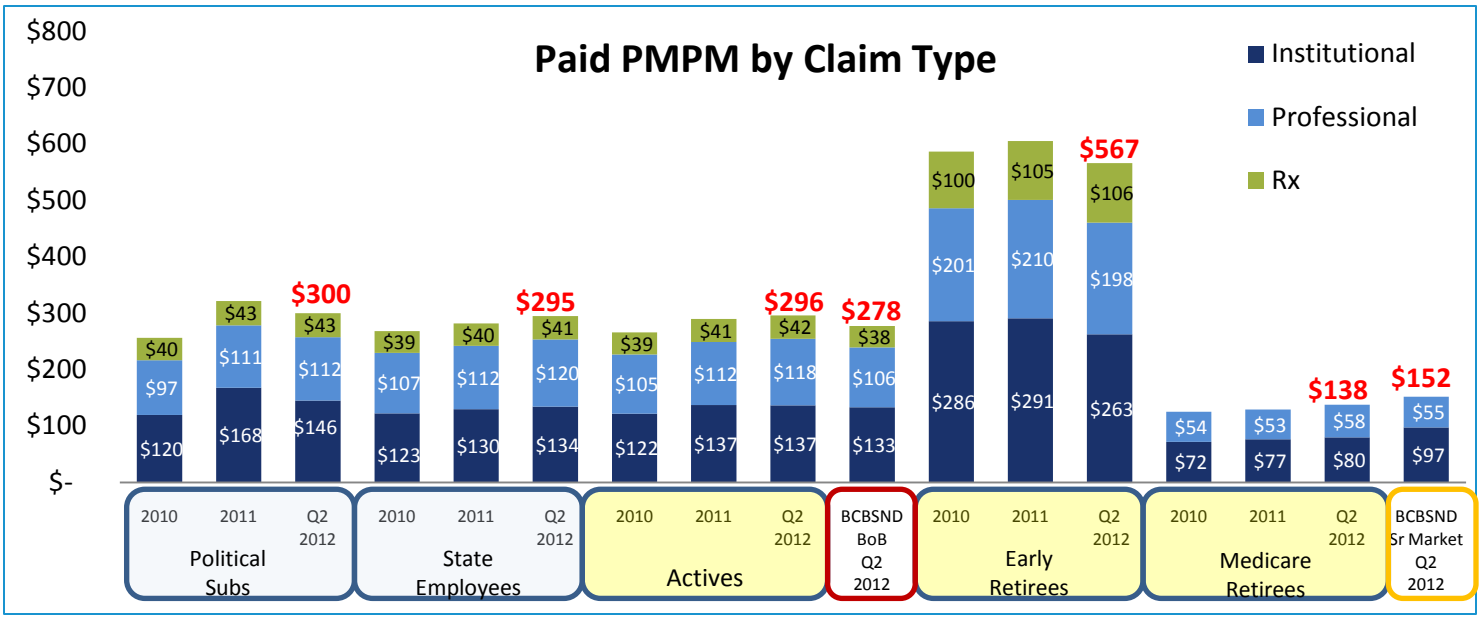
Membership



Claims Paid Per Member Per Month (PMPM)



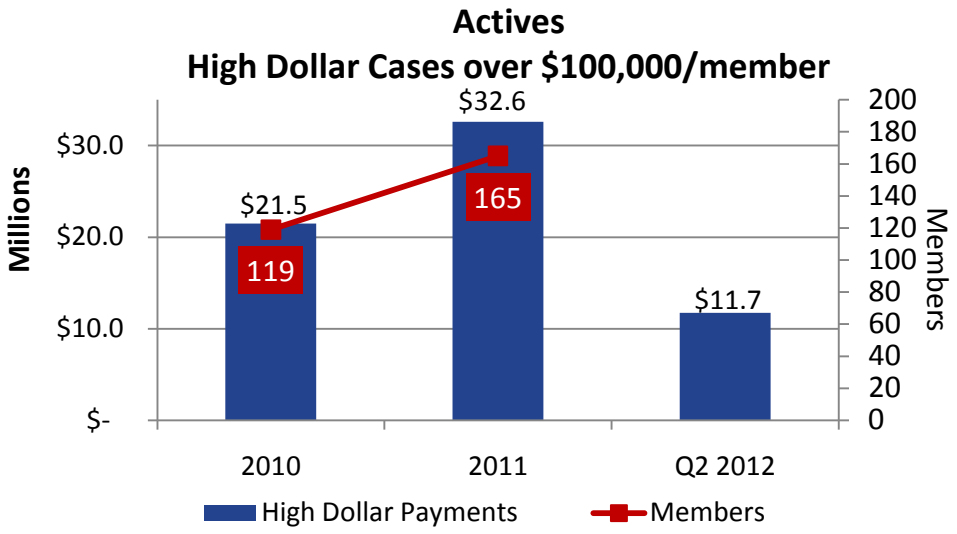


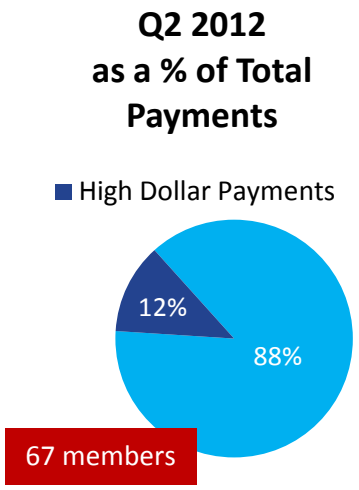


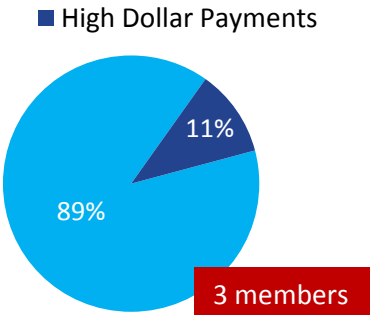
Actives include Political Subs and State Employees

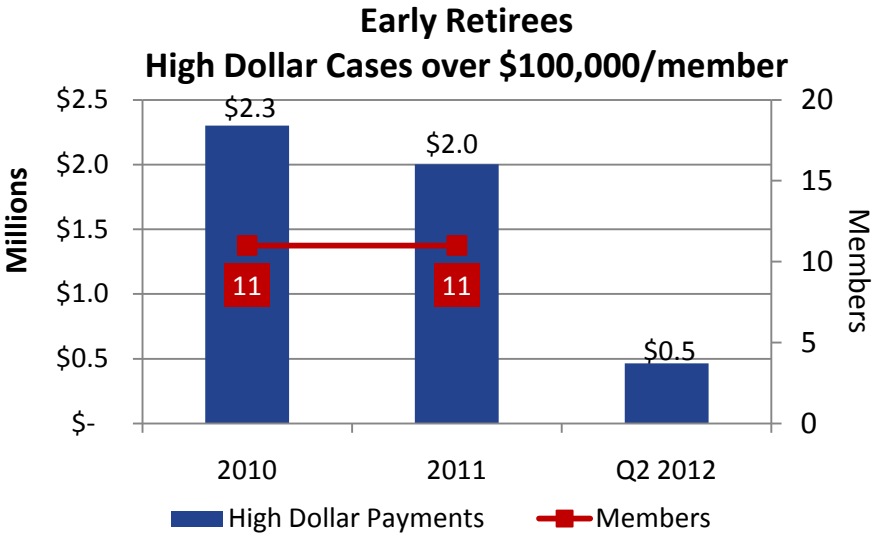
Quarters are cumulative to calendar year end

High Dollar Cases

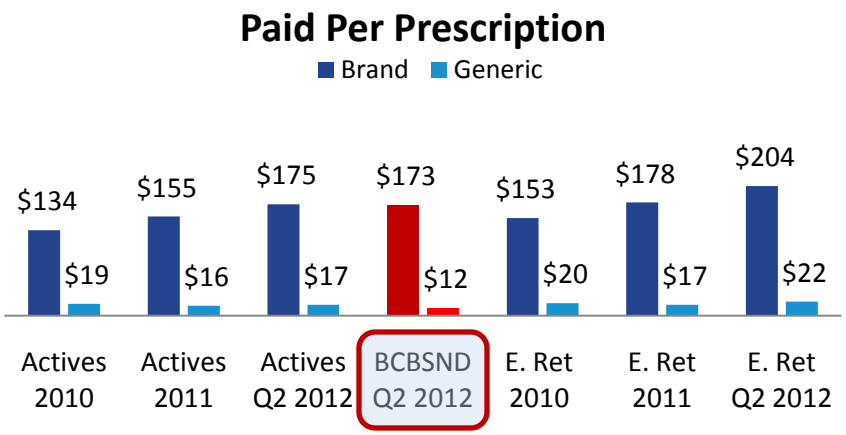


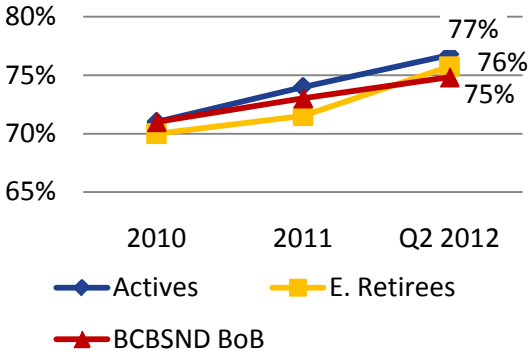




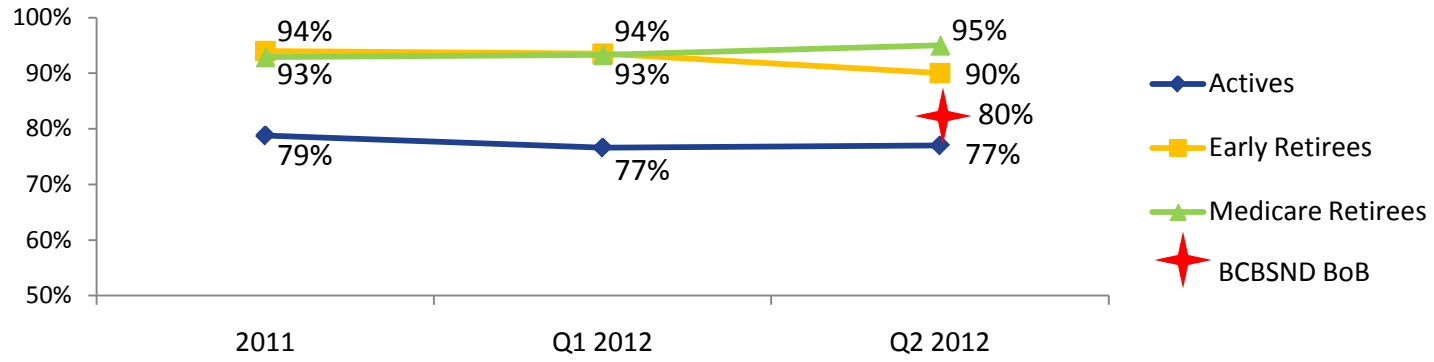


Prescription Drugs

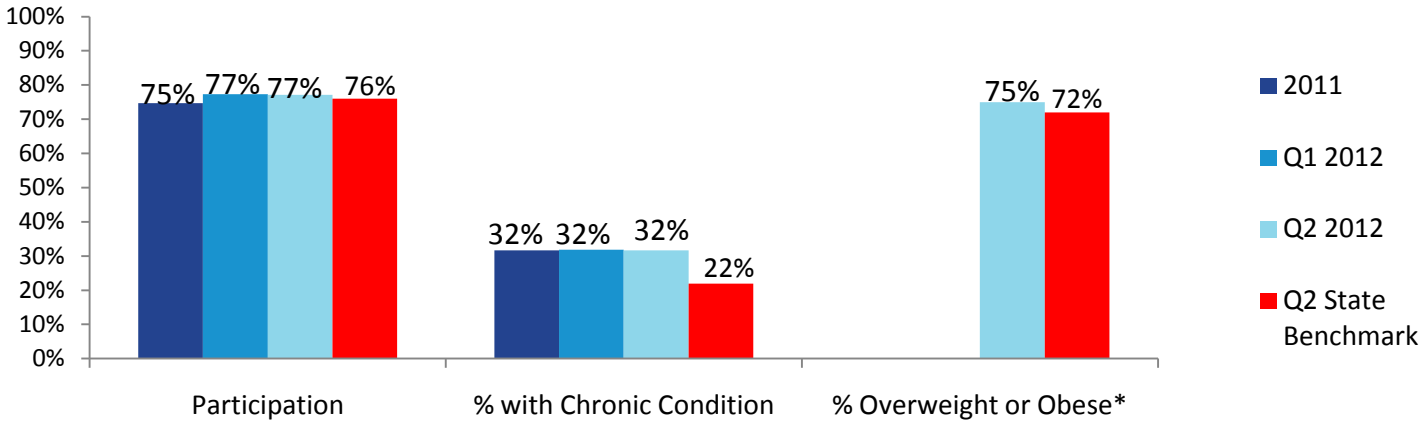




AccordantCare Participation – Rare and Complex Disease Management

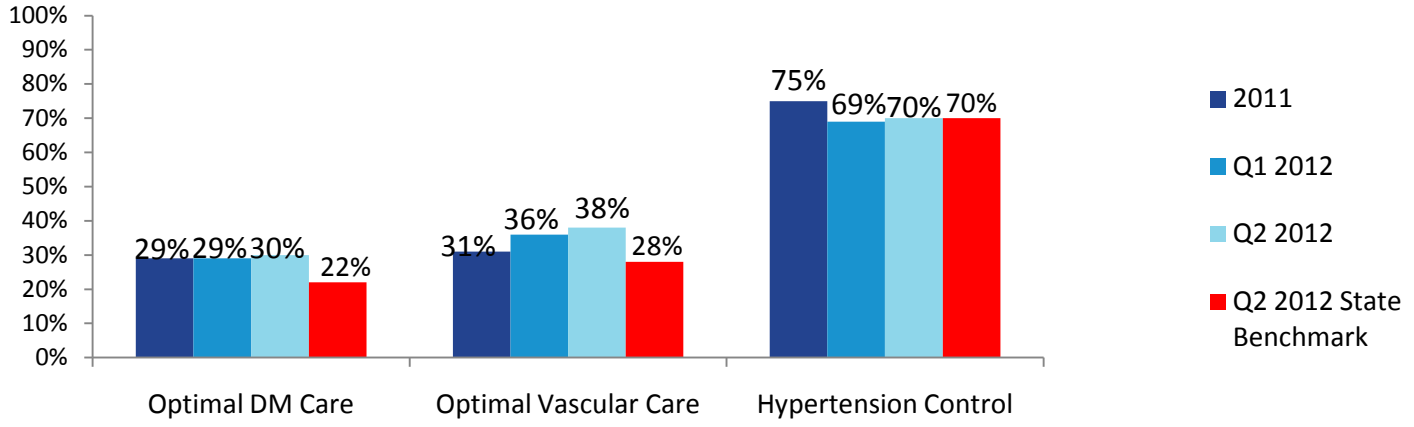


MediQHome Key Measures



** First available data is Q2 2012*

MediQHome Outcome Measures



Performance Standards and Guarantees

Measure	Goal	To Date
Cost Management:		
WBA/HRA Completions	10% increase over 2011 completions (2011 = 16.9%)	17%
WBA/HRA Score	5% point increase over 2011 score (2011 = *70.2***)	67
Online Wellness Tool - incentives paid	10% increase over 2011 incentives paid (2011 = $323,401)	$12,392
Health Club Credit - members receiving credit	10% increase over 2011 members receiving credit (2011 = 4.9%)	4.7%
Health Outcomes:		
Members enrolled in a Medical Home	80%	77.08%
Breast Cancer Screening Rates	80%	*89.26%
Cervical Cancer Screening Rates	85%	*85.90%
Colorectal Cancer Screening Rates	60%	*53.92%
Operational Performance:		
Claims Financial Accuracy	99%	97.35% [missed]
Payment Incident Accuracy	97%	99.43%
Claim Timeliness	99%	99.81%
Average Speed of Answer (in seconds)	30 seconds or less	10.75
Call Abandonment Rate	5% or less	0.62%
Provider Network Management:		
NDPERS PPO network	90% (or more) participation	99.6%

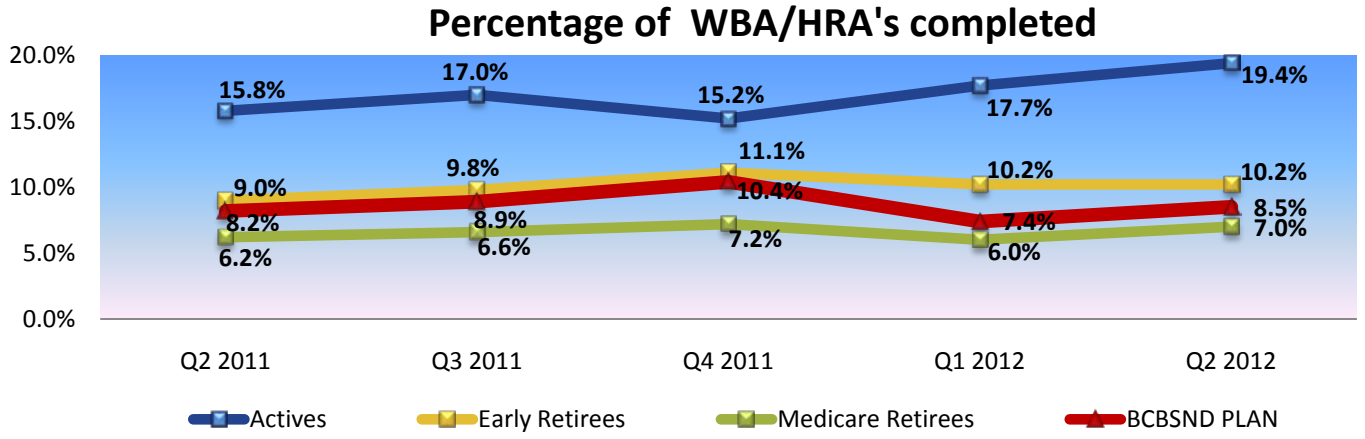
**Cancer screening rates were a culmination of MediQHome and HEDIS data*
***Conversion to HealthyBlue will require score translation*

Wellness Programs

Through Q2 2012 (Jan-Jun), there was a total of 42,622 members eligible for the wellness programs, HealthyBlue and Health Club Credit. NDPERS member participation in these wellness programs is higher than the BCBSND Plan average.

HealthyBlue

- 17.0% (up from 16% Q1) of total eligible members have completed a WBA/Health Risk Assessment (7,262 members)
  - BCBSND Plan WBA/HRA completion rate 8.5% (up from 7.4% Q1)
- Point redemption through Q2 2012 - $12,392 in redeemed prizes

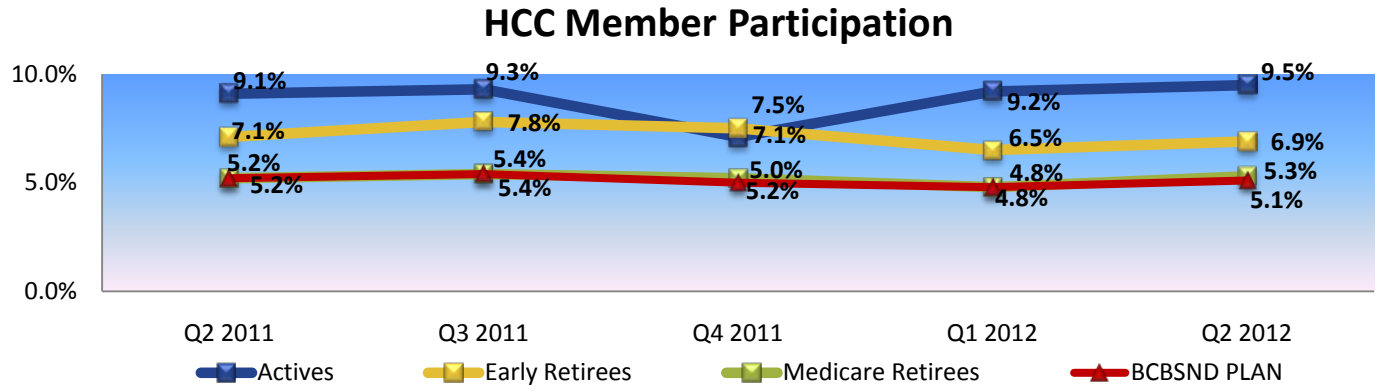


Q1 2012 begins over due to annual WBA/HRA completion requirement.

Quarters are cumulative to calendar year end

Health Club Credit

- 8.7% (up slightly from 8.3% Q1) participate in the Health Club Credit Program (3,715 members)
  - BCBSND Plan average is 5.1% (up from 4.8% Q1)
- 58% (down from 61% Q1) of those participating in HCC exercise 12 or more days per month (2,156 members)
  - BCBSND Plan average is 58.4% (down from 61.5% Q1)
- Health club credits paid through Q2 2012 - $285,244.86



Q1 2012 begins over due to annual WBA/HRA completion requirement.

Quarters are cumulative to calendar year end

Member Engagement

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

Presentations are available for the following programs:

- Wellness Programs (HealthyBlue/Health Club Credit)
- Take Care of Yourself
- Walking Works
- Strength Training
- Beat The Bug
- Summer Safety
- Stress Management
- Medication Education
- Nutrition Basics for a Healthier You

In Q2 2012, Member Education Representatives presented to 40 unique employer groups with 1,536 members who attended these meetings.

	Number of Employers	Member Education Program	Member Attendance
Q2 2011	8	My Health Center/Health Club Credit	151
	19	Other	728
Q3 2011	10	My Health Center/Health Club Credit	216
	13	Other	334
Q4 2011	16	My Health Center/Health Club Credit	705
	19	Other	743
Q1 2012	25	My Health Center/HealthyBlue /HCC	910
	18	Other	336
Q2 2012	22	HealthyBlue /HCC	502
	26	Other	1,034

Benefit Overview meetings
(tracking began Q3 2011)

	Number of Employers
Q3 2011	31
Q4 2011	65
Q1 2012	13
Q2 2012	17

NDPERS Wellness Specialist

Updates

• A total of nine workshops were scheduled for NDPERS Wellness Coordinators across the state during the months of June, July, and August and over 100 coordinators attended in person. A recording and summary will be made available to those who were not able to attend.

• A Fruits & Veggies challenge is being created for HealthyBlue and is scheduled for a tentative launch date of Monday, September 17th. September is "Fruits & Veggies – More Matters Month"

• NDPERS Wellness Coordinators will have the option to attend the 3rd Annual Worksite Wellness Summit, scheduled for October 1st, at a reduced rate

• A new version of Google groups is available and we are looking into options for making the current NDPERS Wellness Google group more interactive and engaging

• Wellness consulting continues to assist with wellness programs being revamped and more engaged

Year 1 of Biennium Program Highlights (July 2011 – June 2012)

- 145 members with 170 start dates
- 88 members submitted a claim for payment – these claim payments totaled $29,879
- Average Paid per Member - $373

Biennium	Unique Members	Members with Payments	Biennium Program Expenditures	Payments Per Member
July 1, 2007 – June 30, 2009	448	314	$130,689	$416
July 1, 2009 – June 30, 2011	319	207	$82,171	$397
July 1, 2007 – June 30, 2009	145	88	$32,867	$373

Opportunities and Activities

Completed

- BCBSND Hypertension Quality Improvement Project (QIP) Phase 2 mailing to providers
- Targeted flyers for cervical and colorectal cancer screenings were sent in January & March
- Healthy Coupon initiative (LinkWell) – mailed to members with targeted conditions in May & early August
- Nine Wellness Coordinator workshops were scheduled across the state
- Triessent was transitioned to Prime Specialty Pharmacy on August 1
- Tobacco Cessation Program – Year 1 of biennium

Ongoing Activities

- BCBSND Hypertension Quality Improvement Project (QIP) is in Phase 3 which expands the QIP to target high cholesterol; optimal diabetes and vascular care; and tobacco cessation in MediQHome members with diabetes and coronary artery disease
    - Target MediQHome sites that have the lowest rates for hypertension control
        - Placement of Scales, blood pressure cuffs, low sodium recipe books in these sites
- Increase cancer screening compliance through targeted outreach and programs
    - Next targeted outreach is October for breast cancer
    - Testimonial campaign is in development
- Fruits & Veggies Challenge in September
- Annual Worksite Summit in October
- MediQHome provider contracting – 70% of ND's participating providers are participating in MediQHome
- AccordantCare Program has produced an overall book of business ROI of $1,632/participating member for it's first year
    - Of the 497 eligible NDPERS members, there were 388 NDPERS participating Q2 2012 (78% participation rate)

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Memorandum

TO: PERS Board

FROM: Bryan Reinhardt

DATE: August 14, 2012

SUBJECT: 2011 Active Health Care Report

Attached is the 2011 NDPERS Active health care report. Costs and trends are increasing. A similar agency-specific report is developed for all 42 large groups on the health plan (over 100 employees).

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

NDPERS Health Care Analysis

2011

North Dakota Public Employees Retirement System

For January - December 2011, there were 19,648 active NDPERS employees. This is about 75% of the NDPERS contracts. The average age for all NDPERS active employees was 47 years. There were 30,686 dependents of NDPERS employees on the NDPERS health plan.

HOSPITAL

NDPERS health plan members had 63,328 hospital claims from January to December 2011. These claims had $151,905,512.21 in total charges. The NDPERS health plan paid $82,317,755.59 toward these charges.

HOSPITAL UTILIZATION
ADMISSION: 01/2011 - 12/2011

CLAIM TYPE:	CLAIMS	%	DAYS	CHARGES	PAID
IP=Inpatient					
OP=Outpatient					
IP NEWBORN	654	1	2322	$4,970,226	$3,277,819
IP MEDICAL	1050	2	4046	$16,035,850	$11,179,634
IP MATERNITY	692	1	1673	$4,562,440	$2,547,501
IP SURGICAL	1262	2	4284	$41,984,065	$26,519,417
IP PSYCH	204	0	1648	$2,322,828	$1,542,202
IP CHEM DEP	44	0	185	$316,275	$225,818
OP MATERNITY	1550	2	0	$928,631	$425,605
OP SURGICAL	7607	12	0	$33,062,497	$14,887,245
OP PSYCH	695	1	0	$1,671,998	$1,005,852
OP CHEM DEP	574	1	0	$1,822,767	$1,432,040
OP MEDICAL	48608	77	0	$41,860,023	$18,306,919
SNF & SWING BED	79	0	1085	$918,173	$546,319
HOME HEALTH AG	145	0	0	$167,232	$123,124
HOSPICE	164	0	0	$1,282,507	$298,262
TOTAL	63328	100	15243	$151,905,512	$82,317,756

PHYSICIAN/CLINIC

NDPERS health plan members had 928,414 physician/clinic services from January to December 2011. These services had 139,129,741.41 in total charges. The NDPERS health plan paid $68,216,424.47 toward these charges.

PHYSICIAN/CLINIC UTILIZATION
SERVICE DATE: 01/2011 - 12/2011

	SERVICES	%	CHARGES	PAID

TYPE OF SERVICE				
SURGERY-IP	3425	0	$6,325,653	$3,351,932
SURGERY-OP	8937	1	$8,450,071	$3,455,079
SURGERY-OFFICE	19925	2	$7,463,606	$2,719,934
ANESTHESIA	11298	1	$7,253,490	$3,230,419
MATERNITY	7338	1	$3,966,255	$1,896,779
ANCILLARY ROOMS	2359	0	$4,556,992	$2,164,119
IP VISITS	13011	1	$2,962,033	$1,943,925
OP / ER VISITS	14042	2	$2,801,003	$1,366,032
OFFICE CALLS	159768	17	$24,025,109	$14,521,099
OPTICAL	12519	1	$1,337,292	$583,656
CHEM/PSYCH	34796	4	$5,790,829	$3,396,777
THERAPIES	142374	15	$15,176,720	$7,889,809
EKG/EEG	22364	2	$4,057,453	$1,552,894
DIAGNOSTIC LAB	199438	22	$14,011,190	$5,226,748
DIAGNOSTIC X-RAY	77547	8	$11,689,730	$5,374,885
RX/INJECTIBLES	116628	12	$10,172,158	$4,664,395
SPECIAL SERVICES	60601	7	$5,395,104	$3,020,709
SUPPLIES	5453	1	$601,051	$278,941
HME	16591	2	$3,094,001	$1,578,291
TOTAL	928414	100	$139,129,741	$68,216,424

PRESCRIPTION DRUGS

NDPERS health plan members had 470,571 pharmacy claims from January to December 2011. These claims had $58,858,122.48 in total charges. The NDPERS health plan paid $24,666,520.97 toward these charges.

PRESCRIPTION DRUG UTILIZATION
FILL DATE: 01/2011 - 12/2011

	CLAIMS	%	CHARGES	PAID
PRESCRIPTION DRUGS,				
NON-GENERIC	123336	26	$35,191,107	$19,218,901
GENERIC	347235	74	$23,667,015	$5,447,620
TOTAL	470571	100	$58,858,122	$24,666,521

Generic drug use is at 74%, higher than the 71% reported in 2010, 68% reported in 2009, 65% reported in 2008, 60% reported in 2007, 56% reported in 2006, 52% reported in 2005, 48% reported in 2004, 44% reported in 2003, 41% reported in 2002, 40% in 2001 and 2000, 41% reported in 1999, 43% reported in 1998 and 44% 1997.

PERCENTAGES

EMPLOYEES, SPOUSES, & CHILDREN
BY MEMBERSHIP & CLAIM TYPE
01/2011 - 12/2011

	MEMBERSHIP		CLAIMS		HOSPITAL SERVICES		PHYSICIAN CLAIMS		PHARMACY CLAIMS	
	Sum	%	Sum	%	Sum	%	Sum	%	Sum	%
CHILDREN	18921,	38,	15909,	25,	244614,	26,	87922,	19,		
EMPLOYEE	19648,	39,	28092,	44,	412885,	44,	245450,	52,		
SPOUSE	11764,	23,	19327,	31,	270915,	29,	137199,	29,		
TOTAL	50334,	100,	63328,	100,	928414,	100,	470571,	100,		

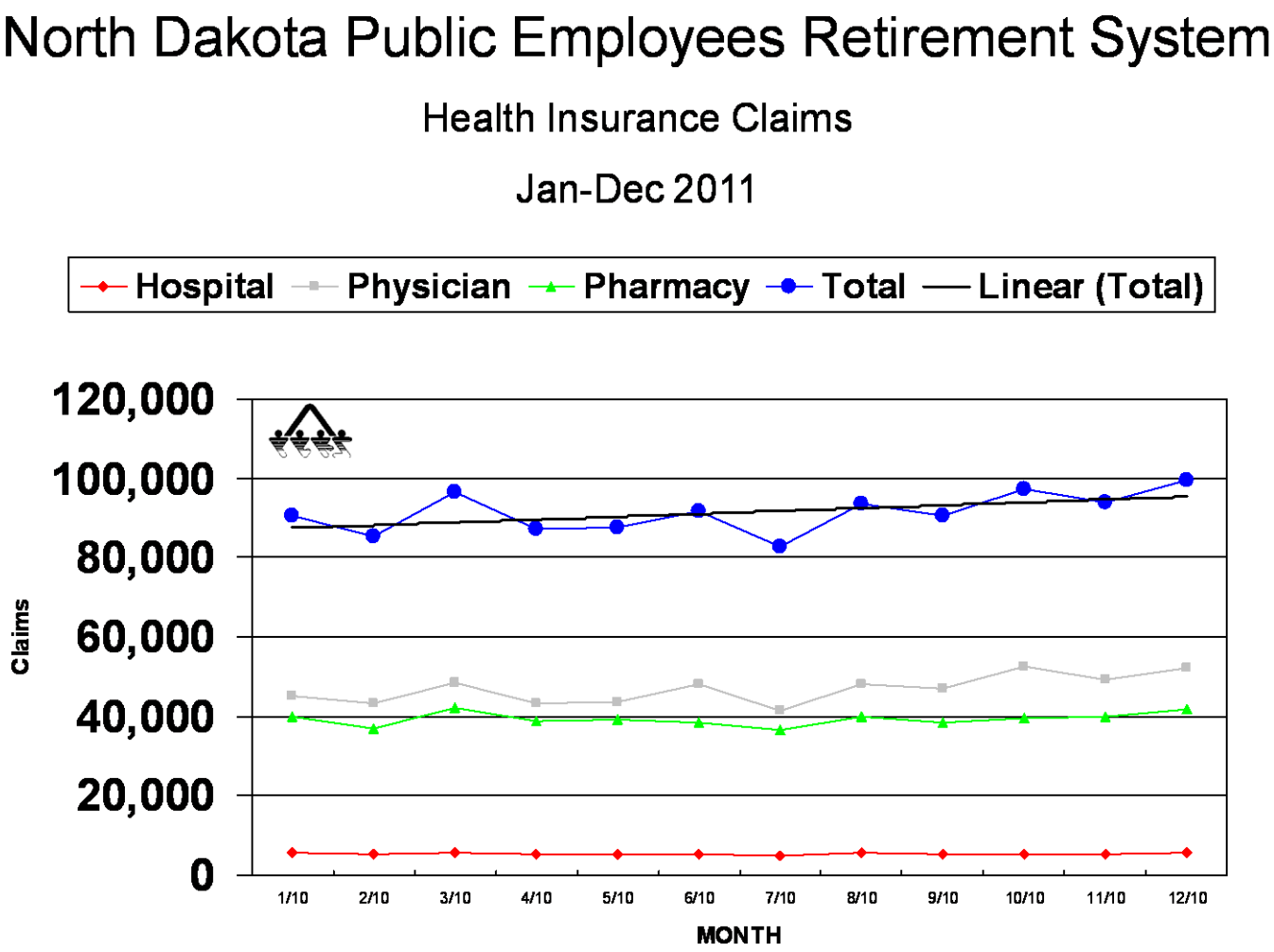
SUMMARY

Diagnostic x-ray and lab services make up 30% of the professional services for 1/2011 - 12/2011 (29% in 2010, 32% in 2009, 31% in 2008 & 2007, 32% in 2006 & 2005, 33% in 2004, 32% in 2003 & 2002, 31% in 2001 & 2000). Employees made up 39% of the active membership, but were responsible for 44 - 52 percent of the claims / services in 2011. This is similar to the 2007-2010 percentages.

The following graph shows that the number of active claims per month increased slightly throughout 2011.

The second graph shows that per capita charges increased 9.0% and per capita costs increased about 8.6% from 2010 to 2011. The average charge per active member per month was $124 in 1994, $134 in 1995, $143 in 1996, $155 in 1997, $171 in 1998, $189 in 1999, $207 in 2000, $224 in 2001, $256 in 2002, $300 in 2003, $318 in 2004, $363 in 2005, $396 in 2006, $437 in 2007, $484 in 2008, $503 in 2009, $531 in 2010, and $579 in 2011. The average amount paid by the NDPERS health plan per capita was $84 in 1994, $92 in 1995, $96 in 1996, $100 in 1997, $110 in 1998, $114 in 1999, $117 in 2000, $122 in 2001, $134 in 2002, $153 in 2003, $163 in 2004, $185 in 2005, $206 in 2006, $226 in 2007, $249 in 2008, $253 in 2009, $267 in 2010, and $290 in 2011.

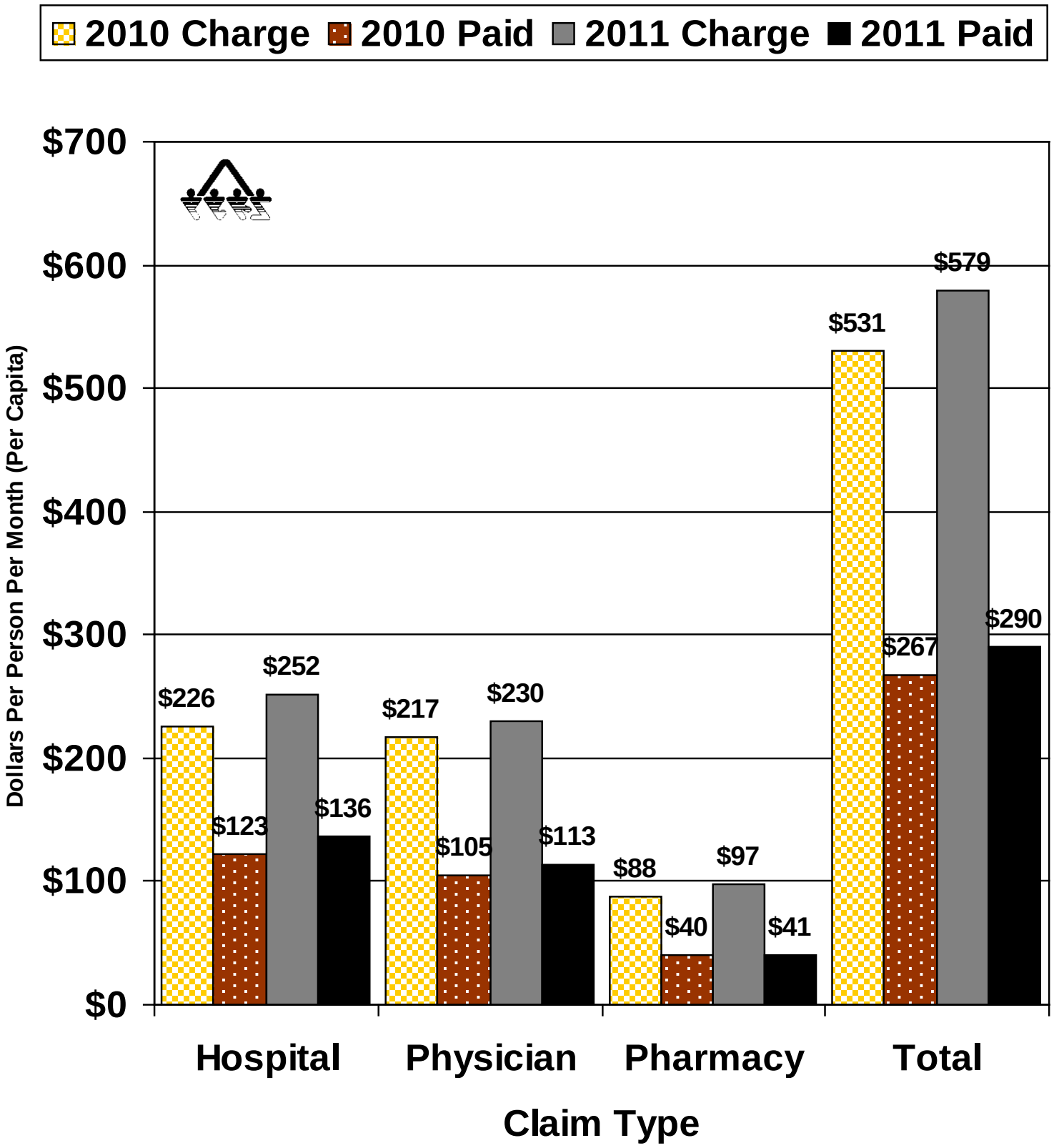
The last page shows that 2010-2011 overall per capita costs increased for the NDPERS health plan.



NDPERS Health Plan

Active Contracts

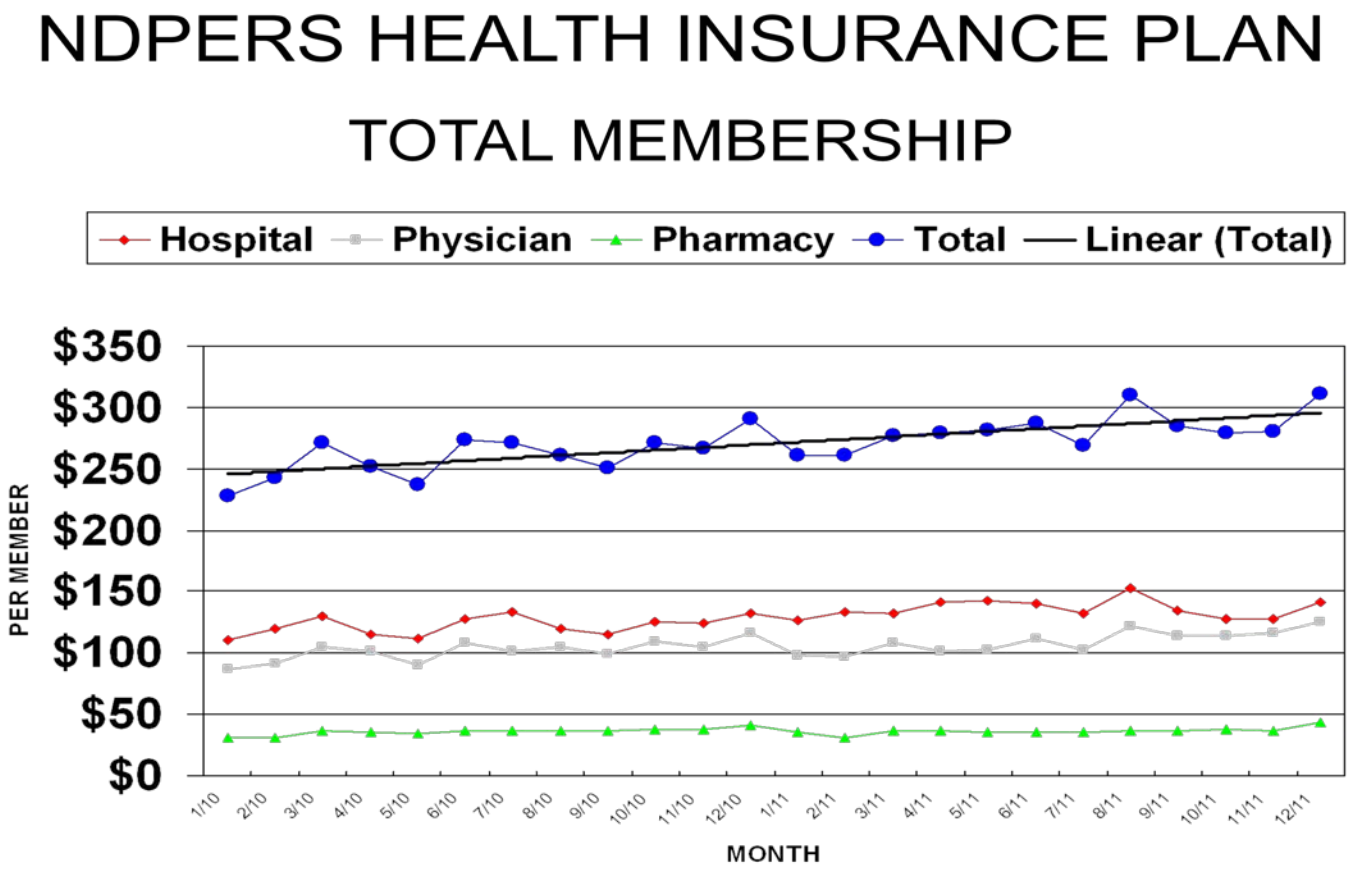
2010-2011



TOTAL NDPERS HEALTH PLAN

The graph below is for the total NDPERS health plan. It shows the average amount the NDPERS health plan paid per member per month (per capita). The graph depicts the latest two years of NDPERS data.

The active employees are at the $400 per capita level. Their dependents cost the plan around $275 per person per month. The retired membership's per capita costs are around $200 per member. As the graph below shows, overall, the NDPERS health plan is around $300 per person per month in medical claims. This is about 9% higher than the 2010 report when costs were $275. Costs were $250 in the 2009 report, $245 in the 2008 report, $225 in the 2007 report, $205 in the 2006 report, $200 in the 2005 report, $175 in the 2004 report, $160 in the 2003 report and $140 in the 2002 report. In addition to this, the NDPERS health plan currently pays $39.82 per month per active contract in administration costs.



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Memorandum

TO: PERS Board

FROM: Sparb

DATE: August 14, 2012

SUBJECT: BCI Law Enforcement Plan/Law Enforcement Plan

Attached is a memo from July 2011 regarding the contribution increases for the law enforcement plan. Please note the law enforcement plan with past service presently has membership from political subdivisions and the state Bureau of Criminal Investigation (BCI) with the Attorney Generals Office. We noted in the attached memo that the rate increase for the political subdivision employers/members was ½% of payroll each in January of 2013 and 2014, whereas the BCI employer/member contribution increase was the same as other state employees which was 1% of payroll each in January of 2013 and 2014. At that time I recommended, and the Board agreed, to separate the law enforcement plan with past service into two plans (one for political sub members and one for BCI). That would have separate actuarial reports starting this year due to the differing contributions.

Attached is a memo from Segal discussing two options for dividing the assets of the existing law enforcement plan to implement the above action and their implications. Staff would recommend option #2.

A third option is for us not to move forward with this segregation of assets and maintain the single plan. We could address the difference in contributions in our proposed legislation.

<u>Board Action Requested:</u>

Select how to proceed with the Law Enforcement plan.

SEGAL

5670 Greenwood Plaza Boulevard Suite 425 Greenwood Village, CO 80111-2499
T 303.714.9900 F 303.714.9990 www.segalco.com

August 14, 2012

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

Re: **Bureau of Criminal Investigation Cost Group**

Dear Sparb,

North Dakota SB 2108 scheduled increases in contributions to the North Dakota PERS plan on behalf of employees for participating employers. The increases are based upon employment group and are scheduled in equal amounts for January 1, 2012 and January 1, 2013.

Before the January 1, 2012 increases took effect, the statutory member contribution for Law Enforcement with Prior Service members was 4.00% of payroll. The scheduled increases are 1.00% of payroll annually for members employed by the Bureau of Criminal Investigation (BCI) but only 0.50% of payroll annually for all other members of this group. No increases in employer contribution rate are scheduled for either group of employees.

Because these contribution increases will result in different statutory contribution rates for BCI employees and current Law Enforcement with prior Main service employees, it is recommended that a new actuarial cost group be established to represent BCI employees. This group would first appear in the July 1, 2012 actuarial valuation. In order to establish this group, an initial asset allocation will be made based upon the BCI liability as of the date of the allocation.

Using the July 1, 2011 valuation results for the 39 active BCI participants, the actuarial accrued liability (AAL) for this group is $5,102,239. This amount would then be adjusted to the date of the allocation (January 1, 2012). Past administrative practice for the adjustment of liabilities has been to use the valuation rate of return, or 8% per year. Using this rate to roll forward the liability would result in an AAL of $5,426,075 as of January 1, 2012.

In establishing new valuation groups in the past, asset allocations have been made for the full amount of the AAL. However, these allocations were made in years when the funded percentage was much closer to 100%. Since the funded ratio of the Law Enforcement plan is lower (66.7%

as of July 1, 2011), a transfer of the full liability would result in a lower funded percentage for the remaining group. This would result in an actuarial cost rate increase for the remaining Law Enforcement with Prior Service members, even though these employees are not part of the BCI group.

Given this result, we recommend that the Board consider two options for the initial allocation of the BCI group.

1. Allocate an asset amount equal to the full BCI AAL of $5,426,075 as of January 1, 2012. This methodology would be consistent with past practice, but would result in an actuarial cost increase for the remaining Law Enforcement group members. This increase would be approximately 1.7% of payroll as of January 1, 2012.

2. Allocate an asset amount equal to the funded portion of the BCI AAL. Based upon the July 1, 2011 Law Enforcement actuarial value funded percentage of 66.7%, the transfer amount would be $3,619,192 as of January 1, 2012. While not completely consistent with past practice, this would not result in an actuarial cost increase for the remaining Law Enforcement group members.

In order that the allocation be made in time to perform the July 1, 2012 valuations, we recommend that the Board decide on one of these options as soon as possible.

Sincerely,

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

cc: Tammy Dixon
Melanie Walker

/cz

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Memorandum

TO: PERS Board

FROM: Sparb

DATE: August 14, 2012

SUBJECT: National Guard Retirement Plan

Recently we met with representatives of the National Guard Retirement Plan. We reviewed the following information with them:

Valuation Results – National Guard

	July 1, 2011		July 1, 2010	
Actuarial accrued liability	$2,371,933		$2,277,471	
Actuarial value of assets	2,173,633		2,090,625	
Unfunded actuarial accrued liability	198,300		186,846	
Recommended Contribution				
	2011 - 2012		**2010 - 2011**	
	Amount	**% of Payroll**	**Amount**	**% of Payroll**
Normal cost net of contributions	$76,822	5.80%	$72,099	5.72%
Expenses	3,000	0.23%	3,000	0.24%
20-Year UAAL payment/(credit)	13,839	1.05%	13,040	1.04%
Actuarial recommended contribution	$93,661	7.08%	$88,139	7.00%
Projected payroll	$1,323,562		$1,259,707	
Approved contribution rate		6.50%		6.50%
Contribution margin/(deficit)		(0.58%)		(0.50%)

9

I had also asked Segal to update the above information from our last actuarial report with an estimate of where would be in the next report for the year ending June 30, 2012. They indicated:

In response to your question, our projected estimated UAL for the National Guard Plan is approximately $240,000 as of July 1, 2012. We derived these numbers by rolling forward the July 1, 2011 liabilities (using valuation assumptions) and a 0% rate of return on assets for FYE June 30, 2012.

I also asked what contribution increase would be needed to be to pay this off over the following periods:

The contribution rates necessary to amortize this amount over the following periods (beginning July 1, 2012) are:

30 Years: 1.0% of payroll
20 Years: 1.2% of payroll
15 Years: 1.5% of payroll
5 Years: 3.8% of payroll

In discussing this with the Guard, they agreed that it would be appropriate to address this with an increase in contributions for their system which would be the same as the Law Enforcement plans (they also talked with their employees about this as well). Specifically, that increase would be:

2014 – a .5% increase in the employee contribution and a .5% increase in the employer contribution.

2015 – a .5% increase in the employee contribution and a .5% increase in the employer contribution.

To implement the above, we will need to amend our retirement bill to provide for the employer increases in 2014 and 2015. The Board has the authority the increase the employee contribution, so you would need to take that action in the summer of 2014 and 2015.

Staff is seeking your approval of the above action plan for contributions to the National Guard Retirement Plan.

Board Action Requested

To approve the above action plan for the National Guard Retirement Plan

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Memorandum

TO: PERS Board

FROM: Sparb

DATE: August 14, 2012

SUBJECT: TIAA/CREF Update

This memo is to provide you an update on several items with the PERS Companion (TIAA/CREF) and the Defined Contribution plan.

First, the administrative fees and the revenue sharing. As you may recall TIAA-CREF offered us in their best and final offer a revenue sharing feature. Specifically, they expect to get about 30 basis points (bp) for recordkeeping from the participating mutual funds. They needed 24 bp for their expenses. The difference they will be returning to PERS. Back in March you reviewed this issue and took the following action for the Companion Plan:

> **MR. SANDAL MOVED TO AUTHORIZE STAFF TO CREDIT MEMBER ACCOUNTS WITH THE FUNDS FROM TIAA-CREF AND ALSO MOVE FORWARD WITH LEGISLATION THAT WOULD ALLOW PERS TO USE THOSE DOLLARS FOR ADMINISTRATIVE PURPOSES. THE MOTION WAS SECONDED BY MS. SMITH.**

And, the following action was taken for the defined contribution plan:

> **MR. TRENBEATH MOVED TO DEPOSIT THE 7 BASIS POINTS INTO THE MEMBER ACCOUNTS AND CONTINUE TO CHARGE THE ADMINISTRATIVE FEES IN THE SAME MANNER AS HAS BEEN DONE IN THE PAST. THE MOTION WAS SECONDED BY MR. ERDMANN.**

Based upon the above actions, we have been working with TIAA/CREF to implement them. However, this has been a lengthy process and we are only now getting to the point that we will be able to implement it for the member accounts. This will occur this fall where members will receive the revenue sharing deposit on their statements. For the defined

contribution plan members, TIAA-CREF has not been able to charge them the administrative expense as yet and they plan to do this in the fall as well.

Second, is the transfer of the last of the funds from Fidelity to TIAA/CREF which occurred this last June. While everyone was provided notice on their statement that this occurred, we did have one member indicate that we should have considered a better notification process. Consequently, we did have TIAA/CREF send out a letter explaining this transfer to all affected participants. We also had them directly phone all members with account balances of more than $10,000 to explain the transfer and answer any questions.

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Memorandum

TO: PERS Board

FROM: Sparb

DATE: August 14, 2012

SUBJECT: Hartford Update

Attached is the letter Jan sent to Hartford based on the direction from the Board at the last meeting.

STATE OF NORTH DAKOTA
OFFICE OF ATTORNEY GENERAL
STATE CAPITOL
600 E BOULEVARD AVE DEPT 125
BISMARCK, ND 58505-0040
(701) 328-2210 FAX (701) 328-2226
www.ag.nd.gov

Wayne Stenehjem
ATTORNEY GENERAL

August 13, 2012

VIA CERTIFIED MAIL

Ms. Kirsten Steiert
Senior Retirement Consultant
Hartford Life Insurance Company
PO Box 1583
Hartford, CT 06144-1583

Dear Ms. Steiert:

Thank you for your letter of June 28, 2012, responding to the May 23, 2012, inquiry of NDPERS. I am the Assistant Attorney General assigned to provide general counsel services to the NDPERS Board and am writing on behalf of that Board in response to your letter of June 28, 2012. The NDPERS Board appreciates Hartford's assurance that nothing has changed between the parties as a result of Hartford's announcement that it intends to sell its retirement business. Hartford's insistence that it will not determine whether the sale terminates the Provider Agreement until the actual time of sale, however, raises a concern about whether Hartford intends to fulfill its obligations under the Provider Agreement.

You indicate that it is the position of Hartford that the impact of the sale on the agreement can "*only be determined at the time of sale*"; you further state that while the agreement will continue without change *"up to the time of the closing of any sale… the nature and terms of the sale will determine whether the Provider Agreement will continue…"* It is the position of the NDPERS Board that delaying this discussion until after the sale may lead to a result contrary to both the governing law and terms of the Provider Agreement.

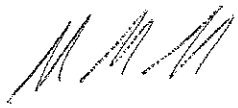
As acknowledged by your letter, the parties entered into a Provider Administrative Agreement dated January 1, 1999. This agreement is governed by the laws of the State of North Dakota and contains a termination clause. The termination clause indicates the agreement may be terminated upon sixty day written notice; that upon termination the Provider agrees to transfer all participant accounts to another provider upon request of the Retirement Board; and that if the termination is by the Retirement Board for-cause, or by the Provider, the Provider will make the transfer free from all transfer charges and penalties whatsoever, regardless of any provision to the contrary in the investment contract. The sixty-day notice provided for in the agreement allows for the potential transfer of participant accounts to another *provider*, prior to the termination of the agreement, potentially free from charges, while the terminating provider retains control of the accounts.

North Dakota Century Code § 54-52.2-03.2 requires all providers be authorized to do business in North Dakota and all agents of providers to be licensed by the appropriate licensing authorities in North Dakota. North Dakota Administrative Code (N.D.A.C.) § 71-04-01-01(8) defines a provider as "any insurance company, federally insured financial institutions, Bank of North Dakota, or registered dealer under North Dakota Century Code chapter 10-04 *authorized by the retirement board to provide investment vehicles to employees.*" In addition, N.D.A.C. §§ 71-04-06-01 and 71-04-06-02 require firms desiring to offer investment services for the deferred compensation plan to first notify the board in writing of the firms' willingness to become a provider and enter into the board's administrative agreement. These sections allow the Board to determine if a potential provider is qualified and enter into an agreement with that entity prior to the provider gaining control of participant accounts; further under the terms of the provider agreement participant accounts should always remain in control of an authorized provider.

If upon the sale of Hartford's retirement business and without discussion and consent from the NDPERS Board, Hartford is no longer the provider of NDPERS participant accounts, Hartford will have terminated the provider agreement and transferred the participant accounts to an unauthorized provider contrary to the terms and governing law of the Provider Agreement.

In order for the NDPERS Board to evaluate how Hartford's sale may impact the Provider Agreement between the parties and ensure that participant accounts remain in the control of an authorized provider, the Board requests that Hartford: inform the NDPERS Board whether Hartford intends to provide the Board with a sixty-day notice of the sale; immediately begin discussions with the NDPERS Board regarding how such a sale *could* impact the Provider Agreement between the parties; and in the event the sale results in termination of the Provider Agreement by Hartford, confirm that Hartford will transfer participant accounts free from charges to an authorized provider at the direction of the Board within 60 days prior to the sale. Please have a response to these requests sent to my attention by August 27, 2012. Thank you for your attention to this matter.

Sincerely,



Janilyn K. Murtha
Assistant Attorney General

vkk
cc: Sparb Collins

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Memorandum

TO: PERS Board

FROM: Deb Knudsen

DATE: August 15, 2012

SUBJECT: 457 Provider Training

Nineteen sessions have been provided for our existing 457 Provider representatives to attend for training purposes this year. The enclosed invitation was sent using PERSLink and an electronic registration is being utilized to facilitate registration on our website. Staff will be traveling to several different cities to conduct live sessions and has also offered telephone sessions and a web version of the training. Mr. Rob Rickey from TIAA CREF will be assisting us in explaining the Registered Investment Advisor (RIA) option to provider representatives. A copy of the presentation he has provided is also included for your information.

After meetings have concluded, we will gather any feedback we receive and provide it to the Board for your consideration at the October meeting. Please let me know if you have any questions or concerns.

NDPERS Deferred Compensation Provider Agent Training
Registration 2012

Available Training Sessions

Select One Session From the List Below

- **09/04/2012 - 1700 3rd Ave W - Dickinson - 10:00 AM-12:00 PM Mountain)**
- **09/05/2012 - StateCapitol - Pioneer Room - Bismarck - 9:30-11:30 AM**
- **09/05/2012 - State Capitol - Pioneer Room - Bismarck - 1:30-3:30 PM**
- **09/06/2012 - 3416 N Broadway (Job Service) - Minot - 10:00 AM - 2:00 PM**
- **09/11/2012 - 520 3rd Street NW - Jamestown - 10:00 AM-12:00 PM**
- **09/13/2012 - 1350 32nd Street (Job Service) - Fargo - 8:30-10:30 AM**
- **09/13/2012 - 1350 32nd Street (Job Service) - Fargo - 2:30-4:30 PM**
- **09/14/2012 - 1501 28th Ave. South (Job Service) - Grand Forks - 9:00-11:00 AM**
- **09/14/2012 - 230 Viking Dr. SW (VCSU) - Valley City - 2:30-4:30 PM**
- **09/18/2012 - State Capitol - Pioneer Room - Bismarck - 9:30-11:30 AM**
- **09/18/2012 - State Capitol - Pioneer Room - Bismarck - 1:30-3:30 PM**
- **09/19/2012 - Online Session (GoToMeeting) - Bismarck - 9:30-11:30 AM**
- **09/19/2012 - Online Session (GoToMeeting) - Bismarck - 2:00-4:00 PM**
- **09/20/2012 - Online Session (GoToMeeting) - Bismarck - 9:30-11:30 AM**
- **09/20/2012 - Online Session (GoToMeeting) - Bismarck - 2:00-4:00 PM**
- **09/25/2012 - Online Session (GoToMeeting) - Bismarck - 9:30-11:30 AM**
- **09/25/2012 - Online Session (GoToMeeting) - Bismarck - 2:00-4:00 PM**
- **09/26/2012 - Online Session (GoToMeeting) - Bismarck - 9:30-11:30 AM**
- **09/26/2012 - Online Session (GoToMeeting) - Bismarck - 2:00-4:00 PM**

North Dakota
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August 01, 2012

UBS FINANCIAL SERVICES
2617 S COLUMBIA RD STE 2
GRAND FORKS ND 58201-6065

RE: MANDATORY TRAINING

Dear

NDPERS is again offering Deferred Compensation Provider Training.

The Provider Administrative Agreement has a contractual requirement that you attend a NDPERS training session or one approved by the NDPERS Board within one year of beginning services and once every two years thereafter, in order to retain your eligibility to provide services under the program. Our records indicate that it will be necessary for you to attend one of the upcoming sessions to fulfill your company's contractual requirements.

In addition to satisfying the contractual requirement, it is beneficial for you to attend a training session for several more reasons. First, there have been some contribution changes to the various state retirement systems as well as some administrative changes pertinent to daily 457 plan operations that will be effective very soon. Secondly, the NDPERS Board is considering an opportunity to allow Retirement Investment Advisors to work within the Companion Plan and is looking for feedback from the 457 provider community on this possibility.

There is a schedule of upcoming training sessions on the NDPERS website. Please click on http://www.nd.gov/ndpers to register electronically for the training session you wish to attend.

Please register electronically no later than 5:00 p.m. on August 24, 2012. As you will notice, there are several sessions that will be presented around the state as well as several sessions that are being provided by telephone with an accompanying internet presentation. A minimum of 5 registrants is required for each session. If a particular session does not have at least 5 registrants by the above stated deadline, it will be cancelled and you will be notified of an alternate meeting. These sessions have been submitted to the Insurance Commissioner's office for consideration in awarding Continuing Education Credits. More information will be provided when it becomes available. In addition, a web version of the live events will be offered. However, continuing education credits will not be provided for the web version of the training.

If you do not attend a session this calendar year, you will be out of compliance with your company's contractual requirements which will suspend your ability to service your current accounts.

We look forward to seeing you there.

TIAA CREF

Financial Services

NDPERS COMPANION PLAN AND TIAA-CREF:

INDEPENDENT ADVISOR OPTION

Draft v2

NDPERS COMPANION PLAN AND TIAA-CREF
Plan Summary

- A Comprehensive Core Menu of Mutual Funds

- Self-directed Brokerage Services

NDPERS COMPANION PLAN Line-up

List of NDPERS Companion Plan Core funds will be inserted here

NDPERS COMPANION PLAN AND TIAA-CREF
Expanding Access to Local Advisors

- Participants can work with any local advisor that meets the following requirements:
  - Advisor must be affiliated with an SEC or State Registered Investment Advisor
  - Advisor must be in good standing with Federal and State regulatory agencies
  - RIA and Advisor must be operational on the TIAA-CREF platform
- NDPERs will allow Advisors to deduct their investment advisory fee directly from participant retirement accumulations
- NDPERS sets maximum annual fee paid to Advisors from participant accumulations
- Advisor fees are paid with pre-taxed dollars and do not generate tax reporting

NDPERS COMPANION PLAN and TIAA-CREF
What are the Benefits?

Adding the Independent Advisor option within the NDPERS Companion Plan provides a new level of flexibility and benefits all stakeholders.

INSTITUTIONAL BENEFITS

- Expands access to advice services to all employees.
- Ensures participants are working with fiduciaries who are providing advice.
- Does not require ongoing administrative role for plan sponsor
- No additional cost incurred by plan by adding access to local advisors
- Supports existing relationships participants already have with local advisors.
- Only those participants that work with an advisor pay for the service

PARTICIPANT BENEFITS

- Provides access to local community based independent advice providers.
- Greater control and flexibility in choosing an advisor.
- One Advisor to manage all your financial assets
- Advisors are required to be acting as fiduciaries working in the best interest of the participant.
- Fees are paid with pre-taxed dollars reducing overall cost of advice.
- Only those participants that work with an advisor pay for the service

ADVISOR BENEFITS

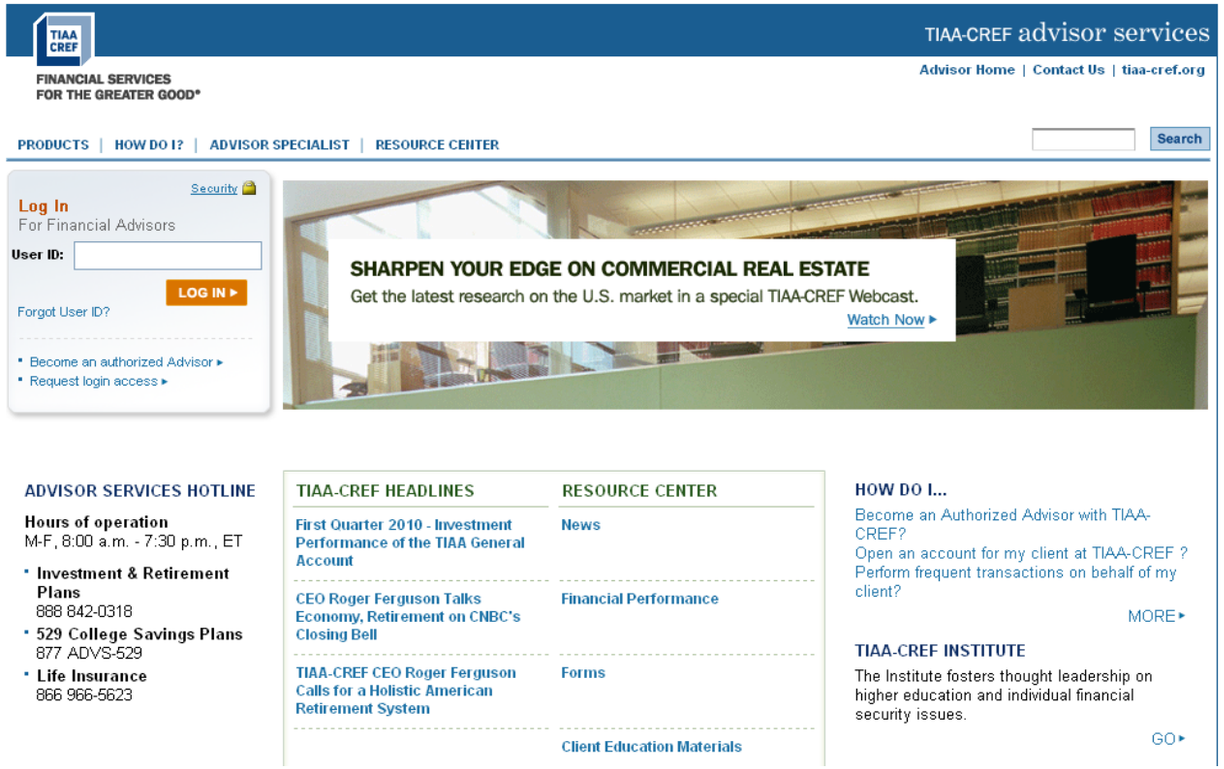
- Access to a retirement plan platform focused on fee-based fiduciary advice model.
- Choice and flexibility in how advisors conduct business with plan participants.
- Supports advisors who may want to transition to a fee-based model.
- Ability t o integrate participant retirement accumulations with other financial assets.
- Compensation paid directly out of participant retirement accumulations.
- Dedicated team with a leading retirement plan provider to support your business
- No cost to advisors to work on the TIAA-CREF platform

An optional program offered for NDPERS Companion Plan Participants through the TIAA-CREF platform.

NDPERS COMPANION PLAN AND TIAA-CREF
Secure Advisor Site for Managing Client Accounts

Authorized Advisors Can:

- Track their clients on a searchable client list
- Trade/Manage client portfolios
- See quarterly transaction history
- View beneficiary information
- Monitor Fund performance
- Process daily downloads
- Upload fees for processing
- Access commonly used advisor forms



- Access e-document facility to view quarterly statements, confirms and tax documents
- Run income illustrations, and use other tools and calculators
- Access industry research, publications, and news.
- Review critical message from Advisor Services in the Advisor Message Center.

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Thank You!

Q&A

TIAA-CREF Individual & Institutional Services, LLC and Teachers Personal Investors Services, Inc., members FINRA, distribute securities products. Annuity contracts and certificates are issued by Teachers Insurance and Annuity Association (TIAA) and College Retirement Equities Fund (CREF), New York, NY.

TIAA-CREF products may be subject to market and other risk factors. See the applicable product literature, or visit **tiaa-cref.org** for details. Investment products are not FDIC insured, may lose value and are not bank guaranteed.

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Memorandum

TO: PERS Board

FROM: Sparb

DATE: August 16, 2012

SUBJECT: PERS Investment Committee Report

At the June Board meeting it was decided to put the Nuveen Tradewinds Value fund on Formal Fund Review pursuant to a recommendation from the PERS Investment Committee. We sent the attached letter to our members in that fund (31 members) informing them of the Board's decision.

The Investment Subcommittee met August 16th and again reviewed the Nuveen Tradewinds Value fund and is recommending that we close the fund for the following reasons:

1. The funds performance continues to lag the benchmarks
2. The change in management of the fund
3. The fund has lost 2/3 of its assets since the beginning of the year.

As a result of the above, the Investment Subcommittee is recommending closing the fund.

Board Action Requested

To close the Nuveen Tradewinds Value Fund.

If the Board approves closing the fund, the Investment Subcommittee is reviewing several possible replacements funds. The Committee is continuing its work on these funds and will present its recommendation at the PERS Board Meeting.

NDPERS 401(a) Defined Contribution and 457 Companion Plan participants:

Due to a change in management and poor performance, the NDPERS Board has placed the Nuveen Tradewinds Value fund (Ticker Symbol: NVORX) on **Formal Fund Review**.

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

1. Remove the fund from the "formal fund review"
2. To close the fund to all new contributions
3. To remove the fund from the PERS investments options, select a new fund and move existing funds to the new fund.

PERS will post to its website any future actions relating to this fund.

The Nuveen Tradewinds Value fund is a Large Cap Blend fund. The NDPERS core investment lineup currently also has the Vanguard 500 Index Signal (Ticker Symbol: VIFSX) as a Large Cap Blend investment option.

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Memorandum

TO: NDPERS Board

FROM: Sharon Schiermeister

DATE: August 16, 2012

SUBJECT: PERSLink Member Self Service Implementation

At the May 17, 2012 Board meeting, the following implementation plan was adopted for PERSLink Member Self Service (MSS) for active members.

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

At that time, we were anticipating that our redesign would be complete and ready to implement starting in June. We found that we needed additional time to complete the redesign and testing of MSS, therefore, we were not ready to start our implementation for active members in June. MSS for retirees was implemented in January 2012.

Here is an update on our implementation plan for active members.

1. The redesign and testing of MSS will be completed this month. We are scheduled to implement the enhanced version of MSS for active members during the last week of August to employees of nine employers who have volunteered to be part of our “pilot” deployment. These employers are Stutsman County, Burleigh County, City of Fargo, Youth Correctional Center, ITD, OMB, NDSU, DOT and NDPERS. This group represents approximately

5200 active members. Due to the timing of our pilot, we were unable to recruit a school district employer to participate.

2. We will be providing training to these employers on August 22 and 23. They will also be asked to participate in weekly conference calls to provide feedback on what is working, what is not working and what changes may need to be made. The pilot will be for a 2 month period.
3. Both new employees and existing employees of the pilot employers will be required to use MSS to complete their benefit enrollments.
4. All employees of the pilot employers will be required to use MSS for making benefit elections during annual enrollment for 2013. Because we will still be running our pilot at that time, the ability to use MSS for annual enrollment for 2013 will be limited to only employees of the pilot employers, not all employees as originally planned.
5. If the pilot deployment is successful, we plan to make the enhanced version of MSS available to all employers by the end of this year following the implementation plan that was presented in May.

If you have questions or need additional information on Member Self Service, please feel free to contact me as I will not be attending the Board meeting.

MEMORANDUM

TO: NDPERS Board

FROM: Jim Smrcka

DATE: August 14, 2012

SUBJECT: **Consultant Fees**

Attached is a report showing the consulting, investment and administrative fees paid during the quarter ended June 30, 2012.

Attachment

North Dakota Public Employees Retirement System
Consulting/Investment/Administrative Fees
For the Quarter ended June 30, 2012

	Program/Project	Fee Type	Apr-12	May-12	Jun-12	Fees Paid During The Quarter	Fees Paid Year-To-Date
Actuary/Consulting Fees:							
Sagitec Solutions LLC	PERSLINK Project			21,629		21,629	21,629
CALLAN ASSOCIATES						-	1,018
Gabriel Roeder Smith & Company						-	750
Mid Dakota Clinic	Retirement Disability	Time charges	250	1,500	300	2,050	2,800
The Segal Company	Retirement (DB)	Fixed Fee	16,400			16,400	32,800
The Segal Company	Ret Health Credit	Fixed Fee	3,025			3,025	6,050
The Segal Company	FlexComp	Fixed Fee			1,890	1,890	3,960
The Segal Company	Job Service	Fixed Fee	4,400			4,400	8,800
The Segal Company	QDRO/Compliance	Time charges	7,380		6,035	13,415	20,079
The Segal Company	Legislation	Time charges	8,528			8,528	40,719
The Segal Company	Retirement (DC)	Time charges			2,880	2,880	2,880
The Segal Company	Health plan	Time charges				-	360
The Segal Company	Deferred Compensation	Time charges				-	3,335
			$ 39,983	$ 23,129	$ 11,105	$ 74,217	$ 145,180
Audit Fees:							
Brady Martz	Annual audit	Fixed Fee				$ -	$ 2,968
Legal Fees:							
ND Attorney General	Administrative	Time charges	3,919	1,375	1,671	6,965	$ 6,965
Investment Fees:							
SIB - Investment Fees	Retirement (DB)	% Allocation	257,537	438,787	696,094	1,392,418	2,871,905
SIB - Investment Fees	Ret Health Credit	% Allocation	630	641	837	2,108	70,219
SIB - Investment Fees	Insurance	% Allocation	130	71	73	274	603
SIB - Administrative Fees	Retirement (DB)	% Allocation	28,368	22,923	103,377	154,668	216,436
						$ 1,549,468	$ 3,159,163
Administrative Fee:							
Blue Cross Blue Shield	Health Plan	Fixed fee	1,051,740	1,050,863	1,051,540	3,154,143	$ 6,304,477

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Memorandum

TO: PERS Board

FROM: Sparb

DATE: August 14, 2012

SUBJECT: FlexComp Program

More detailed information was provided to the Board relating to the proposals submitted. This information is available upon request at the conclusion of the bid award process.

At our Board planning meeting in January we discussed the FlexComp Program. At that time I noted that the person who works in the claims processing area on our staff was leaving this year, and therefore, we may want to look at our method of providing services in this area. Staff was directed to review the various options for moving forward and report back to the Board.

The Board may need to go into Executive Session pursuant to North Dakota Century Code §44-04-19.1 (9) and §44-04-19.2, to discuss negotiating strategy relating to the flexcomp bid.

The three options we reviewed were:

1. Maintain the status quo for claims processing.
2. Collect information on outsourcing the FlexComp program claims processing and payment effort.
3. Have Sagitec prepare an estimate to add this to the PERSLink business system.

Information was presented at the May Board meeting on each option and for option #2 the following was noted:

> *Outsourcing the service would provide to the membership new technologies they do not presently have available. This method also offers the best method to update our services while minimizing our risk (development risk). This method also could be implemented without as much disruption to PERS staff. From a budget standpoint we may have sufficient authority to pay for this service for the first half of 2013 but we would need to get additional authority to pay for the service for the second half of 2013 or draw from contingency.*

The new technologies referred to above included on-line claims submittals, debit cards and the use of mobile applications. After discussion, the Board directed staff to move forward with an RFP to see what outside vendors could provide and to determine the cost for these services.

We also discussed two issues with implementing the program. The first was funding the program and the second was the appropriation authority for paying for the program.

Concerning the first issue of funding the program, we have now been able to determine the range in costs from the various proposals that have been submitted. We have also reviewed the flexcomp program income. With this information we need to determine how to proceed at this meeting. Specifically, we need to determine a funding plan for this program if we decide to retain an outside vendor for claims processing. We also need to review our plan for getting the necessary appropriation authority to pay the outside vendor.

Funding Plan

The flexcomp program income today is about $675,000 per year. Its direct expenses are $352,000. Its indirect expenses are $300,000. The indirect expenses are due to the decision by the Board to fund our costs relating to the deferred comp program primarily from the flex comp income ($300,000 of the $500,000 deferred comp costs). The deferred comp program has no direct income of its own and state statute provides for its expenses to be funded from the flexcomp program, the retirement fund or the health plan at the discretion of the Board. The Board elected in the past to have the deferred comp program expenses primarily funded from flexcomp program income.

Based upon the RFP submitted, the cost of hiring an outside vendor ranges from $2.90 per participant to $4.50 per participant per month. The annual cost for our existing number of participant is indicated below at each level:

3,100	2.90	3.00	3.50	3.75	4.00	4.50
Claims processing fee for 3,100 accounts	107,880.00	111,600.00	130,200.00	139,500.00	148,800.00	167,400.00

Given the above analysis, we would estimate the following would need to be done if we retained an outside vendor:

Income:	$621,000[1]
Direct Expenses:	$375,000[2]
Claims Processing Fee	$139,500[3]
Def Comp Transfer	$100,000[4]

1. We estimate income for the program will be declining due to the drop in the medical account maximum from $6,000 to $2,500 as required by the Affordable Health Care Act. However, this income will likely go up in the future as the Affordable Health Care Act indexes the maximum, and if we select an outside vendor that uses a debit card this feature could attract new participants.

2. This will likely go down since the position that does the claims processing will be redesigned and will work in other program areas, thus resulting in its cost being spread over more programs (maybe $40,000).
3. This cost could be slightly higher or lower depending on who we select. If we select the lowest cost vendor, this cost could be about $20,000 lower each year.
4. This amount would be the remaining amount that we could use to help fund the deferred Comp program.

As the above indicates we do have sufficient funds to pay for an outside vendor unless we are willing to reallocate some of our indirect costs to the health and/or retirement programs.

If the Board action is to move forward by reallocating some of our indirect costs, we can move to the following review of the proposals. If the Board action is not to do the above reallocation, then we will not have the funds for the outside claims processing and then we will do not have to consider the remainder of this memo and we will continue to process claims using the PeopleSoft system.

Staff Recommendation: Move forward with hiring an outside vendor and reallocate indirect costs at a future meeting.
Board Action Requested: To determine if PERS should move forward with hiring an outside vendor and agree to reallocating indirect costs (staff would bring forward a reallocation plan at a later Board meeting for approval).

Appropriation Authority

At the May meeting we also reviewed our budget appropriation authority limitations. Specifically, we noted that we do not have sufficient appropriation authority to pay for this program beyond June of 2013. To address the appropriation authority after June 2013 the Board took the following action:

MR. TRENBEATH MOVED APPROVAL TO SEEK A CONTINUING APPROPRIATION FOR OUTSOURCING OF THE FLEX COMP CLAIMS PROCESSING IN THE PERS ADMINISTRATIVE BILL. THE MOTION WAS SECONDED BY MS. SMITH.

Pursuant to this action, our proposed bill draft was amended and this is now in Section 7 of our administrative bill. If this is not passed, two actions would be required:

1. The Board will need to transfer from contingency appropriation authority for payments for the remaining of part of 2013.
2. After 2013 we would need to consider bringing this function back in house.

In addition we will need to pay the claims payment vendor from Jan – June of 2013, the remainder of this biennium. We will need approximately $70,000 in appropriation authority to make the vendor payments, depending on who we may hire plus appropriation authority for initiation fees of possible $5,000 for approximately $75,000 in required appropriation authority for this biennium. This appropriation authority would have to be in our operating expense line item. We are estimating at this point in time that we will have about $25,000 in

unobligated appropriation authority in this line for the remainder of this biennium. Therefore if we were to move forward with a vendor we would need to transfer up to $75,000 in appropriation authority from our contingency line item line item to our operating line in order to make the necessary payments. The board has the authority to make this transfer if it deems it necessary.

In recognition of the above, we need to determine if we continue to be comfortable moving forward with hiring an outside vendor based upon the need for the above actions and the plan for acquiring the necessary permanent appropriation authority. If so, we can consider reviewing the responses. If not, we would continue to process claims internally and not consider the proposals.

> Staff Recommendation: Move forward with hiring an outside vendor based upon the above plan and recognize that we may have to bring this function back in house for 2014 and beyond.
>
> Board Action Requested: To determine if PERS should move forward based upon the above plan.

Proposals

As approved at the June meeting we issued an RFP for Claims Processing Services for the FlexComp Plan. The schedule approved at that meeting was as follows:

Issue RFP:	Between June 28 and July 2
Vendor Questions:	July 16
PERS Answers:	July 20
RFP's due:	August 6

In response to the RFP, we received 11 proposals from:

- 24HourFlex (pages 1-4 of attached)
- Discovery Benefits (pages 5-8 of attached)
- Sheakley (pages 9- 12 of attached)
- P & A Group (pages 9- 12 of attached)
- WageWorks (pages 13–16 of attached)
- Crosby Benefits (pages 5-8 of attached)
- Benefit Concepts (pages 5-8 of attached)
- Eflex Group (pages 9- 12 of attached)
- ASIFlex (pages 1-4 of attached)
- ADP (pages 1-4 of attached)
- Payflex Systems (pages 13–16 of attached)

Four staff reviewed and rated the proposals. Attachment #1 is a spreadsheet with each review area and staff observations (noted above are the pages for each firm's reviews).

The following are the rating results:

			24Hour Flex	ADP	ASI Flex	Benefit Concept	Crosby	Discovery	eflex	Sheakley	P&A Group	PayFlex	WageWorks
		Points											
General Background		**10**	7.8	8.4	8.4	8.3	7.6	8.5	8.3	7.4	8.8	9.5	9.5
Scope of Work													
	Enrollment & Admin	**7**	6.0	6.5	6.3	5.0	5.8	5.0	4.8	4.8	6.3	6.3	6.8
	Claims Processing	**20**	17.3	19.0	18.0	15.8	13.8	15.8	17.0	15.3	17.3	18.0	17.5
	File Transfer	**1**	1.0	1.0	0.9	1.0	0.9	0.8	1.0	0.9	1.0	1.0	1.0
	End of Year Processing	**2**	2.0	2.0	1.5	2.0	2.0	1.5	1.8	1.8	2.0	2.0	2.0
	Reports	**3**	2.8	2.8	3.0	2.5	2.8	2.3	3.0	2.5	3.0	3.0	3.0
	Sequence	**2**	2.0	1.8	1.8	1.8	1.3	1.8	1.3	1.3	1.8	1.8	1.8
Firm		**7**	5.0	5.3	7.0	5.3	5.0	5.3	5.0	5.8	6.8	5.0	7.0
Staff		**8**	6.3	6.8	4.5	6.0	4.0	4.0	6.8	6.3	7.3	4.3	7.3
	Subtotal		**50.0**	**53.4**	**51.3**	**47.5**	**43.0**	**44.8**	**48.8**	**45.8**	**54.0**	**50.8**	**55.8**
Cost		**40**	28.6	40.0	33.6	32.7	35.7	29.7	33.0	25.8	30.9	32.9	33.1
Total		**100**	**78.64**	**93.38**	**84.87**	**80.18**	**78.69**	**74.49**	**81.75**	**71.53**	**84.93**	**83.61**	**88.89**
RANK			**9**	**1**	**4**	**7**	**8**	**10**	**6**	**11**	**3**	**5**	**2**

As you will note, ADP ranked #1, Wage Works #2, P&A Group #3 and ASI #4.

Staff would recommend interviewing 4 firms since this is the first time we have done this type of bid. Having the opportunity to view a good cross section of firms will provide us a good perspective on the industry and its capabilites. These interviews would take place at our special Board meeting on September 19. Each firm would be given 30 minutes – twenty minutes for a presentation, followed by 10 minutes for questions. Before the Board interviews, staff would contact the vendors to discuss its questions.

Board Action Requested

To determine which firms to interview, and approve the interview methodology.