

NDPERS BOARD MEETING

Agenda

Bismarck Location:

WSI

1600 East Century Avenue

Fargo Location:

WSI

4165 30th Ave South, Suite 104

August 25, 2016

Time: 8:30 AM

I. MINUTES

- A. July 21, 2016

II. PRESENTATION

- A. National Diabetes Prevention Program – ND Dept. of Health (Information)

III. GROUP INSURANCE

- A. Health Plan Renewal (Information) – Sanford
- B. Part D Renewal – Sparb (Board Action)
- C. BCBS Affordable Care Act Fees – Sparb (Information)
- D. BCBS Data Agreement – Sparb (Board Action)
- E. Wellness Benefit Taxability – Rebecca (Information)

IV. RETIREMENT

- A. Actuarial Transfer Update – Sharon (Information)
- B. Retirement Legislation – Sparb (Board Action)
- C. 457 Companion Plan and 401(a) Defined Contribution Plan RFP – Sparb/Bryan (Board Action) *Executive Session
- D. HP Indexing – Kathy (Board Action)

V. MISCELLANEOUS

- A. Board Meeting Agendas – Sparb (Board Action)
- B. Companion Plan Program Survey Results – Bryan (Information)
- C. FlexComp Survey Follow-up – Bryan (Information)

*Executive Session pursuant to NDCC §44-04-19.1(9) and §44-04-19.2 to discuss negotiating strategy or provide negotiating instructions to its attorney or other negotiator.

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
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Memorandum

TO: PERS Board

FROM: Sparb

DATE: August 25, 2016

SUBJECT: National Diabetes Prevention Program (NDPP)

Jane Myers from the North Dakota Department of Health will be at the NDPERS Board meeting to talk about the National Diabetes Prevention Program (NDPP).

NDPP is a CDC recognized year long lifestyle change program. It has 16 weekly sessions for the first six months and a monthly session for the last six months.

The NDPP is slightly different than our About the Patient diabetes management program which is run through local pharmacists. About the Patient members are entitled to one comprehensive medication review and two targeted interventions per year for a two year period. Participants have their copays waived on their diabetic medications.

National Diabetes Prevention Program (NDPP)

Getting Ahead of Type 2

North Dakota Public Employee Retirement System

Terminology

- ▶ Type 2 Diabetes - high blood glucose resulting from a deficiency of or a resistance to insulin that develops gradually. A sedentary lifestyle, obesity and genetics contribute to its development. Comprises about 90% of all diabetes.
- ▶ Prediabetes - blood glucose levels are higher than normal but not high enough to be diagnosed as type 2.
- ▶ Gestational Diabetes - occurs in some women (9.2% of women) at approximately the 24th week of pregnancy. Increased mobilization of glucose and decreased insulin sensitivity result in elevated blood glucose. Once pregnancy is complete, glucose returns to normal for most, but the women remain at increased risk for type 2.

Today's Discussion

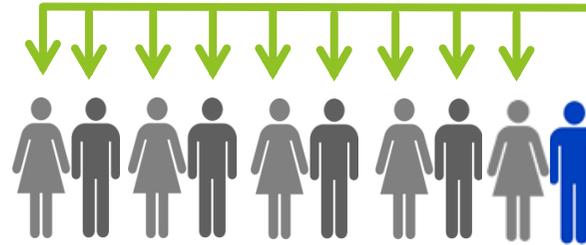
- ▶ **Diabetes and Prediabetes in North Dakota**
- ▶ **Economic Impact**
- ▶ **Risk Factors, Detection and Treatment of Prediabetes**
- ▶ **National Diabetes Prevention Program**
- ▶ **Program Criteria**
- ▶ **Estimated Cost/Benefits for NDPERS**
- ▶ **Personal Stories**
- ▶ **The “Ask”**

Prediabetes & Diabetes in North Dakota

>1 in 3 ND adults
have prediabetes
(202,000 ND
adults)



15 to 30% of people with
prediabetes will develop type
2 diabetes within 5 years

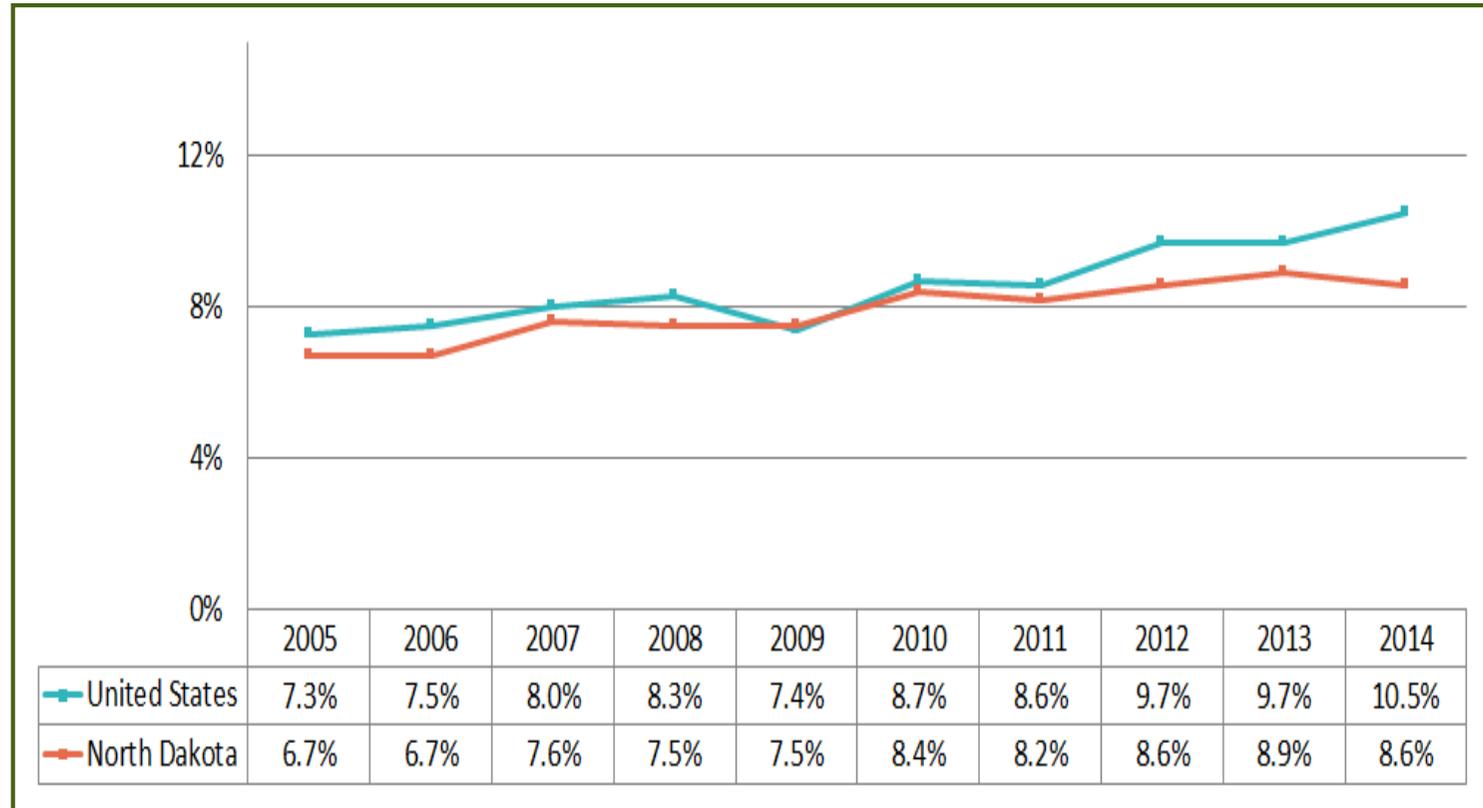


9 out of 10
people with
prediabetes
do not know
they have it



1 out of 11
North
Dakotans
have
diabetes

Prevalence of Diabetes in ND and US



BRFSS 2014

Economic Impact of Diabetes

- ▶ Diabetes care accounts for **1 in 5** U.S. healthcare dollars
- ▶ **2.3 times higher cost** than without diabetes
- ▶ Average annual medical expense - **\$13,700**
- ▶ Annual cost of diabetes in ND: **\$700 million**

Impact of Diabetes - NDPERS

66,938 Members

- 52,105 Adults
- 4,600 members with diabetes claims
- 19,279 (37%) estimated adults with prediabetes

Diabetes Economic Impact- NDPERS

- ▶ Estimated annual cost **\$43 Million**
- ▶ From **5th to 4th** mostly costly for NDPERS
- ▶ Average claim paid: **\$11,531** (< national average of \$13,700)

Type 2 Diabetes Can Be Prevented!

- ▶ Know the risk factors
- ▶ Take action now to prevent type 2 diabetes



Risk Factors for Prediabetes

- ▶ Overweight and obese (2/3 of population)
- ▶ Inactive
- ▶ Over age 45
- ▶ Family history of diabetes
- ▶ History of gestational diabetes
- ▶ Giving birth to a baby ≥ 9 pounds



National Diabetes Prevention Program

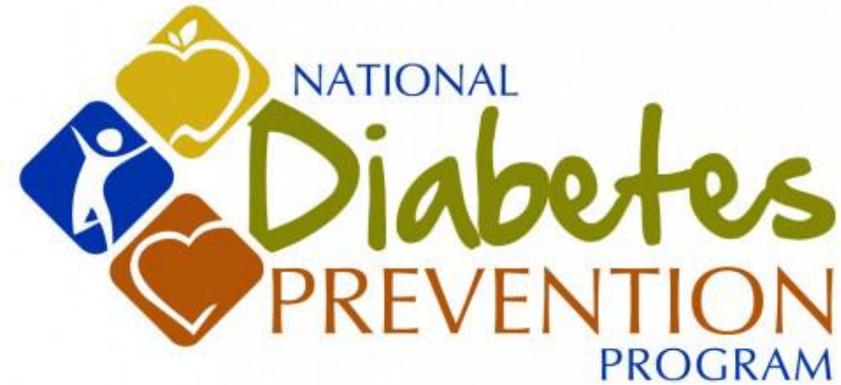
Research on behalf of NIH prove that the incidence of type 2 can be reduced by 58% by:

- ▶ **5% to 7% body weight loss**
- ▶ **150 minutes/week of physical activity**

10 and 15-year follow up studies also showed reduced diabetes incidence

NDPP Program Elements

- ▶ **Year-long lifestyle change program**
 - ▶ Facilitated by trained Lifestyle Coaches
 - ▶ community organizations
 - ▶ clinics
 - ▶ worksites
 - ▶ online



**Includes a minimum of 16 weekly sessions in the first six months,
followed by six monthly sessions**

<http://www.cdc.gov/diabetes/prevention/index.html>

North Dakota

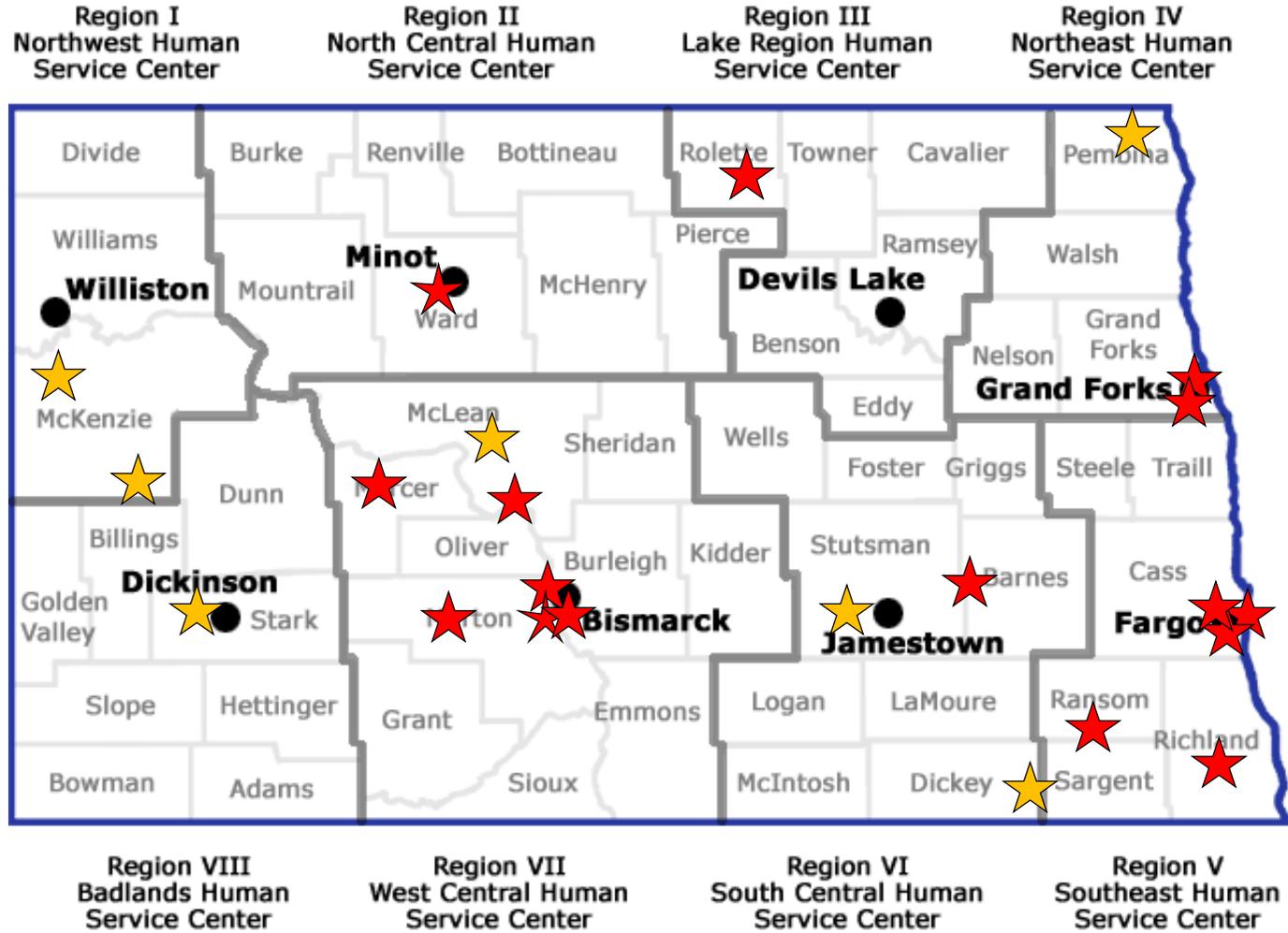
Programs

- ▶ 16 programs currently available and 7 in development
- ▶ 50+ lifestyle coaches trained in ND
- ▶ Two master trainers in development
- ▶ Online options available

Effectiveness

- ▶ Average % weight loss
 - ▶ North Dakota 6.4%
 - ▶ Minnesota 5.0%
 - ▶ Montana 5.8%
 - ▶ South Dakota 6.4%
 - ▶ Nebraska 5.5%

NDP In North Dakota



NDPP Eligibility Criteria

1. 18 years of age or older and

- ▶ have a BMI of >24 and
- ▶ No previous diagnosis of type 1 or 2 and
- ▶ Have a blood test result in the prediabetes range in the past year:

Hemoglobin A1C: 5.7%-6.4% or

Fasting plasma glucose: 100-125 mg/dL or

Two-hour plasma glucose (after a 75 gm glucose load): 140-199 mg/dL

or

2. History of gestational diabetes

CDC Prediabetes Screening Test



COULD YOU HAVE PREDIABETES?

Prediabetes means your blood glucose (sugar) is higher than normal, but not yet diabetes. Diabetes is a serious disease that can cause heart attack, stroke, blindness, kidney failure, or loss of feet or legs. Type 2 diabetes can be delayed or prevented in people with prediabetes through effective lifestyle programs. Take the first step. Find out your risk for prediabetes.

TAKE THE TEST—KNOW YOUR SCORE!

Answer these seven simple questions. For each "Yes" answer, add the number of points listed. All "No" answers are 0 points.

Yes	No
1	0
1	0
1	0
5	0
5	0
5	0
9	0

Are you a woman who has had a baby weighing more than 9 pounds at birth?

Do you have a sister or brother with diabetes?

Do you have a parent with diabetes?

Find your height on the chart. Do you weigh as much as or more than the weight listed for your height?

Are you younger than 65 years of age and get little or no exercise in a typical day?

Are you between 45 and 64 years of age?

Are you 65 years of age or older?

Add your score and check the back of this page to see what it means.

AT-RISK WEIGHT CHART

Height	Weight Pounds	Height	Weight Pounds
4'10"	129	5'7"	172
4'11"	133	5'8"	177
5'0"	138	5'9"	182
5'1"	143	5'10"	188
5'2"	147	5'11"	193
5'3"	152	6'0"	199
5'4"	157	6'1"	204
5'5"	162	6'2"	210
5'6"	167	6'3"	216
		6'4"	221

Know

Your

Score

IF YOUR SCORE IS 3 TO 8 POINTS

This means your risk is probably low for having prediabetes now. Keep your risk low. If you're overweight, lose weight. Be active most days, and don't use tobacco. Eat low-fat meals with fruits, vegetables, and whole-grain foods. If you have high cholesterol or high blood pressure, talk to your health care provider about your risk for type 2 diabetes.

IF YOUR SCORE IS 9 OR MORE POINTS

This means your risk is high for having prediabetes now. Please make an appointment with your health care provider soon.

HOW CAN I GET TESTED FOR PREDIABETES?

Individual or group health insurance: See your health care provider. If you don't have a provider, ask your insurance company about providers who take your insurance. Deductibles and copays may apply.

Medicaid: See your health care provider. If you don't have a provider, contact a state Medicaid office or contact your local health department.

Medicare: See your health care provider. Medicare will pay the cost of testing if the provider has a reason for testing. If you don't have a provider, contact your local health department.

No insurance: Contact your local health department for more information about where you could be tested or call your local health clinic.

Cost/Savings of NDPP

Average cost per participant: **\$450**

Approximately 10% of prediabetes is diagnosed

NDPERS: If 10% diagnosed with prediabetes: 1,928

- ▶ If **10 - 50%** enrollment: 385 - 964 participants
- ▶ If **40-70%** complete

Anticipated Enrollment	Cost for 40% to Complete	Cost for 70% to Complete	Savings
If 10% (385)	\$69,300	\$121,500	\$408,100 - \$715,500
If 50% (964)	\$173,250	\$303,660	\$1,022,900-\$1,788,750

Weighing in on the NDPP

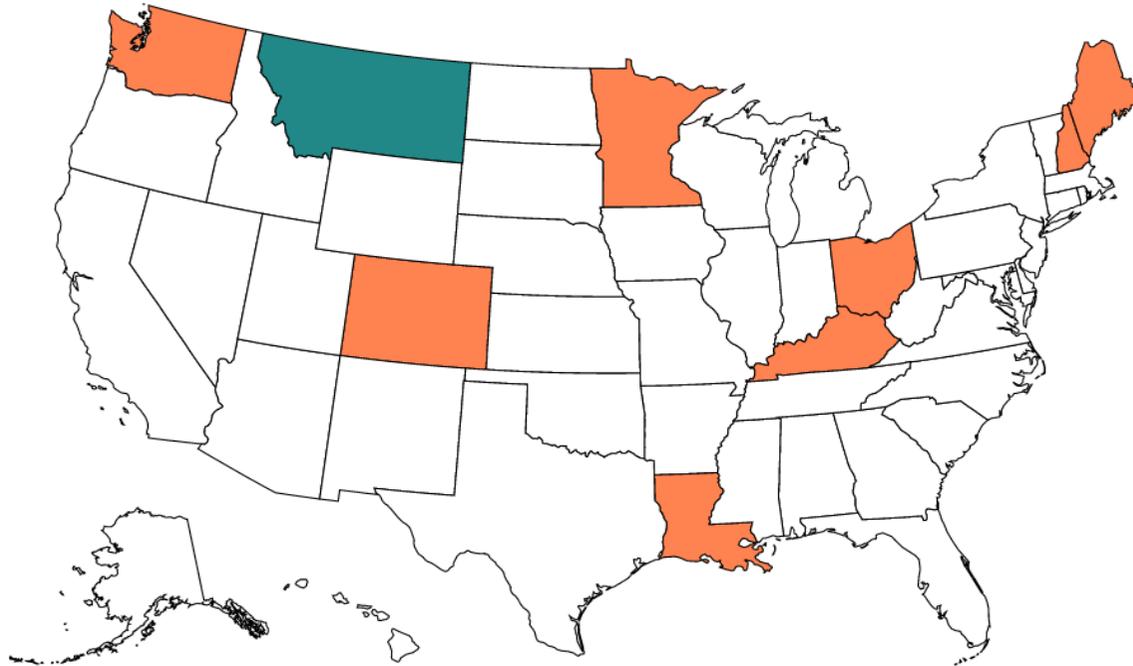
Medicare certification statement 3/14/16 showed:

- ▶ a savings of **\$2,650 in claims** per NDPP participant
- ▶ reduction in **hospitalizations**.

NIH through NIDDK, CDC, IHS, ADA and others:

58% reduction in type 2

NDPP Third Party Reimbursement



-  State Employee Coverage
-  Medicaid Coverage

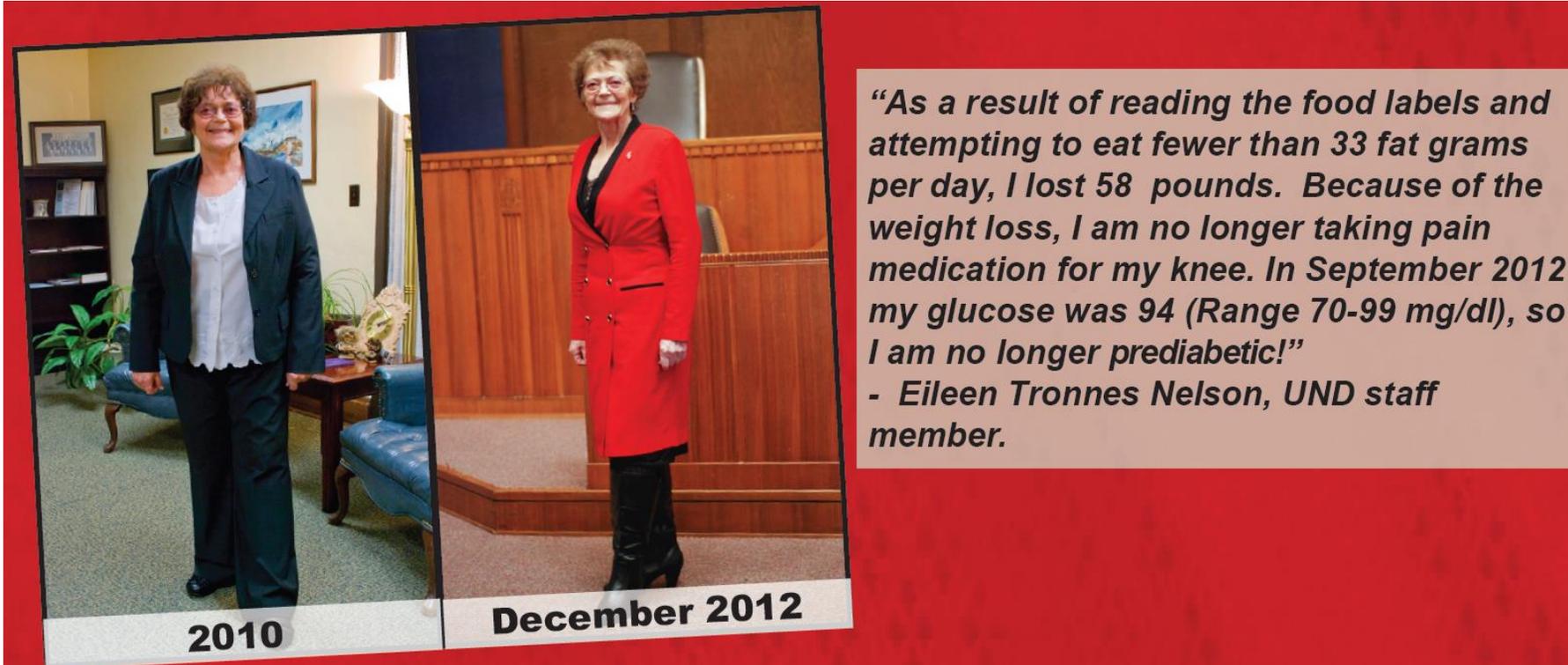
The “Ask”

- ▶ Allow reimbursement for provision of the NDPP by recognized programs, using Medicare fee schedule and AMA CPT Code 0403T.
- ▶ Initiative to identify prediabetes among NDPERS members

What participants are saying...

- ▶ "I want to tell you how much I love this program. It is not only educational but the support from you guys and from the other members is amazing."
- ▶ "It is the best program I've ever gone through. For some reason, the information provided was exactly what I needed."
- ▶ "I learned and absorbed so much more than I ever thought I would - to this day I still hear the lifestyle coaches in my head."

Success Story



▶ **Questions?**



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Memorandum

TO: PERS Board

FROM: Sparb

DATE: August 18, 2016

SUBJECT: Health Plan Renewal

Sanford Health Plan staff will present information to the Board relating to their proposed renewal for the 2015-2017 biennium.



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: August 18, 2016
SUBJECT: Part D Renewal

Attachment #1 is the proposed Renewal from Sanford with some optional plan changes to mitigate the premium increase. You will note in the attached that the premium for 2016 is \$82 per person. The proposed premium for the same plan design for 2017 is \$90.33 which is a 10.16% increase or \$8.33 per month per person.

Attachment #2 is a powerpoint presentation that was reviewed with PERS Retiree Committee on August 16. Pages 2-11 is information on the plan metrics. Page 12 is the ***ESI summary and recommendation which is to move to Option #4 on Attachment #1.***

Attachment #3 is the retiree committee meeting minutes. ***You will note that retiree committee recommendation is to renew the existing plan design and to study options #3 and #4 for consideration next year.*** The goal of the study would be to develop information on who would be affected by the changes, the cost implication to those members, the cost benefit to other members and other information so these options can be fully considered next year if necessary.

Attachment #4 is the review by Deloitte.

Attachment #5 is a RFP if you should decide to go to bid on this product. This will be sent via email prior to the Board meeting.

Staff Recommendation:

Staff Agrees with the Retiree Recommendation

Board Action Requested.

Determine if PERS should 1) renew with ESI 2) if we are to renew for the existing plan or one of the options or 3) if PERS should issue the RFP.

ESI Part D Renewal

Existing premiums \$82

Increase \$8.33

Approx: 10.16%

	Scenario 1: Current Plan Design, Formulary & Network
Deductible	\$0
Initial Coverage	Same as Current
Coverage Gap	All
<hr/>	
2017 Premium Estimate PMPM*	\$90.33

Optional plan designs and cost implications (scenario 1 is the existing plan design)

	Scenario 1: Current Plan Design, Formulary & Network	Scenario 2: Same as Current Plan Design, Formulary & Network. Add \$100 Deductible	Scenario 3: Same as Current Plan Design, Formulary & Network. Coverage Gap option is Generic Only
Deductible	\$0	\$100	\$0
Initial Coverage	Same as Current	Same as Current	Same as Current
Coverage Gap	All	All	Generic Only
2017 Premium Estimate PMPM*	\$90.33	\$86.73	\$81.29
	Scenario 4: Same Plan Design & Network. Move to a Closed Formulary	Scenario 5: Same as Current Plan Design & Formulary. Move to a Preferred Network	Scenario 6: Current Network & Formulary. Move to CMS Defined Standard Plan Design.
Deductible	\$0	\$0	\$400
Initial Coverage	Same as Current	Same as Current	CMS Defined Standard (25%)
Coverage Gap	All	All	CMS Defined Standard Minimum
2017 Premium Estimate PMPM*	\$88.95	\$89.86	\$68.26

NDPERS EGWP

Performance Metrics January-June 2016

PERS Retiree Meeting
August 2016

Top Line Performance Metrics

- Generic Fill Rate (GFR) is 87.6%
- Formulary Compliance Rate is 98.6%

NDPERS EGWP	
Description	1-16 - 6-16
Avg Members per Month	8,526
Number of Unique Patients	8,067
Pct Members Utilizing Benefit	94.6%
Total Days	6,096,726
Total Rxs	135,250
Average Member Age	74.8
Nbr Rxs PMPM	2.64
Generic Fill Rate	87.6%
Home Delivery Utilization	1.0%
Member Cost %	23.3%
Specialty Percent of Plan Cost	26.4%
Formulary Compliance Rate	98.6%

Top Line Performance Metrics: Specialty

- There are 175 unique specialty patients

NDPERS EGWP			
Description	All Drugs	Non-Specialty	Specialty
Avg Members per Month	8,526	8,526	8,526
Number of Unique Patients	8,067	8,067	175
Pct Members Utilizing Benefit	94.6%	94.6%	2.1%
Total Days	6,096,726	6,082,417	14,309
Total Rxs	135,250	134,720	530
Member Cost %	23.3%	27.1%	10.5%

Top 10 Indications

- Diabetes represents 15.1% of your total Plan Cost

REPRESENT
69.3%
OF YOUR TOTAL
PLAN COST

Top Indications by Plan Cost					
1-16 - 6-16					
AUM Strategy	Rank	Indication	Rxs	Patients	Generic Fill Rate
ST/PA/DQM	1	DIABETES	8,634	1,577	44.8%
ST/PA/DQM	2	CANCER	1,030	325	85.8%
ST/PA/DQM	3	HIGH BLOOD CHOLESTEROL	12,645	4,491	87.4%
ST/DQM	4	HIGH BLOOD PRESS/HEART DISEASE	32,645	5,954	98.0%
ST/PA/DQM	5	ASTHMA	3,461	1,020	26.6%
ST/PA/DQM	6	MULTIPLE SCLEROSIS	69	18	26.1%
ST/PA/DQM	7	PAIN/INFLAMMATION	9,371	2,461	92.5%
ST/DQM	8	URINARY DISORDERS	4,895	1,335	90.1%
ST/PA/DQM	9	INFLAMMATORY CONDITIONS	289	90	51.6%
PA	10	ANTICOAGULANT	3,400	895	77.9%
Total Top 10:			76,439		84.5%

Top 25 Drugs

- Represent 41.1% of your total Plan Cost and comprise 13 indications
- 8 of your top 25 are specialty drugs

Top Drugs by Plan Cost					
1-16 - 6-16					
AUM Strategy	Rank	Brand Name	Indication	Rxs	Pts.
PA	1	REVLIMID*	CANCER	47	9
N/A	2	LANTUS SOLOSTAR	DIABETES	962	306
ST/DQM	3	CRESTOR	HIGH BLOOD CHOLESTEROL	1,075	476
ST/PA/DQM	4	ZYTIGA*	CANCER	35	7
N/A	5	HUMALOG KWIKPEN U-100	DIABETES	506	209
PA/DQM	6	GLEEVEC*	CANCER	22	5
PA/DQM	7	ADVAIR DISKUS	ASTHMA	651	222
ST/PA	8	ZEMAIRA*	ALPHA 1 DEFICIENCY	13	2
ST/DQM	9	JANUVIA	DIABETES	422	128
DQM	10	SPIRIVA	COPD	504	156
ST	11	ZETIA	HIGH BLOOD CHOLESTEROL	483	170
DQM	12	ATORVASTATIN CALCIUM	HIGH BLOOD CHOLESTEROL	4,706	1,835
ST	13	LYRICA	PAIN/INFLAMMATION	432	103
N/A	14	LEVEMIR FLEXTOUCH	DIABETES	306	99
PA	15	XARELTO	ANTICOAGULANT	341	106
PA/DQM	16	SYMBICORT	ASTHMA	453	159
N/A	17	METOPROLOL SUCCINATE	HIGH BLOOD PRESS/HEART DISEASE	3,236	1,188
PA/DQM	18	FORTEO*	OSTEOPOROSIS	51	14
ST/PA/DQM	19	HUMIRA PEN*	INFLAMMATORY CONDITIONS	22	5
N/A	20	LANTUS	DIABETES	316	86
PA/DQM	21	GLATOPA*	MULTIPLE SCLEROSIS	17	4
PA	22	ELIQUIS	ANTICOAGULANT	298	94
ST/PA/DQM	23	VICTOZA 3-PAK	DIABETES	145	39
DQM	24	ROSUVASTATIN CALCIUM	HIGH BLOOD CHOLESTEROL	327	266
N/A	25	EXJADE*	IRON TOXICITY	6	1
Total Top 25:				15,376	

*Specialty Drugs

Top 10 Specialty Indications

Top Specialty Indications by Plan Cost				
1-16 - 6-16				
AUM Strategy	Overall Rank	Indication	Rxs	Patients
ST/PA/DQM	2	CANCER	153	37
ST/PA/DQM	6	MULTIPLE SCLEROSIS	69	18
ST/PA/DQM	9	INFLAMMATORY CONDITIONS	51	11
ST/PA	15	ALPHA 1 DEFICIENCY	13	2
ST/PA/DQM	19	PULMONARY HYPERTENSION	33	9
PA/DQM	17	OSTEOPOROSIS	53	17
N/A	24	IRON TOXICITY	6	1
PA	33	LOW BLOOD PRESSURE	10	2
ST/PA/DQM	11	MENTAL/NEURO DISORDERS	3	1
PA	10	ANTICOAGULANT	120	74
		Total Top 10:	511	

Patient Stratification

Patient Care Needs

Well

Smoking Cessation, Allergies, Constipation/Anti diarrheals, Topical Antifungal / Anti-bacterial infection treatment

Acute

Colds & Flu, Strep Throat, Ear Infection, Headache, Sprains

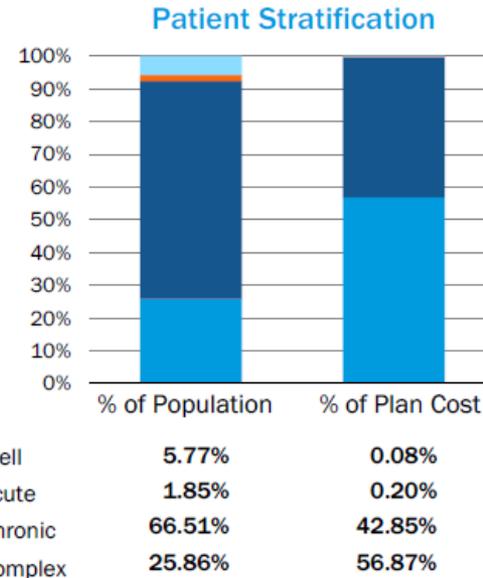
Chronic

Heart Disease, Diabetes, Arthritis, High Blood Pressure, High Cholesterol, Dementia, Back Pain

Complex

Multiple Chronic Conditions such as Heart Failure & Diabetes, Cancer, AIDS, Multiple Sclerosis, Metabolic Syndrome

- 92.4% of the population are Chronic or Complex patients and represent 99.7% of Plan Cost in the current period



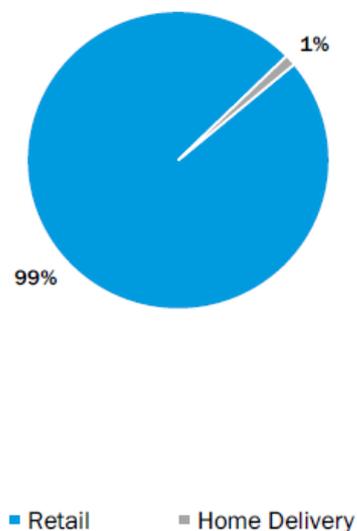
	Well	Acute	Chronic	Complex	Total
Members	492	158	5,671	2,205	8,526
Members %	5.8%	1.9%	66.5%	25.9%	100.0%
Plan Cost %	0.1%	0.2%	42.8%	56.9%	100.0%
Member Age (Avg.)	71.5	71.0	75.9	74.5	74.8
Days of Therapy/Member	2.0	37.0	629.5	1,142.9	715.1
GFR %	61.7%	86.6%	89.3%	85.4%	87.6%
Home Delivery Utilization	0.0%	0.0%	0.7%	1.4%	1.0%

GFR % calculated with Unadjusted Rx's

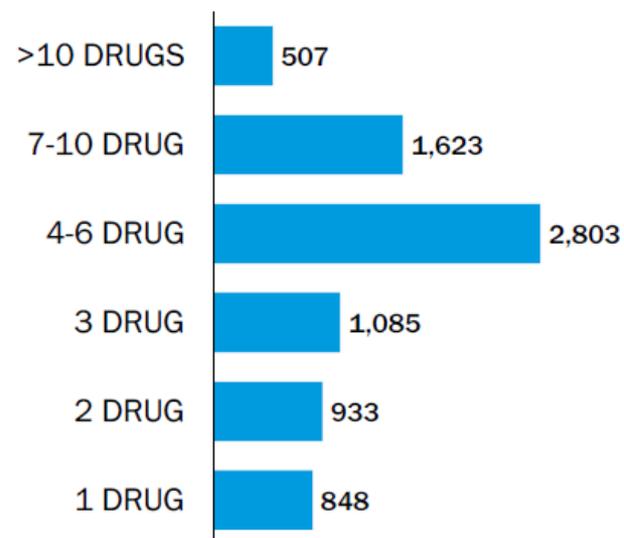
Channel Management: Home Delivery

- 98.8% of your Plan Cost for maintenance drugs is filled at retail

Plan Cost by Delivery Channel
(Maintenance Drugs)



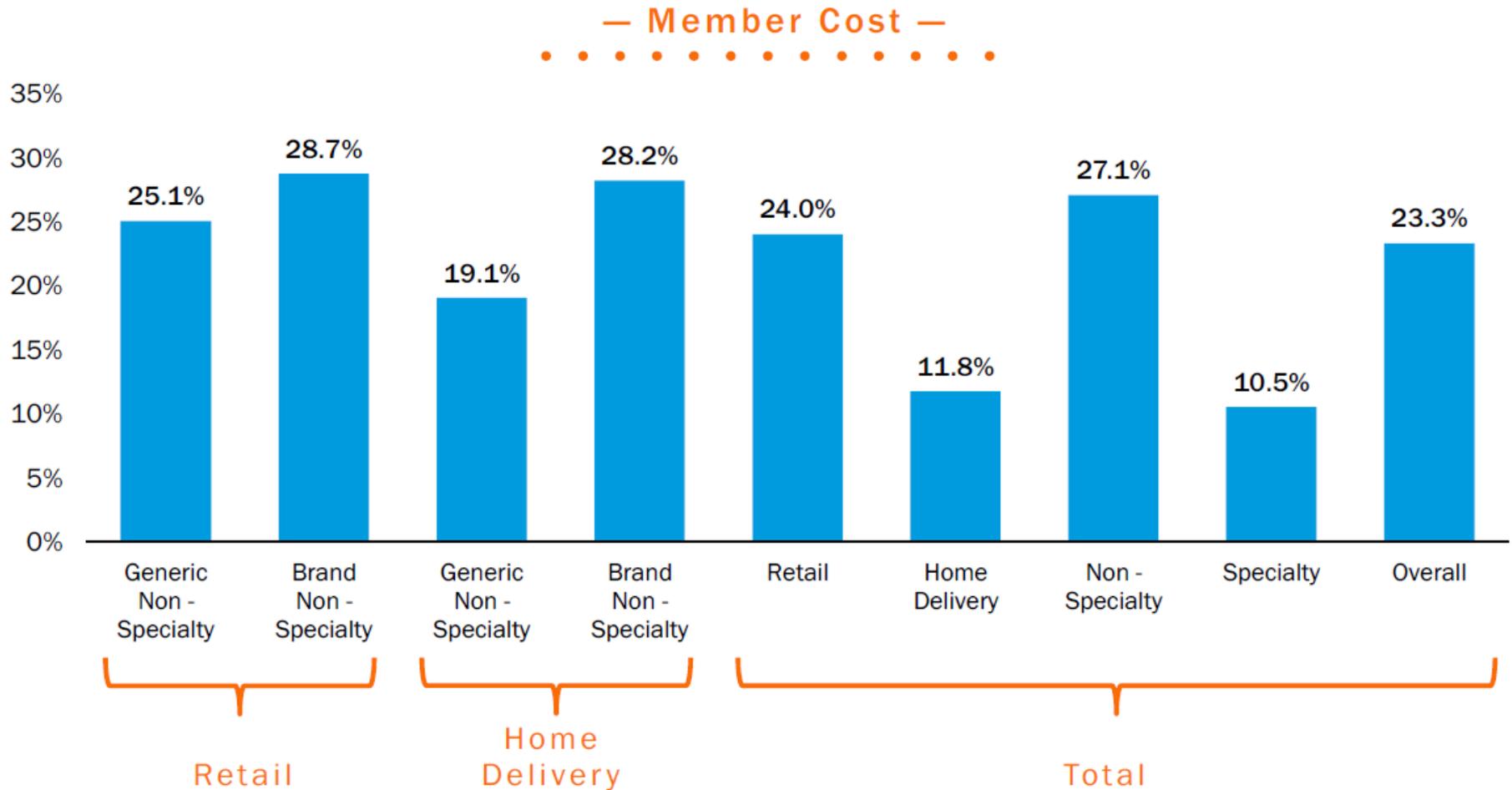
Number of Patients by Number of
Retail Maintenance Drugs*



Slide excludes Specialty drugs

Trend Components: Member Cost

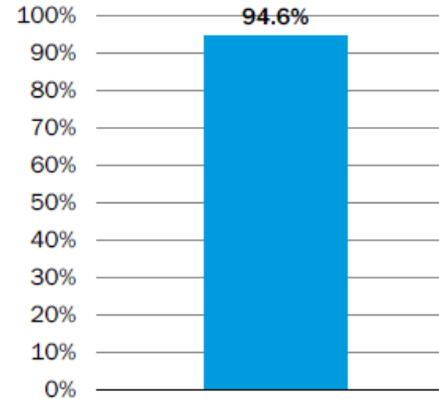
- In the current period, Member Cost was 23.3%.



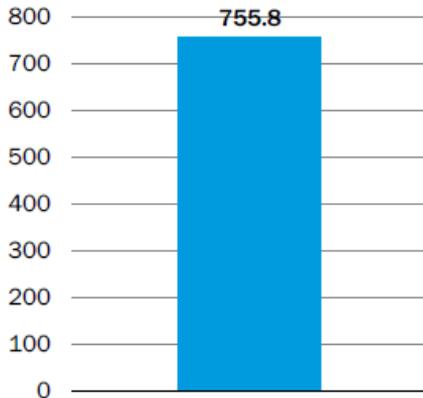
Utilization

- Utilization is a measurement of the number of people using the plan and when they do, for how long
- Utilization is measured in days per member
- Days per member is a function of the patient per member ratio and days per patient

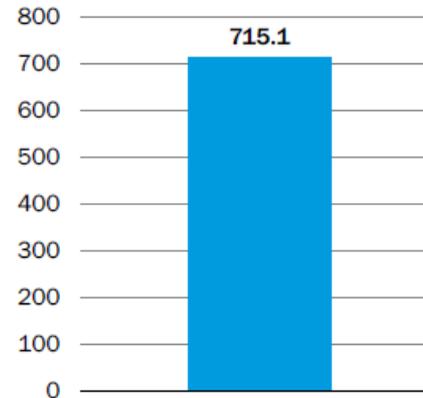
Patients/Member



Days/Patient



Days/Member



Executive Summary



Plan Performance

- ✓ Generic Fill Rate 87.6%
- ✓ Specialty Drugs Accounted for 26.4% of Pharmacy Costs
- ✓ Member Cost Share 23.3%



Clinical Cost Drivers

- ✓ Diabetes, Cancer, High Blood Cholesterol, High Blood Press/Heart Disease, Asthma, represented 50.5% of total pharmacy spend.
- ✓ 4 of the 10 top drugs were for Specialty Medications.

NDPERS EGWP Premium

- The Current 2016 EGWP Premium is \$82.00.
- NDPERS may choose from several plan design, formulary or network options to lower premium increases for 2017. Recommended Option: 4 – Maintains current plan design and move to a Closed Formulary.
- Premium Amounts based on final 2017 National Average Subsidy amounts.

Tier	Retail Three-Month (90-day) Supply	Home Delivery Three-Month (90-day) Supply
Tier 1: Generic Drugs	\$5 copayment plus 15% coinsurance	\$5 copayment plus 15% coinsurance
Tier 2: Preferred Brand Drugs	\$15 copayment plus 25% coinsurance	\$15 copayment plus 25% coinsurance
Tier 3: Non-Preferred Brand Drugs	\$25 copayment plus 50% coinsurance	\$25 copayment plus 50% coinsurance

<p>Coverage Gap stage</p>	<p>Under your plan, you reach the Coverage Gap stage once your total yearly drug costs reach \$3,310. During this stage, your cost-sharing amounts for generic and brand-name drugs will remain the same until your yearly out-of-pocket drug costs reach \$4,850.</p>
<p>Catastrophic Coverage stage</p>	<p>After your yearly out-of-pocket drug costs (what you and others pay on your behalf, including manufacturer discounts but excluding payments made by your Medicare prescription drug plan) reach \$4,850, you will pay the greater of 5% coinsurance <u>or</u>:</p> <ul style="list-style-type: none"> • a \$2.95 copayment for covered generic drugs (including brand drugs treated as generics) • a \$7.40 copayment for all other covered drugs.

Existing premiums \$82
Increase \$8.33
Approx: 10.16%

	Scenario 1: Current Plan Design, Formulary & Network
Deductible	\$0
Initial Coverage	Same as Current
Coverage Gap	All
<hr/>	
2017 Premium Estimate PMPM*	\$90.33

Existing premiums \$82
 Increase \$8.33
 Approx: 10.16%

	Scenario 1: Current Plan Design, Formulary & Network	Scenario 2: Same as Current Plan Design, Formulary & Network. Add \$100 Deductible
Deductible	\$0	\$100
Initial Coverage	Same as Current	Same as Current
Coverage Gap	All	All
2017 Premium Estimate PMPM*	\$90.33	\$86.73

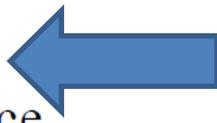
Existing premiums \$82
 Increase \$7.73
 Approx: 5.76%

Existing premiums \$82
 Increase \$8.33
 Approx: 10.16%

	Scenario 1: Current Plan Design, Formulary & Network	Scenario 4: Same Plan Design & Network. Move to a Closed Formulary
Deductible	\$0	\$0
Initial Coverage	Same as Current	Same as Current
Coverage Gap	All	All
2017 Premium Estimate PMPM*	\$90.33	\$88.95

Existing premiums \$82
 Increase \$6.95
 Approx: 8.48%

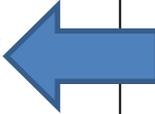
Tier	Retail Three-Month (90-day) Supply	Home Delivery Three-Month (90-day) Supply
Tier 1: Generic Drugs	\$5 copayment plus 15% coinsurance	\$5 copayment plus 15% coinsurance
Tier 2: Preferred Brand Drugs	\$15 copayment plus 25% coinsurance	\$15 copayment plus 25% coinsurance
Tier 3: Non-Preferred Brand Drugs	\$25 copayment plus 50% coinsurance	\$25 copayment plus 50% coinsurance



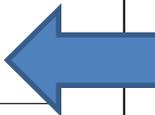
Existing premiums \$82
 Increase \$8.33
 Approx: 10.16%

	Scenario 1: Current Plan Design, Formulary & Network	Scenario 3: Same as Current Plan Design, Formulary & Network. Coverage Gap option is Generic Only
Deductible	\$0	\$0
Initial Coverage	Same as Current	Same as Current
Coverage Gap	All	Generic Only
2017 Premium Estimate PMPM*	\$90.33	\$81.29

Existing premiums \$82
 Increase \$-.71
 Approx: -.8%

Tier	Retail Three-Month (90-day) Supply	Home Delivery Three-Month (90-day) Supply
Tier 1: Generic Drugs	\$5 copayment plus 15% coinsurance	\$5 copayment plus 15% coinsurance 
Tier 2: Preferred Brand Drugs	\$15 copayment plus 25% coinsurance	\$15 copayment plus 25% coinsurance
Tier 3: Non-Preferred Brand Drugs	\$25 copayment plus 50% coinsurance	\$25 copayment plus 50% coinsurance

**Coverage
Gap stage**

Under your plan, you reach the Coverage Gap stage once your total yearly drug costs reach \$3,310. During this stage, your cost-sharing amounts for generic and brand-name drugs will remain the same until your yearly out-of-pocket drug costs reach \$4,850. 

**Catastrophic
Coverage
stage**

After your yearly out-of-pocket drug costs (what you and others pay on your behalf, including manufacturer discounts but excluding payments made by your Medicare prescription drug plan) reach \$4,850, you will pay **the greater of 5% coinsurance or:**

- a \$2.95 copayment for covered generic drugs (including brand drugs treated as generics)
- a \$7.40 copayment for all other covered drugs.

Existing premiums \$82
 Increase \$8.33
 Approx: 10.16%

	Scenario 1: Current Plan Design, Formulary & Network	Scenario 5: Same as Current Plan Design & Formulary. Move to a Preferred Network
Deductible	\$0	\$0
Initial Coverage	Same as Current	Same as Current
Coverage Gap	All	All
2017 Premium Estimate PMPM*	\$90.33	\$89.86

Existing premiums \$82
 Increase \$7.86
 Approx: 9.59%

Existing premiums \$82
 Increase \$8.33
 Approx: 10.16%

	Scenario 1: Current Plan Design, Formulary & Network	Scenario 6: Current Network & Formulary. Move to CMS Defined Standard Plan Design.
Deductible	\$0	\$400
Initial Coverage	Same as Current	CMS Defined Standard (25%)
Coverage Gap	All	CMS Defined Standard Minimum
<hr/>		
2017 Premium Estimate PMPM*	\$90.33	\$68.26

Existing premiums \$82
 Increase \$13.74
 Approx: -16.76%

	Scenario 1: Current Plan Design, Formulary & Network	Scenario 2: Same as Current Plan Design, Formulary & Network. Add \$100 Deductible	Scenario 3: Same as Current Plan Design, Formulary & Network. Coverage Gap option is Generic Only
Deductible	\$0	\$100	\$0
Initial Coverage	Same as Current	Same as Current	Same as Current
Coverage Gap	All	All	Generic Only
2017 Premium Estimate PMPM*	\$90.33	\$86.73	\$81.29
	Scenario 4: Same Plan Design & Network. Move to a Closed Formulary	Scenario 5: Same as Current Plan Design & Formulary. Move to a Preferred Network	Scenario 6: Current Network & Formulary. Move to CMS Defined Standard Plan Design.
Deductible	\$0	\$0	\$400
Initial Coverage	Same as Current	Same as Current	CMS Defined Standard (25%)
Coverage Gap	All	All	CMS Defined Standard Minimum
2017 Premium Estimate PMPM*	\$88.95	\$89.86	\$68.26

NDPERS RETIREE BENEFITS COMMITTEE

August 16, 2016

MINUTES

* - Present

BOARD MEMBERS: *Yvonne Smith

STAFF: *Sparb Collins, *Bryan Reinhardt, *Kathy Allen, *Rebecca Fricke,
*Sharon Schiermeister,

Guests:

Interest Groups: *Bill Kalanek - AFPE/NASW, Stuart Savelkohl - NDPEA

Membership Representatives:

*Dave Zentner, *Weldee Baetsch, David Gunkel, *Bill Lardy,
*Ron Leingang *Howard Sage, *Denae Kautzman

Fort Union Room (moved from Sakakawea Room)

Minutes

9:05 – Sparb started the meeting and covered the presentation. ESI sent utilization statistics for the retiree EGWP. The data is for the first six months of 2016. The plan will renew on Jan 1st, 2017. The group asked if there were statistics on rejected claims for new specialty drugs. There were not, NDPERS staff just got the ESI information yesterday. The slides moved to the topic of the renewal of the EGWP for 2017. The present plan monthly cost would increase from \$82 to \$90.33 (10.16%). ESI gave several plan design options to consider that would shift costs and reduce the premium increase.

#1 – Current plan \$90.33

#2 – Add a \$100 deductible \$86.72, the \$3.61 savings (\$43.32 per year) for potential \$100 cost

#3 – Allow only generics in the coverage gap \$81.29, big savings but may be hardship for some

#4 – Closed formulary \$88.95, \$1.38 savings, not much savings but may be hardship for some

#5 – Preferred network \$89.86, \$.47 savings, not much but may be hardship for some

#6 – Change to standard plan benefits \$68.26, big savings, but at this level of coverage it would probably be best to unbundle the plan.

Additional questions were asked:

Number of members with less than \$3,310 in costs?

How many reach and go through the “doughnut hole”?

Number of members that use preferred brand drugs?

Can we ID users of nonformulary drugs where a formulary drug is available?

Discussion followed if members would leave the plan with a 10% increase. Since the plan is still bundled with the medical side, the thought was not many would leave. Time is coming fast and if the plan were to go to bid, it would have to be done in the next few weeks.

The retiree group felt the NDPERS Board should continue with the current plan and pass along the \$90.33 premium. They also thought efforts should be made to target high cost members and nonformulary RX users with education on alternatives. The #3 and #4 options should be studied.

Rebecca noted that CMS changes now make it possible to add nonformulary generic drugs into the 3rd tier (higher cost sharing) instead of the 1st tier (generic cost sharing). This would involve 52 NDPERS members and would result in no premium cost reduction. The group felt this should not be done since it is a small number of members and there would be no cost savings. Maybe a reach out could be made to these members letting them know a change might be made in the future and if any lower cost alternative medications are available.

10:15 – Adjourn

Memo

Date: August 17, 2016
To: NDPERS Board
From: Josh Johnson and Pat Pechacek, Deloitte Consulting LLP
Subject: EGWP Renewal Review

NDPERS staff asked that Deloitte Consulting LLP, review the Express Scripts, Inc. (ESI) 2017 EGWP renewal rates for reasonableness and appropriateness.

On July 29, 2016, the Centers for Medicare and Medicaid Services (CMS) released the national average monthly bid amount for Standard Part D and the Base Beneficiary Premium for 2017. ESI receives payments from CMS based on these bidding averages. CMS payments to ESI account for a large percentage of the overall needed premium and factor into the overall renewal. The national average monthly bid amount for Part D coverage decreased to \$61.08 from \$64.66 in 2016, and the Part D base beneficiary premium increased to \$35.63 from \$34.10 in 2016.

On April 4, 2016, CMS announced an annual 2016 trend on Medicare Part D payments of 6.99%, however, prior year trend was underestimated by 4.55%, yielding an expected 2017 increase of 11.75%.

Deloitte actuaries are seeing EGWP rate increases frequently in the 10%-12% range and national survey data and pharmacy benefit managers are citing projected trends from approximately 8%-12% depending on the source. The most frequent reason cited for increased trend is the increase in specialty medication utilization and price.

Proposed ESI Rates and Plan Designs

2016 rate is \$82 per member per month

2017 Plan Design	2017 Rate	Increase	Savings
1) Current design, network & formulary	\$90.33	10.2%	
2) Add \$100 deductible	\$86.73	5.8%	-4.0%
3) Coverage gap generic only	\$81.29	-0.9%	-10.0%
4) Change to a closed formulary	\$88.95	8.5%	-1.5%
5) Change to a preferred network	\$89.86	9.6%	-0.5%
6) Change to CMS minimum design	\$68.26	-16.8%	-24.4%



Official Professional Services Sponsor

To: NDPERS Board
Subject: EGWP Renewal Review
Date: August 17, 2016
Page 2

Based on emerging market trends gathered from Deloitte actuaries, national survey data and CMS trend estimates, the proposed 10.2% increase to maintain the current plan design, network and formulary is reasonable.

Deloitte would be happy to conduct a more detailed analysis of ESI's underlying renewal calculations should the board require it, and pending receipt of detailed experience data including underlying claims experience, underwriting trend assumptions, estimated drug rebates, anticipated loss ratios, CMS payment estimates, etc.



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Memorandum

TO: PERS Board

FROM: Sparb

DATE: August 18, 2016

SUBJECT: BCBS Initial Closeout & ACA Fees

Attachment #1 is the initial closeout of the 2015-2017 contract with BCBS. As part of that contract we paid the ACA fees based upon the estimated amount as part of our premium. The contract further provided that we would do a closeout at the end to determine if an additional payment is due or needs to be reimbursed. In Attachment #1 you will note under the heading "NDPERS – Initial ACA Fee Settlement" BCBS indicates that the actual fees paid are \$7,616,705 higher than projected leaving that pass through cost for us. At this point our internal audit staff is reviewing this to validate the amount. I wanted to bring this to your attention since it will affect our reserves. Attachment #2 is a memo prepared the Legislative Government Finance Committee on our reserves and its uses. You will note in that memo that if this amount is correct it means that we will likely not get any of our deposit with BCBS (which is \$3 million).

When projecting our reserves in the past we had anticipated getting back our deposit (\$3 million) and gaining about \$4-5 million. Previously we discussed having about \$40 million in reserves for the 2017-19 but now it will be around \$32 million (including the life funds) .

Staff will review this with you at the meeting and answer any questions.



July 29, 2016

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

Dear Mr. Collins:

I am writing in regards to the initial accounting summary for the biennium ended June 30, 2015. This includes experience from July 1, 2013 through June 30, 2015 with claims paid through June 30, 2016. The final balance due to Blue Cross Blue Shield of North Dakota as of June 30, 2016 is \$2,658,303.98. Enclosed is a copy of the initial accounting summary.

If you have any questions regarding the initial accounting summary please don't hesitate to contact me at 701-282-1106, Dave.Breuer@bcbsnd.com or Dan LeClair at 701-282-1030, Dan.LeClair@bcbsnd.com.

Sincerely,

Dave Breuer
CFO
Blue Cross Blue Shield of ND

Enclosure

Cc: Tony Piscione, Director Actuarial Reporting & Forecast BCBSND
Kevin Schoenborn, Manager Consulting Services BCBSND
Dan LeClair, Director Financial Reporting/Risk Management BCBSND
Sharon Schiermeister, COO/Accounting & IT Manager NDPERS

4510 13th Avenue South, Fargo, North Dakota 58121

This information is available to individuals with disabilities in alternate formats, free of charge, by calling Member Services at 1-800-342-4718 (toll-free) or through the North Dakota Relay at 1-800-366-6888 or 711.

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

NDPERS - Initial Accounting Summary
July 1, 2013 through June 30, 2015 With Claims Paid Through June 30, 2016
Settlement Date: July 31, 2016

	As of June 30, 2016
Earned Premium Income	\$547,287,124.76
Interest Earned on Cash Flow	302,404.68
Interest Earned June 2016 on Cash Flow	4,794.70
Less Claims Incurred and Paid during the biennium	
Claims Paid (negative)	(520,430,613.50)
Claims Refunded (positive)	11,418,649.00
Pharmacy Rebate (positive)	9,620,897.52
Less Estimated Claims Incurred and Unpaid	-
Less Administrative Expense (\$36.18 / \$67.06 per contract per month)	(41,744,856.08)
Less 50% of First \$3.0 Million Excess	(1,500,000.00)
Initial 7/13-6/15 Biennium Settlement Payable to PERS	\$4,958,401.08

NDPERS - Initial ACA Fee Settlement
July 1, 2013 through June 30, 2015 With Claims Paid Through June 30, 2016
Settlement Date: July 31, 2016

ACA FEES COLLECTED DURING THE BIENNIUM

Estimated ACA Fees billed through contract premiums (\$21.54 * 541,442 Active contracts only) \$11,662,661

ACA FEES PAID BY BCBSND FOR PERS BUSINESS

	CY 2014	CY 2015	
TRANSITIONAL REINSURANCE			
Average Members (9 month average of Actives only)	56,937	38,607	
Annual Fee Per Member	\$63.00	\$44.00	
Total Fee paid by BCBSND for PERS business	\$3,587,003	\$1,698,701	\$5,285,704

	7/2013-6/2014	7/2014-6/2015	
PCORI			
Average Members (12 month average of Actives only)	56,583	57,479	
PMPY Fee	\$2.00	\$2.08	
Total Fee paid by BCBSND for PERS business	\$113,167	\$119,556	\$232,722

	Fees on 2013 income paid in 2014	Fees on 2014 income paid in 2015	Fees on 2015 income paid in 2016	
HIT				
BCBSND HIT Fee pd	14,770,672	21,286,892	17,770,084	
BCBSND reported premiums (prior year)	1,041,075,740	1,149,521,329	1,038,077,186	
	1.42%	1.85%	1.71%	
PERS reported premiums (prior year)	256,648,293	273,357,158	134,675,532	
PERS Hit Fee	3,641,299	5,062,041	2,305,412	
Total Fee paid by BCBSND	3,641,299	5,062,041	2,305,412	
20% HIT Income Tax	910,325	1,265,510	576,353	
Total Fee paid by BCBSND for PERS business	4,551,623	6,327,551	2,881,765	\$13,760,940

Total Fees paid by BCBSND for PERS business \$19,279,366

Initial 7/13-6/15 ACA Fee Settlement Due from PERS **(\$7,616,705)**

Total Net BCBSND Receivable from PERS **(\$2,658,303.98)**

NDPERS Uniform Group Insurance Funds Pursuant to NDCC 54-52.1-06 August 3, 2016

Balance as of:	Health Insurance	Early Retiree Reinsurance Program (ERRP)	Life Insurance
7/1/2007	\$1,540,648	\$0	\$2,155,769
7/1/2009	\$5,581,737	\$0	\$2,421,873
7/1/2011	\$5,943,183	\$1,726,189	\$2,468,533
7/1/2013	\$42,651,594	\$2,735,616	\$2,490,265
7/1/2015	\$42,925,033	\$0	\$2,491,063
7/1/2016 (estimate)	\$41,253,000	\$0	\$2,516,000
Available reserve	\$29,400,000*		\$2,516,000

*The amount of the 7/1/2016 estimated balance for the health insurance funds that would be available to buydown the health premiums for the 17-19 biennium is approximately \$29.4 million, which is arrived at as follows:

\$41,253,000 Estimated balance
 (3,000,000) Less deposit currently held by BCBS for the 2013-15 biennium, at risk until 7/1/2017
 (3,000,000) Less deposit currently held by SHP for the 2015-17 biennium, at risk until 7/1/2019
 (3,000,000) Risk deposit for 2017-19 contract period
(2,800,000) Retention for administrative expenses for July 2016 – June 2019
 \$29,453,000

Recap of use of funds from 7/1/2007 through 6/30/2015:

For the 2013-15 biennium, the health insurance and ERRP funds were used to buydown the health insurance premiums by approximately 2%. This amounted to \$5,437,457 for the 1st year of the biennium and \$5,512,668 for the 2nd year of the biennium.

The health insurance funds are also used for the \$3,000,000 deposit that is held by the health carrier for the risk corridor pursuant to the contract, administrative expenses, fees for the disease management program established under NDCC 54-52.1-17, and wellness programs. No funds were used from the life insurance reserve.

Brief description of how funds accumulate:

Health Insurance. The contract with the health insurance carrier includes a gain sharing provision if premiums paid exceed claims incurred during the biennium. The final accounting for the biennium is completed 24 months after the end of the contract period. The health plan experienced gains for the 2005-07 biennium, 2009-11 biennium and for the 2011-13 biennium. At this time, the projected gain for the 2013-2015 biennium and a portion of the \$3 million deposit will be offset by the amount of actual ACA fees paid by BCBS that were higher than estimated. We are not expecting to have any funds returned; however, this will be determined after July 1, 2017. The other source of funds is interest income.

Early Retiree Reinsurance Program. The federal health care reform bill provided for a pre-Medicare retiree reinsurance provision for employer plans that reimbursed employers by providing reinsurance for 80% of retiree claims between \$15,000 and \$90,000. This program became effective June 1, 2010 and employer eligibility was determined through an application process submitted by the employer to the Department of Health and Human Services. The program required that the funds be used to (1) reduce the sponsor's health benefit premiums or health benefit costs, (2) reduce health benefit premium contributions, copayment, deductibles, coinsurance, or other out-of-pocket costs, or any combination of these costs, for plan participants, or (3) reduce any combination of the costs in (1) and (2). The NDPERS Board determined that any reimbursements received under this program be used to help reduce health care costs for members of the Uniform Group Insurance Program. NDPERS submitted an application and was determined to be an eligible employer. Reimbursements were received during fiscal year 2011 and 2012. No further reimbursements were received as funding for this program is no longer available.

Life Insurance.

Prior to the 2005-07 biennium, the contract with the life insurance carrier had a gain sharing provision. The balance in the life insurance account reflects gains that were accumulated as part of contract settlements before July 2005. The other source of funds is interest income.



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: August 18, 2016
SUBJECT: BCBS Data Agreement

At the December Board meeting you reviewed Attachment #1 and decided:

BCBS Update

Mr. Collins reported that with the transfer to Sanford, previous health data is being retained by BCBS. They have indicated the need to retain the data in order to complete the final accounting for the 2013-15 biennium and to handle claims issues. He indicated that this data is owned by PERS and that PERS has a HIPAA business associate agreement with BCBS where federal standards must be maintained. Mr. Collins shared information provided by consultants Deloitte and IceMiller on this issue. He indicated that it would be prudent to enter into a supplemental agreement to determine how long the data will be maintained by BCBS and how it will be destroyed. Deloitte indicated that best practice may be to retain the data for at least seven years. Ms. Murtha agreed that pursuing return or destruction of the data is prudent and that any agreement that is developed will be what the Board finds reasonable. The Board discussed and concurred that staff move forward with developing a supplemental agreement relating to BCBS retention of data, that the BCBS retention policy and HIPAA provisions be taken into consideration.

Based upon the above direction, staff started discussions with BCBS. The first step was to get a copy of their retention policy. They supplied this and staff reviewed it internally. We had a follow-up discussion with BCBS about it. In June we reviewed a draft Memorandum of Understanding with the Board and you agreed to move forward with it and discuss it with BCBS. We have shared it with BCBS and received their comments and made changes to the agreement based upon those discussion. Staff is requesting your approval to move to final discussions with BCBS on the agreement (Attachment #2) and to execute it if no additional changes are requested.

The next step will be to use this as a model for discussions with Segal.



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: December 10, 2015
SUBJECT: BCBS Update

In this memo staff is seeking your guidance on how you want us to proceed relating to the PERS data that BCBS retains. Our HIPPA agreement with them states:

d. Effect of Termination.

1. Except as provided in paragraph (2) of this subsection, upon termination of this Agreement, for any reason, Business Associate shall return or destroy all PHI received from Covered Entity, or created or received by Business Associate on behalf of Covered Entity. This provision shall apply to PHI and ePHI that is in the possession of subcontractors or agents of Business Associate. Business Associate shall retain no copies of the PHI or ePHI.
2. In the event that Business Associate determines that returning or destroying the PHI or ePHI is not feasible, Business Associate shall provide to Covered Entity notification of the conditions that make return or destruction infeasible. Business Associate shall extend the protections of this Agreement to that PHI and ePHI and limit further uses and disclosures of any such PHI and ePHI to those purposes that make the return or destruction infeasible, for so long as Business Associate maintains that PHI or ePHI.

In discussions with BCBS they indicated they would need to retain the data for several reasons:

1. For doing the final accounting for the 2013-15 biennium. Under our last contract with BCBS we have a close out period of two years for final closing based upon the final accounting. At the last meeting I reported to you the final accounting for the 2011-13

that was completed that biennium's arrangement with BCBS. This would be the similar process followed for the closing of the 2013-15 contract.

2. To handle issues with claims that arise.

To get a perspective on reasonable approaches to this issue we asked Deloitte and Ice Miller for their observations. Their responses are attached.

Based upon the consultant observations, it seems reasonable for BCBS to retain the data for some period, possibly up to 6 or 7 years. It would also seem reasonable for us to enter into an understanding with them as to how long that would be, what happens to the data at the end of that period and how this process would be coordinated between the parties.

Staff is seeking your advice on how you want to proceed.

MEMORANDUM OF UNDERSTANDING BETWEEN THE NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM AND BLUE CROSS BLUE SHIELD OF NORTH DAKOTA RELATING TO MAINTAINING CONFIDENTIAL INFORMATION

This Memorandum of Understanding is between the State of North Dakota acting through its North Dakota Public Employees Retirement System (NDPERS) and Blue Cross Blue Shield of North Dakota and its subsidiaries (BCBSND) relating to maintenance and destruction of NDPERS Confidential Information held by BCBSND and its subsidiaries.

WHEREAS, NDPERS has previously entered into contracts with BCBSND to provide services related to administration of the NDPERS uniform group insurance program, including the retiree prescription drug plan, the tobacco cessation program, the pharmacy disease management program, and the wellness benefit program (Contracts).

WHEREAS, the services provided by BCBSND under these Contracts required the exchange of information between the parties that is confidential under North Dakota Century Code §§ 54-52.1-11 and 54-52.1-12 (Confidential Information).

WHEREAS, the parties acknowledge that these Contracts, including the Business Associate Agreements between the parties, required BCBSND to return or destroy Confidential Information subsequent to the termination of the applicable Contract, or if return or destruction of this information was infeasible to maintain its confidentiality.

WHEREAS, these Contracts have terminated and BCBSND has asserted and NDPERS agrees that member service, applicable audit, ~~and~~ record keeping, and other

~~required functions~~~~requirements~~ make the return or destruction of all Confidential Information infeasible at this time.

WHEREAS, BCBSND has provided and NDPERS has reviewed the BCBSND records retention policy (Policy) applicable to the Confidential Information and BCBSND has affirmed that it will maintain the confidentiality of NDPERS information pursuant to this Policy until such time as the information is destroyed in a manner designated by this Policy.

NOW THEREFORE, in consideration of the foregoing premises and in furtherance of the aforementioned contractual obligations, the parties agree as follows:

1. BCBSND shall continue to maintain the confidentiality of Confidential Information which it still possesses, in accordance with its Policy in a manner that is at least as secure and diligent as was done during the term of the applicable Contract, until such time as the Confidential Information is destroyed or returned.
2. ~~BCBSND shall provide~~Upon the request of NDPERS, BCBSND shall confirm~~notice of~~ the destruction ~~or return~~ of Confidential Information ~~when it occurs~~ under its Policy.
3. Upon the request of NDPERS, BCBSND shall provide NDPERS ~~notice of a copy of~~ any change to ~~the copy of~~ the Policy provided ~~to~~ NDPERS on April 12, 2016.
4. NDPERS agrees these actions are consistent with BCBSND obligations under these Contracts.

5. This Memorandum of Understanding will terminate upon notice to NDPERS by BCBSND that all Confidential Information has either been returned to NDPERS or destroyed, or earlier, upon thirty (30) days' notice by NDPERS to BCBSND if NDPERS determines that the Policy has been modified in a manner that is inconsistent with state or federal law.
6. This Memorandum of Understanding shall be governed by, and construed in accordance with, the laws of the State of North Dakota.

Dated this _____ day of _____, 2016.

NORTH DAKOTA PUBLIC EMPLOYEES
RETIREMENT SYSTEM

BY: _____
Sparb Collins
Executive Director

Dated this _____ day of _____, 2016.

BLUE CROSS BLUE SHIELD OF NORTH
DAKOTA

BY: _____
Its: _____



North Dakota
Public Employees Retirement System
400 East Broadway, Suite 505 • Box 1657
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Executive Director
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FAX: (701) 328-3920 • EMAIL: NDPERS-info@nd.gov • www.nd.gov/ndpers

Memorandum

TO: PERS Board

FROM: Rebecca

DATE: August 17, 2016

SUBJECT: Taxability of Wellness Benefit

Earlier this year, the IRS Chief Counsel released Chief Counsel Advice 201622031 regarding the taxability of cash awards within wellness programs. This advice concludes that an employer's cash payment of gym memberships and other incentives for participation in a wellness program isn't excludible as taxable income and, therefore, should be included as taxable income to the employee and reported by the employer. Only items determined to be de minimis in nature may be excluded. Please see the attachment for a copy of this notice.

NDPERS staff sought guidance from Deloitte regarding the applicability of this notice to the \$250 wellness incentive that includes the fitness center reimbursement program and the online wellness portal, Novu. Deloitte confirmed that the NDPERS benefit should be treated as taxable income, regardless if it is received through the fitness center reimbursement or the online wellness portal. The amount of the \$250 benefit exceeds the threshold of a de minimis fringe benefit that could be excluded from taxability.

At this time, staff is reviewing the implications of this and determining necessary steps to ensure compliance with IRS requirements. However, we wanted to make you aware of this IRS advice as there may be implications for the benefit in the future.

**Office of Chief Counsel
Internal Revenue Service
Memorandum**

Number: **201622031**

Release Date: 5/27/2016

CC:TEGE:EB

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date: April 14, 2016

to: Mark Ericson
Senior Attorney
TEGE Division Counsel

from: Stephen Tackney
Deputy Associate Chief Counsel (Employee Benefits)
CC:TEGE:EB

subject: Tax Treatment of Wellness Program Benefits and Employer Reimbursement of Premiums Provided Pre-tax Under a Section 125 Cafeteria Plan

This Chief Counsel Advice responds to your request for assistance. This advice may not be used or cited as precedent.

ISSUES

May an employer exclude from an employee's income under section 105 or section 106 cash rewards paid to an employee for participating in a wellness program?

May an employer exclude from an employee's income under section 105 or section 106 reimbursements of premiums for participating in a wellness program if the premiums for the wellness program were originally made by salary reduction through a section 125 cafeteria plan?

CONCLUSION

An employer may not exclude from an employee's gross income payments of cash rewards for participating in a wellness program.

An employer may not exclude from an employee's gross income reimbursements of premiums for participating in a wellness program if the premiums for the wellness program were originally made by salary reduction through a section 125 cafeteria plan.

FACTS

Situation 1. An employer provides all employees, regardless of enrollment in other comprehensive health coverage, with certain benefits under a wellness program at no cost to the employees. In particular, the wellness program provides health screening and other health benefits such that the program generally qualifies as an accident and health plan under section 106. In addition to those benefits, employees who participate in the program may earn cash rewards of varying amounts or benefits that do not qualify as section 213(d) medical expenses, such as gym membership fees.

Situation 2. An employer provides all employees, regardless of enrollment in other comprehensive health coverage, with certain benefits under a wellness program. Employees electing to participate in the wellness program pay a required employee contribution by salary reduction through a section 125 cafeteria plan. The wellness program provides health screening and other health benefits such that the program generally qualifies as an accident and health plan under section 106. In addition to those benefits, employees who participate in the program may earn cash rewards of varying amounts or benefits that do not qualify as section 213(d) medical expenses, such as gym membership fees.

Situation 3. The same as *Situation 2*, except that one of the benefits available under the wellness program includes a reimbursement of all or a portion of the required employee contribution for the wellness plan that the employee made through salary reduction.

LAW AND ANALYSIS

Section 61(a)(1) of the Internal Revenue Code and § 1.61-21(a)(3) of the Income Tax Regulations provide that, except as otherwise provided in subtitle A, gross income includes compensation for services, including fees, commissions, fringe benefits, and similar items.

In general, section 106(a) provides that gross income of an employee does not include employer-provided coverage under an accident or health plan. Under section 106(a), an employee may exclude from income premiums for accident or health insurance coverage that are paid by an employer. Also, under section 105(b), an employee may exclude amounts received through employer-provided accident or health insurance if those amounts are paid to reimburse expenses incurred by the employee for medical care (of the employee, the employee's spouse, or the employee's dependents, as well as children of the employee who are not dependents but have not attained age 27 by the end of the taxable year) for personal injuries and sickness.

Sections 3101 and 3111 impose FICA taxes on “wages” as that term is defined in section 3121(a), with respect to “employment,” as that term is defined in section 3121(b). The term “wages” is defined in section 3121(a) for FICA purposes as all remuneration for employment, with certain specific exceptions.

Section 3301 imposes FUTA tax on wages paid with respect to employment. The general definitions of the terms “wages” and “employment” for FUTA purposes are similar to the definitions for FICA purposes. See section 3306(b) and 3306(c).

Section 3402(a), relating to federal income tax withholding, generally requires every employer making a payment of wages to deduct and withhold upon those wages a tax determined in accordance with prescribed tables or computational procedures. The term “wages” is defined in section 3401(a) for federal income tax withholding purposes as all remuneration for services performed by an employee for his employer, with certain specific exceptions.

To the extent amounts are excluded from gross income under sections 105(b) or 106(a), they are also excluded from wages subject to income tax withholding under section 3401. In addition, amounts paid to reimburse expenses incurred by the employee for medical care (of the employee, the employee’s spouse, or the employee’s dependents, as well as children of the employee who are not dependents but have not attained age 27 by the end of the taxable year) for personal injuries or sickness are excepted from wages for FICA and FUTA tax purposes under sections 3121(a)(2) and 3306(b)(2), respectively.

Section 3121(a)(5)(G) provides an exception from FICA wages for any payment to or on behalf of an employee under a cafeteria plan (within the meaning of section 125) if such payment would not be treated as wages without regard to such plan and it is reasonable to believe that (if section 125 applied for purposes of section 3121) section 125 would not treat any wages as constructively received. Section 3306(b)(5)(G) contains a similar exception from wages for purposes of FUTA tax.

Under § 1.105-2, the exclusion under section 105(b) does not apply to amounts which a taxpayer would be entitled to receive irrespective of whether or not the taxpayer incurs expenses for medical care.

Coverage by an employer-provided wellness program that provides medical care as defined under section 213(d) is generally excluded from an employee’s gross income under section 106(a), and any section 213(d) medical care provided by the program is excluded from the employee’s gross income under section 105(b). However, any reward, incentive or other benefit provided by the medical program that is not medical care as defined under section 213(d) is included in an employee’s income, unless excludible as an employee fringe benefit under section 132.

Section 132(e) defines a de minimis fringe as any property or service the value of which is (after taking into account the frequency with which similar fringes are provided by the employer to the employer's employees) so small as to make accounting for it unreasonable or administratively impracticable. Under § 1.132-6(c), a cash fringe benefit (other than overtime meal money and local transportation fare) is never excludable as a de minimis fringe benefit.

A wellness program that provides employees with a de minimis fringe benefit, such as a tee-shirt, that would satisfy the requirements to be excluded under section 132(e) would provide a benefit that would be excluded from an employee's income notwithstanding the fact that the de minimis fringe benefit (the tee-shirt) is not medical care under section 213(d). However, the employer payment of gym membership fees that does not qualify as medical care as defined under section 213(d) would not be excludable from the employee's income, even if provided through a wellness plan or program, because payment or reimbursement of gym fees is a cash benefit that is not excludable as a de minimis fringe benefit. Cash rewards received from a wellness program do not qualify as the reimbursement of medical care as defined under section 213(d) or as an excludible fringe benefit under section 132, and therefore are not excludible from an employee's income.

Generally, an employee choice between two or more benefits consisting of taxable benefits such as cash and nontaxable benefits such as employer-provided health coverage results in a cafeteria plan the benefits under which are included in income unless the choice is provided in accordance with the rules under section 125. Under section 125, an employer may establish a cafeteria plan that permits an employee to choose among two or more benefits, consisting of cash (generally, salary) and qualified benefits, including accident or health coverage. Pursuant to section 125, the amount of an employee's salary reduction applied to purchase such coverage is not included in gross income, even though it was available to the employee and the employee could have chosen to receive cash instead. If an employee elects salary reduction pursuant to section 125, the coverage is excludible from gross income under section 106 as employer-provided accident or health coverage.

Revenue Ruling 2002-3, 2002-3 I.R.B. 316, addresses the situation in which an employer has an arrangement under which employees may reduce their salaries and have the salary reduction amounts used to pay health insurance premiums for the employees. In addition, that employer makes payments to the employees that reimburse a portion of the amount of health insurance premiums paid by salary reduction. Revenue Ruling 2002-3 holds that the exclusions under sections 106(a) and 105(b) do not apply to amounts that the employer pays to employees to reimburse the employees for amounts paid by the employees for health insurance coverage that was excluded from gross income under section 106(a) (including salary reduction amounts pursuant to a cafeteria plan under section 125 that are applied to pay for such coverage). Accordingly, the reimbursement amounts are included in the employee's gross income under section 61, and are wages subject to employment taxes under sections 3121(a), 3306(b), and 3401(a).

DISCUSSION

In *Situations 1, 2, and 3*, the coverage provided by the wellness program is excluded under section 106(a) as coverage under an accident and health program. The health screenings and other medical care as defined under section 213(d) provided to employees by the program are excluded from the employees' income under section 105(b). If an employee earns a cash reward under the program, the amount of the cash reward is included in the employee's gross income under section 61 and is a payment of wages subject to employment taxes under sections 3121(a), 3306(b), and 3401(a). Similarly, if the employee earns a reward of a benefit not otherwise excludible from the employee's income, such as the payment of gym membership fees, the fair market value of the reward is included in the employee's gross income under section 61 and is a payment of wages subject to employment taxes under sections 3121(a), 3306(b), and 3401(a).

In addition, in *Situation 3*, that the payment to employees of reimbursements for all or a portion of the premiums paid by salary reduction is made through a wellness plan does not distinguish this arrangement from the arrangement addressed in Revenue Ruling 2002-3. Accordingly, the exclusions under sections 106(a) and 105(b) do not apply to amounts paid to employees as reimbursements of a portion of the premium for the wellness program that is excluded from gross income under section 106(a) (including salary reduction amounts pursuant to a cafeteria plan under section 125 that are applied to pay for such coverage). Accordingly, the reimbursement amounts are included in the employee's gross income under section 61 and are payments of wages subject to employment taxes under sections 3121(a), 3306(b), and 3401(a).

Please call me at (202) 317-6000 if you have any further questions.



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Memorandum

TO: NDPERS Board

FROM: Sharon Schiermeister

DATE: August 17, 2016

SUBJECT: Actuarial Transfer Update

In April 2016, the Board awarded the bid for the retirement actuarial and consulting services to Gabriel, Roeder, Smith & Company (GRS). In May, staff began working with the GRS team on this transition. The first step of the transition is for GRS to replicate the 2015 actuarial valuation results prepared by Segal. This will provide the baseline for the 2016 valuation and for determining the actuarial impact for proposed legislation.

Attached is a memo from GRS regarding the status of the replications. A representative from GRS will be available at the Board meeting, via conference call, to review their results.

GRS is currently working on the 2016 valuation and the actuarial analysis of proposed legislation, as scheduled. The transition has been going smoothly.

Attachment

August 17, 2016

Board Members
North Dakota Public Employees Retirement System
Bismarck, North Dakota

Re: Results of Replication of July 1, 2015, Actuarial Valuation Results

Members of the Board:

In accordance with your request, we have replicated the actuarial valuation results from the actuarial valuations as of July 1, 2015, performed by Segal Consulting.

This letter contains the following exhibits which compare the actuarial valuation results from the July 1, 2015, actuarial valuations performed by Segal with the July 1, 2015, actuarial valuations performed by GRS using the same census data, methods and assumption as used in the 2015 actuarial valuations (based on information provided to us by Segal).

- Exhibit I Comparison of Present Value of Future Benefits, Funded Ratio and Employer Actuarial Rate for All Plans
- Exhibit II Detailed Comparison of Actuarial Valuation Results – Total PERS (Combined Main, Judges and Law Enforcement Systems)
- Exhibit III Detailed Comparison of Actuarial Valuation Results – Main System
- Exhibit IV Detailed Comparison of Actuarial Valuation Results – Judges
- Exhibit V Detailed Comparison of Actuarial Valuation Results – Law Enforcement with Prior Main System Service
- Exhibit VI Detailed Comparison of Actuarial Valuation Results – Law Enforcement without Prior Main System Service
- Exhibit VII Detailed Comparison of Actuarial Valuation Results – Job Service
- Exhibit VIII Detailed Comparison of Actuarial Valuation Results – Retiree Health Insurance Credit Fund
- Exhibit IX Detailed Comparison of Actuarial Valuation Results – Highway Patrol

Summary of Results

As shown in Exhibit I, GRS was able to closely match (within about 3.5%) the present value of future benefits (PVFB) for each System, except for the Highway Patrol System. (The present value of future benefits is defined as the current discounted value of all future monthly benefits payable to a pensioner.) Results within 3-4% generally indicate that calculations of projected benefits to be paid from the Systems were performed consistently between the two firms.

The PVFB for each member is allocated over his/her career. The amount of the PVFB allocated to past service is the actuarial accrued liability and the amount of the PVFB allocated to future service is the present value of future normal costs. There were slightly larger differences in the actuarial accrued liability and the total normal cost results between the Segal results and the GRS

Mr. Sparb Collins
North Dakota Public Employees Retirement System
August 17, 2016
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results. This is due to differences in how the PVFB was allocated between past and future service. The total PVFB, however, payable from the Systems is not affected by this allocation.

The actuarial accrued liability calculated by GRS for each system was slightly higher for certain Systems than the amount calculated by Segal in their 2015 actuarial valuations. As a result, the funded ratio calculated by GRS is slightly lower. As shown in Exhibit I, the funded ratio calculated by GRS is about 2% higher for Judges and 0% to 4% lower for the other Systems.

The employer actuarial rates calculated by GRS are up to about 1.5% of pay lower than the rates calculated by Segal (except for Highway Patrol). This is the result of the net effect of a lower normal cost and a higher unfunded liability amortization rate.

Due to the differences in the actuarial valuation results for the Highway Patrol System, GRS requested additional details from Segal in order to further reconcile the differences. We believe that the differences may be due to the treatment of current active members in the Highway Patrol System that have prior service in another NDPERS System. We will continue to work with Segal to reconcile the Highway Patrol System results.

Disclosures and Additional Information

The actuarial assumptions used by GRS were the same assumptions used in the actuarial valuation as of July 1, 2015, as disclosed in the Segal report, including an assumed rate of investment return of 8.00 percent.

Future actuarial measurements may differ significantly from the current measurements presented in this cost analysis, due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions, contribution amounts or applicable law.

If any of the provisions, underlying data or assumptions used in this analysis appear to be incorrect or unreasonable, please let us know as soon as possible so we can update the analysis.

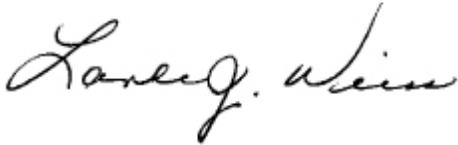
The signing actuaries are independent of the plan sponsor.

Lance J. Weiss and Amy Williams are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Mr. Sparb Collins
North Dakota Public Employees Retirement System
August 17, 2016
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Please let us know if you have any questions or would like to discuss the results of this analysis further.

Sincerely,



Lance J. Weiss, EA, MAAA, FCA
Senior Consultant and Team Leader



Amy Williams, ASA, MAAA, FCA
Consultant

AW:rl

cc: Mr. Bryan Reinhardt, NDPERS
Ms. Sharon Schiermeister, NDPERS
Mr. Alex Rivera, Gabriel, Roeder, Smith & Company
Ms. Kristen Brundirks, Gabriel, Roeder, Smith & Company
Mr. Neil Nguyen, Gabriel, Roeder, Smith & Company

**North Dakota Public Employees Retirement System
July 1, 2015 Valuation
Summary - All Plans**

	<u>Segal</u>	<u>GRS</u>	<u>Delta \$</u>	<u>Delta %</u>
Present Value of Benefits				
Main System	\$ 4,075,205,734	\$ 4,107,874,649	\$ 32,668,915	0.80%
Judges	47,470,944	47,353,786	(117,158)	-0.25%
Law Enforcement with Prior Main System Service	52,361,965	51,268,399	(1,093,566)	-2.09%
Law Enforcement without Prior Main System Service	7,427,722	7,165,075	(262,647)	-3.54%
Total	<u>\$ 4,182,466,365</u>	<u>\$ 4,213,661,909</u>	<u>\$ 31,195,544</u>	0.75%
Job Service	\$ 63,623,299	\$ 63,661,827	38,528	0.06%
Highway Patrol	104,366,667	119,140,378	14,773,711	14.16%
Retiree Health Insurance Credit Fund	161,891,447	163,672,786	1,781,339	1.10%
Funded Ratio				
Main System	68.13%	65.73%		-2.40%
Judges	98.97%	100.97%		2.00%
Law Enforcement with Prior Main System Service	73.83%	72.81%		-1.02%
Law Enforcement without Prior Main System Service	92.16%	88.97%		-3.19%
Total	68.61%	66.26%		-2.35%
Job Service	124.48%	124.40%		-0.08%
Highway Patrol	73.49%	69.70%		-3.79%
Retiree Health Insurance Credit Fund	69.36%	68.69%		-0.67%
Employer Actuarial Rate				
Main System	12.21%	10.76%		-1.46%
Judges	10.75%	10.40%		-0.34%
Law Enforcement with Prior Main System Service	9.78%	8.67%		-1.11%
Law Enforcement without Prior Main System Service	8.03%	6.52%		-1.51%
Total	12.14%	10.70%		-1.44%
Job Service	0.00%	0.00%		0.00%
Highway Patrol	21.42%	28.21%		6.79%
Retiree Health Insurance Credit Fund	0.72%	0.73%		0.01%

Exhibit II

**North Dakota Public Employees Retirement System
July 1, 2015 Valuation
Summary - Total PERS**

	<u>Segal</u>	<u>GRS</u>	<u>Delta \$</u>	<u>Delta %</u>
Number of Active Members	22,845	22,845	-	0.00%
Average Age	46.4	46.3	(0.1)	-0.22%
Average Years of Benefit Service		9.6	NA	
Average Years of Vesting Service	9.6	9.7	0.1	1.04%
Total Payroll	\$ 961,690,526	\$ 961,690,526	\$ -	0.00%
Projected Annual Compensation	1,024,155,919	1,029,267,110	5,111,191	0.50%
Average Projected Annual Compensation	44,831	45,054	224	0.50%
Contribution Account Balance	788,302,199	788,302,200	1	0.00%
1. Present Value of Benefits				
Active Members	\$ 2,745,442,324	\$ 2,788,370,972	\$ 42,928,648	1.56%
Special Prior Service Pensions	1,074	1,072	(2)	-0.19%
Retired Members and Beneficiaries	1,263,418,385	1,259,890,624	(3,527,761)	-0.28%
Inactive Non-Retired Members	<u>173,604,582</u>	<u>165,399,241</u>	<u>(8,205,341)</u>	<u>-4.73%</u>
Total	\$ 4,182,466,365	\$ 4,213,661,909	\$ 31,195,544	0.75%
2. Actuarial Accrued Liability				
Active Members	\$ 1,615,422,498	\$ 1,735,295,020	\$ 119,872,522	7.42%
Special Prior Service Pensions	1,074	1,072	(2)	-0.19%
Retired Members and Beneficiaries	1,263,418,385	1,259,890,624	(3,527,761)	-0.28%
Inactive Non-Retired Members	<u>173,604,582</u>	<u>165,399,241</u>	<u>(8,205,341)</u>	<u>-4.73%</u>
Total	\$ 3,052,446,539	\$ 3,160,585,957	\$ 108,139,418	3.54%
3. Actuarial Value of Assets				
	\$ 2,094,251,356	\$ 2,094,251,356	\$ -	0.00%
4. Funded Ratio (3./2.)				
	68.61%	66.26%		-2.35%
5. Unfunded Actuarial Accrued Liability (2.-3.)				
	\$ 958,195,183	\$ 1,066,334,601	\$ 108,139,418	11.29%
6. Total Normal Cost for Ensuing Year				
	\$ 126,443,929	\$ 105,021,383	\$ (21,422,546)	-16.94%
7. Estimated Annual Salaries of Covered Members				
	\$ 1,024,155,919	\$ 1,029,267,110	\$ 5,111,191	0.50%
8. Member Normal Cost				
	\$ 71,430,469	\$ 71,781,994	\$ 351,525	0.49%
9. Employer Normal Cost (6.-8.)				
	\$ 55,013,460	\$ 33,239,389	\$ (21,774,071)	-39.58%
10. Amortization Payment - Equals 20-year Amortization of the UAAL as a level % of Payroll				
	\$ 66,873,860	\$ 74,418,718	\$ 7,544,858	11.28%
11. Administrative Expenses				
	\$ 2,448,847	\$ 2,448,847	\$ -	0.00%
12. Total Employer Cost for Ensuing Year (9.+10.+11.)				
	\$ 124,336,167	\$ 110,106,955	\$ (14,229,212)	-11.44%
13. Total Employer Cost as % of Pay (12./7.)				
	12.14%	10.70%		-1.44%

Exhibit III

**North Dakota Public Employees Retirement System
July 1, 2015 Valuation
Summary - Main**

	<u>Segal</u>	<u>GRS</u>	<u>Delta \$</u>	<u>Delta %</u>
Number of Active Members	22,381	22,381	-	0.00%
Average Age	46.5	46.5	-	0.00%
Average Years of Benefit Service		9.6	NA	
Average Years of Vesting Service	9.7	9.7	-	0.00%
Total Payroll	\$ 934,045,098	\$ 934,045,098	\$ -	0.00%
Projected Annual Compensation	993,609,618	998,913,078	5,303,460	0.53%
Average Projected Annual Compensation	44,395	44,632	237	0.53%
Contribution Account Balance	773,846,715	773,846,716	1	0.00%
1. Present Value of Benefits				
Active Members	\$ 2,677,977,138	\$ 2,721,820,679	\$ 43,843,541	1.64%
Special Prior Service Pensions	1,074	1,072	(2)	-0.19%
Retired Members and Beneficiaries	1,227,994,794	1,224,494,177	(3,500,617)	-0.29%
Inactive Non-Retired Members	169,232,728	161,558,721	(7,674,007)	-4.53%
Total	<u>\$ 4,075,205,734</u>	<u>\$ 4,107,874,649</u>	<u>\$ 32,668,915</u>	<u>0.80%</u>
2. Actuarial Accrued Liability				
Active Members	\$ 1,578,843,212	\$ 1,698,362,176	\$ 119,518,964	7.57%
Special Prior Service Pensions	1,074	1,072	(2)	-0.19%
Retired Members and Beneficiaries	1,227,994,794	1,224,494,177	(3,500,617)	-0.29%
Inactive Non-Retired Members*	169,232,728	161,558,721	(7,674,007)	-4.53%
Total	<u>\$ 2,976,071,808</u>	<u>\$ 3,084,416,146</u>	<u>\$ 108,344,338</u>	<u>3.64%</u>
3. Actuarial Value of Assets	\$ 2,027,476,214	\$ 2,027,476,214	\$ -	0.00%
4. Funded Ratio (3./2.)	68.13%	65.73%		-2.39%
5. Unfunded Actuarial Accrued Liability (2.-3.)	\$ 948,595,594	\$ 1,056,939,932	\$ 108,344,338	11.42%
6. Total Normal Cost for Ensuing Year	\$ 122,308,342	\$ 101,208,317	\$ (21,100,025)	-17.25%
7. Estimated Annual Salaries of Covered Members	\$ 993,609,618	\$ 998,913,078	\$ 5,303,460	0.53%
8. Member Normal Cost	\$ 69,552,673	\$ 69,923,915	\$ 371,242	0.53%
9. Employer Normal Cost (6.-8.)	\$ 52,755,669	\$ 31,284,402	\$ (21,471,267)	-40.70%
10. Amortization Payment - Equals 20-year Amortization of the UAAL as a level % of Payroll	\$ 66,202,742	\$ 73,764,123	\$ 7,561,381	11.42%
11. Administrative Expenses	\$ 2,400,044	\$ 2,400,044	\$ -	0.00%
12. Total Employer Cost for Ensuing Year (9.+10.+11.)	\$ 121,358,455	\$ 107,448,568	\$ (13,909,887)	-11.46%
13. Total Employer Cost as % of Pay (12./7.)	12.21%	10.76%		-1.46%

Exhibit IV

**North Dakota Public Employees Retirement System
July 1, 2015 Valuation
Summary - Judges**

	<u>Segal</u>	<u>GRS</u>	<u>Delta \$</u>	<u>Delta %</u>
Number of Active Members	51	51	-	0.00%
Average Age	58.7	58.1	(0.6)	-1.02%
Average Years of Benefit Service		10.9	NA	
Average Years of Vesting Service	15.5	15.5	-	0.00%
Total Payroll	\$ 6,999,397	\$ 6,999,397	\$ -	0.00%
Projected Annual Compensation	7,274,441	7,279,372	4,931	0.07%
Average Projected Annual Compensation	142,636	142,733	97	0.07%
Contribution Account Balance	6,414,157	6,414,157	0	0.00%
1. Present Value of Benefits				
Active Members	\$ 26,226,489	\$ 26,327,848	\$ 101,359	0.39%
Retired Members and Beneficiaries	20,416,692	20,429,649	12,957	0.06%
Inactive Non-Retired Members	827,763	596,289	(231,474)	-27.96%
Total	\$ 47,470,944	\$ 47,353,786	\$ (117,158)	-0.25%
2. Actuarial Accrued Liability				
Active Members	\$ 18,136,988	\$ 17,575,299	\$ (561,689)	-3.10%
Retired Members and Beneficiaries	20,416,692	20,429,649	12,957	0.06%
Inactive Non-Retired Members	827,763	596,289	(231,474)	-27.96%
Total	\$ 39,381,443	\$ 38,601,237	\$ (780,206)	-1.98%
3. Actuarial Value of Assets	\$ 38,973,906	\$ 38,973,906	\$ -	0.00%
4. Funded Ratio (3./2.)	98.97%	100.97%		2.00%
5. Unfunded Actuarial Accrued Liability (2.-3.)	\$ 407,537	\$ (372,669)	\$ (780,206)	-191.44%
6. Total Normal Cost for Ensuing Year	\$ 1,322,507	\$ 1,355,234	\$ 32,727	2.47%
7. Estimated Annual Salaries of Covered Members	\$ 7,274,441	\$ 7,279,372	\$ 4,931	0.07%
8. Member Normal Cost	\$ 581,955	\$ 582,350	\$ 395	0.07%
9. Employer Normal Cost (6.-8.)	\$ 740,552	\$ 772,884	\$ 32,332	4.37%
10. Amortization Payment - Equals 20-year Amortization of the UAAL as a level % of Payroll	\$ 29,602	\$ (27,069)	\$ (56,671)	-191.44%
11. Administrative Expenses	\$ 11,559	\$ 11,559	\$ -	0.00%
12. Total Employer Cost for Ensuing Year (9.+10.+11.)	\$ 781,713	\$ 757,374	\$ (24,339)	-3.11%
13. Total Employer Cost as % of Pay (12./7.)	10.75%	10.40%		-0.34%

Exhibit V

North Dakota Public Employees Retirement System
July 1, 2015 Valuation
Summary - Law Enforcement With Prior Main System Service

	<u>Segal</u>	<u>GRS</u>	<u>Delta \$</u>	<u>Delta %</u>
Number of Active Members	318	318	-	0.00%
Average Age	37.1	37.1	-	0.00%
Average Years of Benefit Service		5.5	NA	
Average Years of Vesting Service	6.3	6.3	-	0.00%
Total Payroll	\$ 16,584,551	\$ 16,584,551	\$ -	0.00%
Projected Annual Compensation	18,692,512	18,459,348	(233,164)	-1.25%
Average Projected Annual Compensation	58,781	58,048	(733)	-1.25%
Contribution Account Balance	6,765,213	6,765,213	(0)	0.00%
 1. Present Value of Benefits				
Active Members	\$ 34,384,696	\$ 33,609,397	\$ (775,299)	-2.25%
Retired Members and Beneficiaries	14,917,164	14,877,048	(40,116)	-0.27%
Inactive Non-Retired Members	3,060,105	2,781,954	(278,151)	-9.09%
Total	\$ 52,361,965	\$ 51,268,399	\$ (1,093,566)	-2.09%
 2. Actuarial Accrued Liability				
Active Members	\$ 16,340,513	\$ 17,138,060	\$ 797,547	4.88%
Retired Members and Beneficiaries	14,917,164	14,877,048	(40,116)	-0.27%
Inactive Non-Retired Members	3,060,105	2,781,954	(278,151)	-9.09%
Total	\$ 34,317,782	\$ 34,797,062	\$ 479,280	1.40%
3. Actuarial Value of Assets	\$ 25,335,386	\$ 25,335,386	\$ -	0.00%
4. Funded Ratio (3./2.)	73.83%	72.81%		-1.02%
5. Unfunded Actuarial Accrued Liability (2.-3.)	\$ 8,982,396	\$ 9,461,676	\$ 479,280	5.34%
6. Total Normal Cost for Ensuing Year	\$ 2,215,447	\$ 1,931,588	\$ (283,859)	-12.81%
7. Estimated Annual Salaries of Covered Members	\$ 18,692,512	\$ 18,459,348	\$ (233,164)	-1.25%
8. Member Normal Cost	\$ 1,043,977	\$ 1,021,886	\$ (22,091)	-2.12%
9. Employer Normal Cost (6.-8.)	\$ 1,171,470	\$ 909,702	\$ (261,768)	-22.35%
10. Amortization Payment - Equals 20-year Amortization of the UAAL as a level % of Payroll	\$ 626,884	\$ 660,333	\$ 33,449	5.34%
11. Administrative Expenses	\$ 29,842	\$ 29,842	\$ -	0.00%
12. Total Employer Cost for Ensuing Year (9.+10.+11.)	\$ 1,828,196	\$ 1,599,877	\$ (228,319)	-12.49%
13. Total Employer Cost as % of Pay (12./7.)	9.78%	8.67%		-1.11%

Exhibit VI

North Dakota Public Employees Retirement System
July 1, 2015 Valuation
Summary - Law Enforcement Without Prior Main System Service

	<u>Segal</u>	<u>GRS</u>	<u>Delta \$</u>	<u>Delta %</u>
Number of Active Members	95	95	-	0.00%
Average Age	37.8	37.8	-	0.00%
Average Years of Benefit Service		3.2	NA	
Average Years of Vesting Service	3.8	3.8	-	0.00%
Total Payroll	\$ 4,061,481	\$ 4,061,481	\$ -	0.00%
Projected Annual Compensation	4,579,348	4,615,312	35,964	0.79%
Average Projected Annual Compensation	48,204	48,582	379	0.79%
Contribution Account Balance	1,276,114	1,276,114	0	0.00%
1. Present Value of Benefits				
Active Members	\$ 6,854,001	\$ 6,613,048	\$ (240,953)	-3.52%
Retired Members and Beneficiaries	89,735	89,750	15	0.02%
Inactive Non-Retired Members	483,986	462,277	(21,709)	-4.49%
Total	\$ 7,427,722	\$ 7,165,075	\$ (262,647)	-3.54%
2. Actuarial Accrued Liability				
Active Members	\$ 2,101,785	\$ 2,219,485	\$ 117,700	5.60%
Retired Members and Beneficiaries	89,735	89,750	15	0.02%
Inactive Non-Retired Members	483,986	462,277	(21,709)	-4.49%
Total	\$ 2,675,506	\$ 2,771,512	\$ 96,006	3.59%
3. Actuarial Value of Assets	\$ 2,465,850	\$ 2,465,850	\$ -	0.00%
4. Funded Ratio (3./2.)	92.16%	88.97%		-3.19%
5. Unfunded Actuarial Accrued Liability (2.-3.)	\$ 209,656	\$ 305,662	\$ 96,006	45.79%
6. Total Normal Cost for Ensuing Year	\$ 597,633	\$ 526,244	\$ (71,389)	-11.95%
7. Estimated Annual Salaries of Covered Members	\$ 4,579,348	\$ 4,615,312	\$ 35,964	0.79%
8. Member Normal Cost	\$ 251,864	\$ 253,842	\$ 1,978	0.79%
9. Employer Normal Cost (6.-8.)	\$ 345,769	\$ 272,402	\$ (73,367)	-21.22%
10. Amortization Payment - Equals 20-year Amortization of the UAAL as a level % of Payroll	\$ 14,632	\$ 21,332	\$ 6,700	45.79%
11. Administrative Expenses	\$ 7,402	\$ 7,402	\$ -	0.00%
12. Total Employer Cost for Ensuing Year (9.+10.+11.)	\$ 367,803	\$ 301,136	\$ (66,667)	-18.13%
13. Total Employer Cost as % of Pay (12./7.)	8.03%	6.52%		-1.51%

North Dakota Job Service Employees Retirement System
 July 1, 2015 Valuation
 Summary

		Segal	GRS		
		Results	Results	Delta \$	Delta %
Membership Data					
	Active Members	11	11	0	0.00%
	Deferred Vested	1	1	0	0.00%
	Retirees and Beneficiaries	206	206	0	0.00%
	TOTAL	218	218	0	0.00%
	Average Age	61.2	61.2	-	0.00%
	Average Years of Service	38.9	38.9	-	0.00%
	Total Payroll	\$ 673,836	\$ 673,836	\$ -	0.00%
	Projected Annual Compensation	697,420	471,673	(225,747)	-32.37%
	Average Projected Annual Compensation	63,402	42,879	(20,522)	-32.37%
	Contribution Account Balance		1,820,326	NA	
Plan Liabilities					
	Present Value of Future Benefits				
	Active Members	\$ 7,367,184	\$ 7,388,702	\$ 21,518	0.29%
	Term Vested Members	11,011	11,473	462	4.20%
	Retirees and Beneficiaries	56,245,104	56,261,652	16,548	0.03%
	Total	\$ 63,623,299	\$ 63,661,827	\$ 38,528	0.06%
	Actuarial Value of Assets	\$ 79,196,686	\$ 79,196,686	\$ -	0.00%
	Outstanding Balance as of July 1, 2015 of Frozen Initial Liability	\$ -	\$ -	\$ -	
	Actuarial Value of Future Normal Costs	\$ -	\$ -	\$ -	
	Present Value of Future Salaries	\$ 1,398,693	\$ 1,346,124	\$ (52,569)	-3.76%
	Normal cost percentage	0%	0%		
	Normal Cost	\$ -	\$ -	\$ -	

Exhibit VIII

North Dakota Retiree Health Insurance Credit Fund
July 1, 2015 Valuation
Summary

	<u>Segal</u>	<u>GRS</u>	<u>Delta \$</u>	<u>Delta %</u>
Number of Active Members	23,237	23,237		0.00%
Average Age	46.3	46.2		-0.11%
Average Years of Benefit Service	9.7	9.6		-1.12%
Projected Annual Compensation	\$ 1,052,657,242	\$ 1,059,638,167	\$ 6,980,925	0.66%
Average Projected Annual Compensation	\$ 45,301	\$ 45,601	\$ 300	0.66%
 1. Present Value of Benefits				
Active Members	\$ 95,584,297	\$ 96,429,242	\$ 844,945	0.88%
Retired Members and Beneficiaries	<u>66,307,150</u>	<u>67,243,544</u>	<u>936,394</u>	<u>1.41%</u>
Total	\$ 161,891,447	\$ 163,672,786	\$ 1,781,339	1.10%
 2. Actuarial Accrued Liability				
Active Members	\$ 62,632,863	\$ 62,895,056	\$ 262,193	0.42%
Retired Members and Beneficiaries	<u>66,307,150</u>	<u>67,306,417</u>	<u>999,267</u>	<u>1.51%</u>
Total	\$ 128,940,013	\$ 130,201,473	\$ 1,261,460	0.98%
3. Actuarial Value of Assets	89,433,998	89,433,998	0	0.00%
4. Unfunded Actuarial Accrued Liability (2.-3.)	39,506,015	40,767,475	1,261,460	3.19%
5. Normal Cost for Ensuing Year	3,905,835	3,999,651	93,816	2.40%
6. Amortization Payment - Equals 15-year Amortization of the UAAL as a level % of Payroll	3,412,289	3,521,246	108,957	3.19%
7. Administrative Expenses	225,619	225,619	0	0.00%
8. Total Cost for Ensuing Year (5.+6.+7.)	7,543,743	7,746,516	202,773	2.69%
9. Total Payroll of Covered Members	1,052,657,242	1,059,638,167	6,980,925	0.66%
10. Total Employer Cost as % of Pay (8./9.)	0.72%	0.73%		0.01%

North Dakota Public Employees Retirement System
 July 1, 2015 Valuation
 Summary - Highway Patrol

	Segal	GRS	Delta \$	Delta %	GRS			GRS Non-Transfer vs. Segal	
					Non-Transfer Actives	Transfer Actives	Total GRS	Delta \$	Delta %
Number of Active Members	161	161	-	0.00%	130	31	161	(31)	-19.25%
Average Age	35.3	35.3	-	0.00%	35.4	34.9	35.3	0.1	0.28%
Average Years of Benefit Service	8.6	8.6	-	0.00%	8.9	7.5	8.6	0.3	3.49%
Average Years of Vesting Service		9.2	NA		9.0	10.0	9.2	NA	
Total Payroll	\$ 9,967,249	\$ 9,967,249	\$ -	0.00%	\$ 8,107,178	\$ 1,860,071	\$ 9,967,249	\$ (1,860,071)	-18.66%
Projected Annual Compensation	10,774,341	10,725,877	(48,464)	-0.45%	8,731,040	1,994,837	10,725,877	(2,043,301)	-18.96%
Average Compensation	61,908	61,908	-	0.00%	62,363	60,002	61,908	455	0.73%
Average Projected Annual Compensation	66,921	66,620	(301)	-0.45%	67,162	64,350	66,620	240	0.36%
Contribution Account Balance	12,312,314	12,312,358	44	0.00%	10,396,675	1,915,683	12,312,358	(1,915,639)	-15.56%
1. Present Value of Benefits									
Active Members	\$ 50,242,223	\$ 65,315,619	\$ 15,073,396	30.00%	\$ 53,221,561	\$ 12,094,058	\$ 65,315,619	\$ 2,979,338	5.93%
Retired Members and Beneficiaries	50,308,102	50,174,079	(134,023)	-0.27%	50,174,079	-	50,174,079	(134,023)	-0.27%
Inactive Non-Retired Members	3,816,342	3,650,680	(165,662)	-4.34%	3,650,680	-	3,650,680	(165,662)	-4.34%
Total	\$ 104,366,667	\$ 119,140,378	\$ 14,773,711	14.16%	\$ 107,046,320	\$ 12,094,058	\$ 119,140,378	\$ 2,679,653	2.57%
2. Actuarial Accrued Liability									
Active Members	\$ 25,987,773	\$ 30,642,960	\$ 4,655,187	17.91%	\$ 25,483,990	\$ 5,158,970	\$ 30,642,960	\$ (503,783)	-1.94%
Retired Members and Beneficiaries	50,308,102	50,174,079	(134,023)	-0.27%	50,174,079	-	50,174,079	(134,023)	-0.27%
Inactive Non-Retired Members*	3,816,342	3,650,680	(165,662)	-4.34%	3,650,680	-	3,650,680	(165,662)	-4.34%
Total	\$ 80,112,217	\$ 84,467,719	\$ 4,355,502	5.44%	\$ 79,308,749	\$ 5,158,970	\$ 84,467,719	\$ (803,468)	-1.00%
3. Actuarial Value of Assets									
	\$ 58,875,531	\$ 58,875,531	\$ -	0.00%	\$ 55,279,635	\$ 3,595,896	\$ 58,875,531		
4. Funded Ratio									
	73.5%	69.7%		-3.79%	69.7%	69.7%	69.7%		
5. Unfunded Actuarial Accrued Liability									
	\$ 21,236,686	\$ 25,592,188	\$ 4,355,502	20.51%	\$ 24,029,114	\$ 1,563,074	\$ 25,592,188		
6. Total Normal Cost for Ensuing Year									
	\$ 2,226,286	\$ 2,633,932	\$ 407,646	18.31%	\$ 2,126,140	\$ 507,792	\$ 2,633,932	\$ (100,146)	-4.50%
7. Estimated Annual Salaries of Covered Members									
	\$ 10,774,341	\$ 10,725,877	\$ (48,464)	-0.45%	\$ 8,731,040	\$ 1,994,837	\$ 10,725,877		
8. Member Normal Cost									
	\$ 1,432,987	\$ 1,426,542	\$ (6,445)	-0.45%	\$ 1,161,228	\$ 265,313	\$ 1,426,542		
9. Employer Normal Cost									
	\$ 793,299	\$ 1,207,390	\$ 414,091	52.20%	\$ 964,912	\$ 242,479	\$ 1,207,390		
10. Amortization of the UAAL as a level % of Payroll									
	\$ 1,482,114	\$ 1,786,086	\$ 303,972	20.51%	\$ 1,676,998	\$ 109,087	\$ 1,786,086		
11. Administrative Expenses									
	\$ 32,007	\$ 32,007	\$ -	0.00%	\$ 25,836	\$ 6,171	\$ 32,007		
12. Total Employer Cost for Ensuing Year									
	\$ 2,307,420	\$ 3,025,483	\$ 718,063	31.12%	\$ 2,667,746	\$ 357,737	\$ 3,025,483		
13. Total Employer Cost as % of Pay									
	21.42%	28.21%		6.79%	30.55%	17.93%	28.21%		



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: August 18, 2016
SUBJECT: Legislation

The next meeting of the Legislative Employee Benefits Committee (LEBC) is scheduled for September 1. In this memo I will address three items in preparation for the meeting:

1. Technical Amendments.

At the last meeting you reviewed Attachment #1 – a Board memo from Sharon. You decided to amend our bill to allow fines from the DC plan to be used to fund the administrative expenses of the DC plan. Attachment #2 is the proposed amendment development by Jan and the proposed bill. Also a part of that amendment is a clean up of some language relating to the combining of the National Guard Plan with the Law Enforcement Plan.

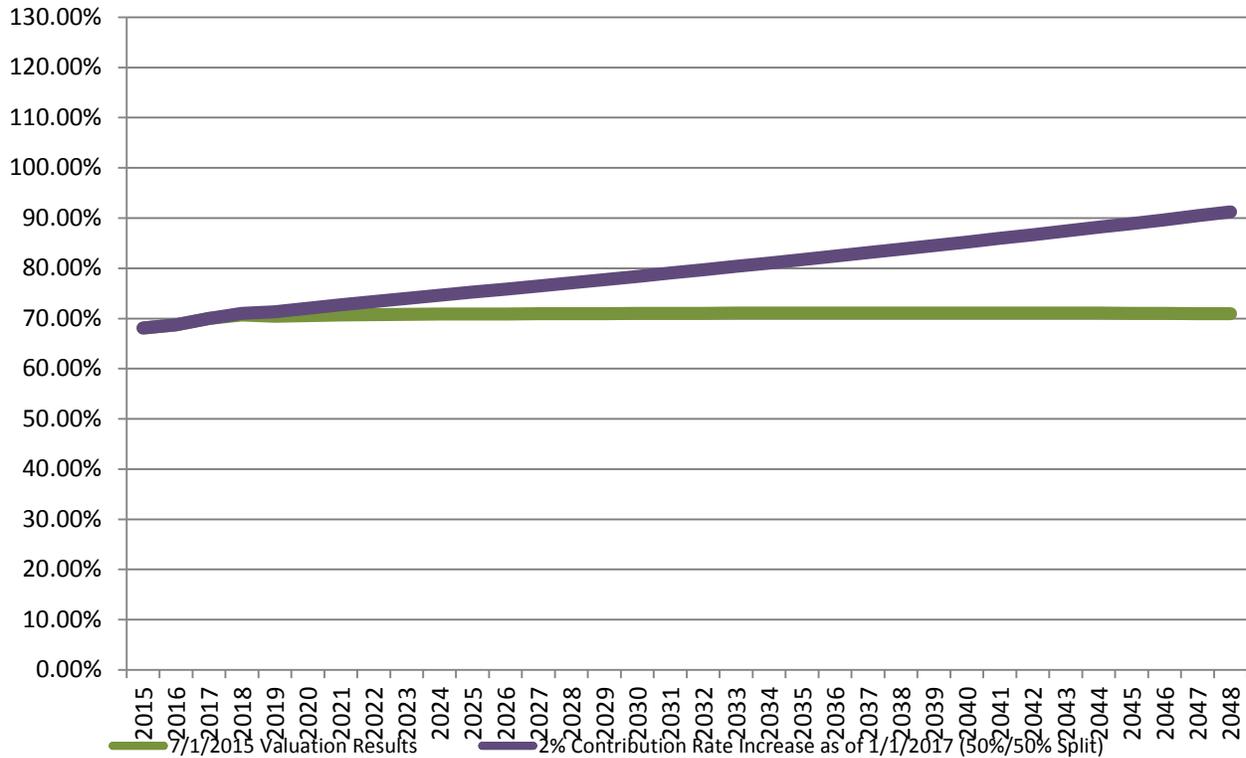
Board Action Requested:

Approve requesting the attached amendments.

2. Retirement Contribution Legislation

Attachment #3 is the draft legislative review of our proposed legislation to implement the 4th year of the recovery plan. When we considered this legislation early this last year it was based upon the actuarial information provided by Segal. In agenda item II.A you will find the transition results from Segal to GRS. One item of note is that in that transition the long term funding situation for PERS has changed slightly. Specifically Segal projected:

This illustration shows the impact of a 2% contribution rate increase (50%/50% split) effective January 1, 2017 to the funded ratio.



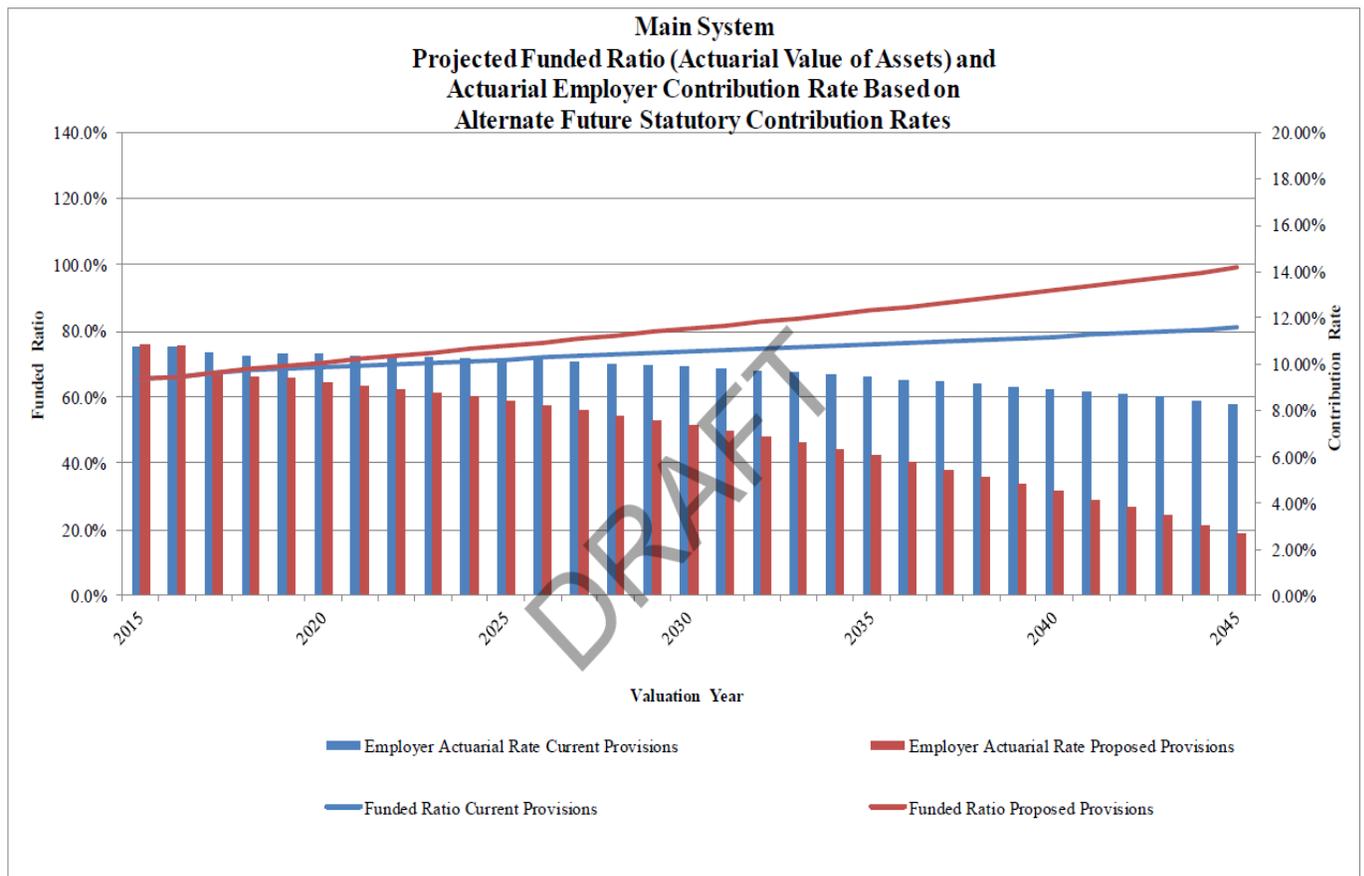
As the above shows the long term projection for the plan without any change in the contribution was that we would stay funded at about 70% as long as we met the other assumptions. The next line above the shows that with the 4th year of the recovery the plans funded status would increase to 100% by 2059 (if all other assumptions are met)

The total employer cost of the increase is about \$15 million for the 2017-2019 biennium matched with another \$19 million from the members. In subsequent bienniums the cost increases to about \$20 million for the employers and \$20 million for the members.

Since we decided to submit this bill, the fiscal situation for our participating employers has deteriorated substantially. The state has done an across the board general fund reduction of 4.5% followed by another 2.5% reduction. The projections for revenue for the next biennium are not optimistic either.

For our members, expected future income expectations have dropped as well. There is a real possibility of no salary increase this next biennium, or if so, it will be small or for just the second year. On the benefits side for state employees, it is very possible there will be legislation for employees to pay a part of the health premium due to the fiscal situation and the possible level of the increase.

The information from GRS shows:



The GRS valuation has the plans funded status with no change in contributions increasing to about 81% at actuarial value (91% at market value) whereas the Segal projection had us at 70%. If the proposed legislation would pass the plan would become fully funded by 2045 instead of 2059 as projected by Segal.

Observations

1. As a result of the deterioration of the states and our political subdivisions fiscal situation the chance of our bill getting funded in the executive budget or passed and signed by the Governor has dropped to "0".
2. Given the likely salary and benefit challenge that will be facing our members it is likely they may not actively support the bill.
3. Given the new set of numbers from GRS the planning projections for the future of the PERS plan have changed to the plans favor. Instead of facing a flat 70% funding status going forward it is now changed to the plan funding status increasing to about 81% at actuarial value of assets and 91% at market value by 2045.

3.Options for PERS Retirement Bill

With the LEBC meeting on September 1 this will be our last real chance to adjust the bill if that is what you elect. Options for changing the bill that may make it more acceptable in the current fiscal environment are:

1. Reduce the contribution increase amount from 1% each to .5% each
2. Move back the effective date of the increase to January of 2018 or into the 2019-2021 biennium.
3. Move the contributions from the retiree health credit program that are not actuarial needed to the main retirement plan where they are needed. You will note that the GRS calculation of the required actuarial contribution to the Retiree Health Fund almost perfectly matches the Segal required contribution. With this transition it marks the first time this funds required contributions have been reviewed by another actuary and the result is almost perfect. This should give us confidence in where we are at with this plan. Based upon the GRS review, the actuarial required contribution to this plan is .73%. Our statutory contribution rate is 1.14%. This means that the contributions to that plan are .41% more than actuarial required. These funds originally came from the retirement plans employer contributions. This option would move these contributions back to the retirement plan.

Staff Recommendation

Staff assessment is that option 1 & 2 will: not get funded by the Governor, may not get a favorable recommendation from the LEBC, will not pass the legislature and may not be supported by our members given the current fiscal environment.

Staff would recommend option 3. This would not have a fiscal effect on our participating employers or members and therefor would likely pass and given our most recent information contribute to getting the plan back to 100%. This option is the most likely approach to address the funding challenge of the main retirement plan. I will have GRS do an actuarial assessment of this option and I will get the additional information to you once that report comes in.

Staff would also suggest that instead of making this change in contributions permanent that we put a sunset clause on the bill of 4 years after passage so the Board can review this approach and determine if the funds should continue going the main retirement plan or go back to the retiree health plan.



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Memorandum

TO: NDPERS Board
FROM: Sharon Schiermeister
DATE: July 14, 2016
SUBJECT: Fees

Staff is seeking direction from the Board on two situations relating to fees that are part of our agreement with TIAA for the 457 Companion Plan and 401(a) Defined Contribution Plan.

457 Companion Plan

As part of our agreement with TIAA, they offer a revenue sharing feature for both the 457 Companion Plan and the 401(a) Defined Contribution Plan. The revenue sharing occurs when the recordkeeping fees that TIAA receives from the participating mutual funds exceed TIAA's administrative expenses. If the difference exceeds \$5,000 per plan in a calendar year, it becomes available to NDPERS. The revenue sharing can then either be distributed to the participants in the plan or used by NDPERS to cover administrative expenses.

In March 2012, we reviewed with the Board our authority relating to accepting and expending these funds for the 457 and 401(a) plans and determined the following:

457 Deferred Compensation Plan. It was determined that NDPERS did not have statutory authority to accept and expend these fees. At that time, the Board action was to credit the member accounts with the funds from TIAA and move forward with legislation that would allow NDPERS to use those dollars for administrative purposes. Legislation was submitted and passed in the 2013 session which would allow NDPERS to retain these fees to fund administrative expenses. NDCC 54-52-04 (11) now states:

The board shall fund the administrative expenses of chapter 54-52.2 from funds collected under chapters 54-52, 54-52.1, and 54-52.3 and from fines and fees collected from deferred compensation services providers, subject to appropriation by the legislative assembly.

401(a) Defined Contribution Plan. Participants in this plan are charged 6 basis points for NDPERS administration, which is taken out of their accounts quarterly. At that time, the Board action was to continue charging the administrative fees to the participants in the same manner and credit the member accounts with the funds from TIAA.

Since 2012, these revenue sharing fees were distributed back to participant accounts three times for the 457 plan and twice for the 401(a) plan. The fees were distributed proportionately to each participant based on their account balance.

There are currently revenue sharing fees of \$5,018.45 available for distribution in the 457 plan. Since we now have statutory authority to use fees from deferred compensation service providers to fund our administrative expenses for the 457 plan, we are seeking direction from the Board whether to continue to distribute the revenue sharing fees to participants or retain the fees to pay for plan administrative expenses. Currently, we are funding the administrative expenses of the deferred comp plan through transfers from the Group Insurance plan, Retirement plan assets, and FICA tax savings from the FlexComp plan.

Board Action Requested:

- 1. Determine whether revenue credit fees for the 457 plan should be returned to NDPERS to fund administrative expenses or continue to be distributed to participants in the plan.**

401(a) Defined Contribution Plan

The recordkeeping agreement with TIAA for the 457 Companion Plan and the 401(a) Defined Contribution Plan was amended in July 2013 to include a Service Level Agreement (SLA). There are several service level guarantees relating to availability, transaction timeliness, issue resolution, reporting, satisfaction and consulting/financial planning service. If the agreed upon measurement criteria is not met, there is a penalty for non-compliance. To date, TIAA has been assessed penalties totaling \$2,950; \$1300 for the 401(a) plan and \$1650 for the 457 plan. The penalties received by each plan are being held in accounts with TIAA.

We are currently in the process of requesting that the penalties be disbursed to NDPERS so they can be used to fund the administrative expenses for each of the plans. As part of this process, we found that NDCC 54-52-04(11) provides authority to use fines collected from deferred compensation services providers to fund the administrative expenses of the deferred compensation plan. There is not similar authority for the Defined Contribution Plan. Until we have this authority, we are not able to use these penalties to offset our administrative expenses.

One option for the Board's consideration would be to add language in our proposed technical corrections bill to provide authority for fines received from service providers to be available to fund the administrative expenses of the Defined Contribution Plan. Another option would be to wait until the 2019 session to address this.

Board Action Requested:

Determine whether or not to submit legislation to allow fines to be used to fund the administrative expenses of the Defined Contribution Plan.

Introduced by

(At the request of the Public Employees Retirement System)

1 A BILL for an Act to amend and reenact sections 54-52-01 and 54-52-06.4, subsections 3 and 4
2 of section 54-52-17, section 54-52.1-03, subsection 1 of section 54-52.1-03.3, subsection 2 of
3 section 54-52.1-18, and subsection 2 of section 54-52.6-09 of the North Dakota Century Code,
4 relating to the definitions of retirement and retirement board, decreased employee contributions
5 under the public employees retirement system for peace officers employed by the bureau of
6 criminal investigation and security officers employed by the national guard, eligibility for
7 disability retirement and early retirement benefits under the public employees retirement
8 system, employee enrollment, billing for the retiree health insurance credit, failure to maintain a
9 health savings account when the high-deductible health plan is elected, and penalties for
10 employers failing to pay contributions under the defined contribution plan.

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

12 **SECTION 1. AMENDMENT.** Section 54-52-01 of the North Dakota Century Code is
13 amended and reenacted as follows:

14 **54-52-01. (Effective through July 31, 2017) Definition of terms.**

15 As used in this chapter, unless the context otherwise requires:

- 16 1. "Account balance" means the total contributions made by the employee, vested
17 employer contributions under section 54-52-11.1, the vested portion of the vesting
18 fund as of June 30, 1977, and interest credited thereon at the rate established by the
19 board.
- 20 2. "Beneficiary" means any person in receipt of a benefit provided by this plan or any
21 person designated by a participating member to receive benefits.
- 22 3. "Correctional officer" means a participating member who is employed as a correctional
23 officer by a political subdivision.

- 1 4. "Eligible employee" means all permanent employees who meet all of the eligibility
2 requirements set by this chapter and who are eighteen years or more of age, and
3 includes appointive and elective officials under sections 54-52-02.5, 54-52-02.11, and
4 54-52-02.12, and nonteaching employees of the superintendent of public instruction,
5 including the superintendent of public instruction, who elect to transfer from the
6 teachers' fund for retirement to the public employees retirement system under section
7 54-52-02.13, and employees of the state board for career and technical education who
8 elect to transfer from the teachers' fund for retirement to the public employees
9 retirement system under section 54-52-02.14. Eligible employee does not include state
10 employees who elect to become members of the retirement plan established under
11 chapter 54-52.6.
- 12 5. "Employee" means any person employed by a governmental unit, whose
13 compensation is paid out of the governmental unit's funds, or funds controlled or
14 administered by a governmental unit, or paid by the federal government through any of
15 its executive or administrative officials; licensed employees of a school district means
16 those employees eligible to participate in the teachers' fund for retirement who, except
17 under subsection 2 of section 54-52-17.2, are not eligible employees under this
18 chapter.
- 19 6. "Employer" means a governmental unit.
- 20 7. "Funding agent" or "agents" means an investment firm, trust bank, or other financial
21 institution which the retirement board may select to hold and invest the employers' and
22 members' contributions.
- 23 8. "Governmental unit" means the state of North Dakota, except the highway patrol for
24 members of the retirement plan created under chapter 39-03.1, or a participating
25 political subdivision thereof.
- 26 9. "National guard security officer or firefighter" means a participating member who is:
27 a. A security police employee of the North Dakota national guard; or
28 b. A firefighter employee of the North Dakota national guard.
- 29 10. "Participating member" means all eligible employees who through payment into the
30 plan have established a claim against the plan.

- 1 11. "Peace officer" means a participating member who is a peace officer as defined in
2 section 12-63-01 and is employed as a peace officer by the bureau of criminal
3 investigation or by a political subdivision and, notwithstanding subsection 12, for
4 persons employed after August 1, 2005, is employed thirty-two hours or more per
5 week and at least twenty weeks each year of employment. Participating members of
6 the law enforcement retirement plan created by this chapter who begin employment
7 after August 1, 2005, are ineligible to participate concurrently in any other retirement
8 plan administered by the public employees retirement system.
- 9 12. "Permanent employee" means a governmental unit employee whose services are not
10 limited in duration and who is filling an approved and regularly funded position in an
11 eligible governmental unit, and is employed twenty hours or more per week and at
12 least twenty weeks each year of employment.
- 13 13. "Prior service" means service or employment prior to July 1, 1966.
- 14 14. "Prior service credit" means such credit toward a retirement benefit as the retirement
15 board may determine under the provisions of this chapter.
- 16 15. "Public employees retirement system" means the retirement plan and program
17 established by this chapter.
- 18 16. "Retirement" means the acceptance of a retirement allowance under this chapter upon
19 either termination of employment or termination of participation in the retirement plan
20 and meeting the normal retirement date.
- 21 17. "Retirement board" or "board" means the governing authority created under section
22 54-52-03.
- 23 18. "Seasonal employee" means a participating member who does not work twelve
24 months a year.
- 25 19. "Service" means employment on or after July 1, 1966.
- 26 20. "Service benefit" means the credit toward retirement benefits as determined by the
27 retirement board under the provisions of this chapter.
- 28 21. "Temporary employee" means a governmental unit employee who is not eligible to
29 participate as a permanent employee, who is at least eighteen years old and not
30 actively contributing to another employer-sponsored pension fund, and, if employed by
31 a school district, occupies a noncertified teacher's position.

1 22. "Wages" and "salaries" means the member's earnings in eligible employment under
2 this chapter reported as salary on the member's federal income tax withholding
3 statements plus any salary reduction or salary deferral amounts under 26 U.S.C. 125,
4 401(k), 403(b), 414(h), or 457. "Salary" does not include fringe benefits such as
5 payments for unused sick leave, personal leave, vacation leave paid in a lump sum,
6 overtime, housing allowances, transportation expenses, early retirement incentive pay,
7 severance pay, medical insurance, workforce safety and insurance benefits, disability
8 insurance premiums or benefits, or salary received by a member in lieu of previously
9 employer-provided fringe benefits under an agreement between the member and
10 participating employer. Bonuses may be considered as salary under this section if
11 reported and annualized pursuant to rules adopted by the board.

12 **(Effective after July 31, 2017) Definition of terms.** As used in this chapter, unless the
13 context otherwise requires:

- 14 1. "Account balance" means the total contributions made by the employee, vested
15 employer contributions under section 54-52-11.1, the vested portion of the vesting
16 fund as of June 30, 1977, and interest credited thereon at the rate established by the
17 board.
- 18 2. "Beneficiary" means any person in receipt of a benefit provided by this plan or any
19 person designated by a participating member to receive benefits.
- 20 3. "Correctional officer" means a participating member who is employed as a correctional
21 officer by a political subdivision.
- 22 4. "Eligible employee" means all permanent employees who meet all of the eligibility
23 requirements set by this chapter and who are eighteen years or more of age, and
24 includes appointive and elective officials under sections 54-52-02.5, 54-52-02.11, and
25 54-52-02.12, and nonteaching employees of the superintendent of public instruction,
26 including the superintendent of public instruction, who elect to transfer from the
27 teachers' fund for retirement to the public employees retirement system under section
28 54-52-02.13, and employees of the state board for career and technical education who
29 elect to transfer from the teachers' fund for retirement to the public employees
30 retirement system under section 54-52-02.14. Eligible employee does not include
31 nonclassified state employees who elect to become members of the retirement plan

1 established under chapter 54-52.6 but does include employees of the judicial branch
2 and employees of the board of higher education and state institutions under the
3 jurisdiction of the board.

4 5. "Employee" means any person employed by a governmental unit, whose
5 compensation is paid out of the governmental unit's funds, or funds controlled or
6 administered by a governmental unit, or paid by the federal government through any of
7 its executive or administrative officials; licensed employees of a school district means
8 those employees eligible to participate in the teachers' fund for retirement who, except
9 under subsection 2 of section 54-52-17.2, are not eligible employees under this
10 chapter.

11 6. "Employer" means a governmental unit.

12 7. "Funding agent" or "agents" means an investment firm, trust bank, or other financial
13 institution which the retirement board may select to hold and invest the employers' and
14 members' contributions.

15 8. "Governmental unit" means the state of North Dakota, except the highway patrol for
16 members of the retirement plan created under chapter 39-03.1, or a participating
17 political subdivision thereof.

18 9. "National guard security officer or firefighter" means a participating member who is:
19 a. A security police employee of the North Dakota national guard; or
20 b. A firefighter employee of the North Dakota national guard.

21 10. "Participating member" means all eligible employees who through payment into the
22 plan have established a claim against the plan.

23 11. "Peace officer" means a participating member who is a peace officer as defined in
24 section 12-63-01 and is employed as a peace officer by the bureau of criminal
25 investigation or by a political subdivision and, notwithstanding subsection 12, for
26 persons employed after August 1, 2005, is employed thirty-two hours or more per
27 week and at least twenty weeks each year of employment. Participating members of
28 the law enforcement retirement plan created by this chapter who begin employment
29 after August 1, 2005, are ineligible to participate concurrently in any other retirement
30 plan administered by the public employees retirement system.

- 1 12. "Permanent employee" means a governmental unit employee whose services are not
2 limited in duration and who is filling an approved and regularly funded position in an
3 eligible governmental unit, and is employed twenty hours or more per week and at
4 least twenty weeks each year of employment.
- 5 13. "Prior service" means service or employment prior to July 1, 1966.
- 6 14. "Prior service credit" means such credit toward a retirement benefit as the retirement
7 board may determine under the provisions of this chapter.
- 8 15. "Public employees retirement system" means the retirement plan and program
9 established by this chapter.
- 10 16. "Retirement" means the acceptance of a retirement allowance under this chapter upon
11 either termination of employment or termination of participation in the retirement plan
12 and meeting the normal retirement date.
- 13 17. "Retirement board" or "board" means the ~~seven persons designated by this chapter as~~
14 the governing authority for the retirement system created under section 54-52-03.
- 15 18. "Seasonal employee" means a participating member who does not work twelve
16 months a year.
- 17 19. "Service" means employment on or after July 1, 1966.
- 18 20. "Service benefit" means the credit toward retirement benefits as determined by the
19 retirement board under the provisions of this chapter.
- 20 21. "Temporary employee" means a governmental unit employee who is not eligible to
21 participate as a permanent employee, who is at least eighteen years old and not
22 actively contributing to another employer-sponsored pension fund, and, if employed by
23 a school district, occupies a noncertified teacher's position.
- 24 22. "Wages" and "salaries" means the member's earnings in eligible employment under
25 this chapter reported as salary on the member's federal income tax withholding
26 statements plus any salary reduction or salary deferral amounts under 26 U.S.C. 125,
27 401(k), 403(b), 414(h), or 457. "Salary" does not include fringe benefits such as
28 payments for unused sick leave, personal leave, vacation leave paid in a lump sum,
29 overtime, housing allowances, transportation expenses, early retirement incentive pay,
30 severance pay, medical insurance, workforce safety and insurance benefits, disability
31 insurance premiums or benefits, or salary received by a member in lieu of previously

1 employer-provided fringe benefits under an agreement between the member and
2 participating employer. Bonuses may be considered as salary under this section if
3 reported and annualized pursuant to rules adopted by the board.

4 **SECTION 2. AMENDMENT.** Section 54-52-06.4 of the North Dakota Century Code is
5 amended and reenacted as follows:

6 **54-52-06.4. Contribution by peace officers employed by the bureau of criminal**
7 **investigation or security officers employed by the national guard - Employer**
8 **contribution.**

9 Each peace officer employed by the bureau of criminal investigation who is a member of the
10 public employees retirement system is assessed and shall pay monthly four percent of the
11 employee's monthly salary. Peace officer contributions increase by one percent of the member's
12 monthly salary beginning with the monthly reporting period of January 2012, ~~and~~ with an
13 additional increase of one percent, beginning with the reporting period of January 2013; and
14 thereafter peace officer contributions decrease by one-half of one percent of the member's
15 monthly salary beginning with the monthly reporting period of January 2018. Effective August 1,
16 2015, each national guard security officer who is a member of the public employee's retirement
17 system is assessed and monthly shall pay six percent of the employee's monthly salary, and
18 thereafter national guard security officer contributions decrease by one-half of one percent of
19 the member's monthly salary beginning with the monthly reporting period of January 2018.
20 National guard security officer contributions decrease by one-half of one percent of the
21 member's monthly salary beginning with the monthly reporting period of January 2016. The
22 assessment must be deducted and retained out of the employee's salary in equal monthly
23 installments. The peace officer's or security officer's employer shall contribute an amount
24 determined by the board to be actuarially required to support the level of benefits specified in
25 section 54-52-17. The employer's contribution must be paid from funds appropriated for salary
26 or from any other funds available for such purposes. If the peace officer's or security officer's
27 assessment is paid by the employer under subsection 3 of section 54-52-05, the employer shall
28 contribute, in addition, an amount equal to the required peace officer's or security officer's
29 assessment.

30 **SECTION 3. AMENDMENT.** Subsections 3 and 4 of section 54-52-17 of the North Dakota
31 Century Code are amended and reenacted as follows:

- 1 3. Retirement dates are defined as follows:
- 2 a. Normal retirement date, except for a national guard security officer or firefighter
- 3 or a peace officer or correctional officer employed by the bureau of criminal
- 4 investigation or by a political subdivision, is:
- 5 (1) The first day of the month next following the month in which the member
- 6 attains the age of sixty-five years; or
- 7 (2) When the member has a combined total of years of service credit and years
- 8 of age equal to eighty-five and has not received a retirement benefit under
- 9 this chapter.
- 10 b. Normal retirement date for members first enrolled after December 31, 2015,
- 11 except for a national guard security officer or firefighter, a peace officer or
- 12 correctional officer employed by the bureau of criminal investigation or by a
- 13 political subdivision, or a supreme court or district court judge, is:
- 14 (1) The first day of the month next following the month in which the member
- 15 attains the age of sixty-five years; or
- 16 (2) When the member has a combined total of years of service credit and years
- 17 of age equal to ninety and the member attains a minimum age of sixty and
- 18 has not received a retirement benefit under this chapter.
- 19 c. Normal retirement date for a national guard security officer or firefighter is:
- 20 (1) The first day of the month next following the month in which the national
- 21 guard security officer or firefighter attains the age of fifty-five years and has
- 22 completed at least three eligible years of employment; or
- 23 (2) When the national guard security officer or firefighter has a combined total
- 24 of years of service credit and years of age equal to eighty-five and has not
- 25 received a retirement benefit under this chapter.
- 26 d. Normal retirement date for a peace officer or correctional officer employed by a
- 27 political subdivision is:
- 28 (1) The first day of the month next following the month in which the peace
- 29 officer or correctional officer attains the age of fifty-five years and has
- 30 completed at least three eligible years of employment; or

- 1 (2) When the peace officer or correctional officer has a combined total of years
2 of service credit and years of age equal to eighty-five and has not received
3 a retirement benefit under this chapter.
- 4 e. Normal retirement date for a peace officer employed by the bureau of criminal
5 investigation is:
- 6 (1) The first day of the month next following the month in which the peace
7 officer attains the age of fifty-five years and has completed at least three
8 eligible years of employment; or
- 9 (2) When the peace officer has a combined total of years of service credit and
10 years of age equal to eighty-five and has not received a retirement benefit
11 under this chapter.
- 12 f. Postponed retirement date is the first day of the month next following the month
13 in which the member, on or after July 1, 1977, actually severs or has severed the
14 member's employment after reaching the normal retirement date.
- 15 g. Early retirement date, except for a national guard security officer or firefighter or a
16 peace officer or correctional officer employed by the bureau of criminal
17 investigation or by a political subdivision, is the first day of the month next
18 following the month in which the member attains the age of fifty-five years and
19 has completed three years of eligible employment. For a national guard security
20 officer or firefighter, early retirement date is the first day of the month next
21 following the month in which the national guard security officer or firefighter
22 attains the age of fifty years and has completed at least three years of eligible
23 employment. For a peace officer or correctional officer employed by the bureau of
24 criminal investigation or by a political subdivision, early retirement date is the first
25 day of the month next following the month in which the peace officer or
26 correctional officer attains the age of fifty years and has completed at least three
27 years of eligible employment.
- 28 h. Disability retirement date is the first day of the month after a member becomes
29 permanently and totally disabled, according to medical evidence called for under
30 the rules of the board, and has completed at least one hundred eighty days of
31 eligible employment. For supreme and district court judges, permanent and total

1 disability is based solely on a judge's inability to perform judicial duties arising out
2 of physical or mental impairment, as determined pursuant to rules adopted by the
3 board or as provided by subdivision a of subsection 3 of section 27-23-03.

4 (1) A member is eligible to receive disability retirement benefits only if the
5 member:

6 ~~(1)~~ ~~Became~~ became disabled during the period of eligible employment; and

7 ~~(2)~~ ~~Applies~~ applies for disability retirement benefits within twelve months of the
8 date the member terminates employment.

9 (2) A member is eligible to continue to receive disability benefits as long as the
10 permanent and total disability continues and the member submits the
11 necessary documentation and undergoes medical testing required by the
12 board, or for as long as the member participates in a rehabilitation program
13 required by the board, or both. If the board determines that a member no
14 longer meets the eligibility definition, the board may discontinue the
15 disability retirement benefit. The board may pay the cost of any medical
16 testing or rehabilitation services ~~if the board~~ deems necessary and these
17 payments are appropriated from the retirement fund for those purposes. A
18 member's receipt of disability benefits under this section is limited to receipt
19 from the fund to which the member was actively contributing at the time the
20 member became disabled.

21 4. The board shall calculate retirement benefits as follows:

22 a. Normal retirement benefits for all retirees, except supreme and district court
23 judges, reaching normal retirement date equal an annual amount, payable
24 monthly, comprised of a service benefit and a prior service benefit, as defined in
25 this chapter, which is determined as follows:

26 (1) Service benefit equals two percent of final average salary multiplied by the
27 number of years of service employment.

28 (2) Prior service benefit equals two percent of final average salary multiplied by
29 the number of years of prior service employment.

30 b. Normal retirement benefits for all supreme and district court judges under the
31 public employees retirement system reaching normal retirement date equal an

1 annual amount, payable monthly, comprised of a benefit as defined in this
2 chapter, determined as follows:

3 (1) Benefits must be calculated from the time of appointment or election to the
4 bench and must equal three and one-half percent of final average salary
5 multiplied by the first ten years of judicial service, two and eighty hundredths
6 percent of final average salary multiplied by the second ten years of judicial
7 service, and one and one-fourth percent of final average salary multiplied by
8 the number of years of judicial service exceeding twenty years.

9 (2) Service benefits must include, in addition, an amount equal to the percent
10 specified in subdivision a of final average salary multiplied by the number of
11 years of nonjudicial employee service and employment.

12 c. Postponed retirement benefits are calculated as for single life benefits for those
13 members who retired on or after July 1, 1977.

14 d. Early retirement benefits are calculated as for single life benefits accrued to the
15 date of termination of employment, but must be actuarially reduced to account for
16 benefit payments beginning ~~prior to~~before the normal retirement date, ~~which is~~
17 ~~the earlier of age sixty-five or the age at which current service plus age equals~~
18 ~~eighty-five~~as determined under subsection 3. Except for a national guard security
19 officer or firefighter, a peace officer or correctional officer employed by the bureau
20 of criminal investigation or by a political subdivision, or a supreme court or district
21 court judge, early retirement benefits for members first enrolled after December
22 31, 2015, are calculated for single life benefits accrued to the date of termination
23 of employment, but must be reduced by fixed rate of eight percent per year to
24 account for benefit payments beginning before the normal retirement date. A
25 retiree, other than a supreme or district court judge, is eligible for early retirement
26 benefits only after having completed three years of eligible employment. A
27 supreme or district court judge retiree is eligible for early retirement benefits only
28 after having completed five years of eligible employment.

29 e. Except for supreme and district court judges, disability retirement benefits are
30 twenty-five percent of the member's final average salary. Disability retirement
31 benefits for supreme and district court judges are seventy percent of final

1 average salary reduced by the member's primary social security benefits and by
2 any workforce safety and insurance benefits paid. The minimum monthly
3 disability retirement benefit under this section is one hundred dollars.

4 **SECTION 4. AMENDMENT.** Section 54-52.1-03 of the North Dakota Century Code is
5 amended and reenacted as follows:

6 **54-52.1-03. Employee participation in plan - Employee to furnish information -**
7 **Benefits to continue upon retirement or termination.**

- 8 1. Any eligible employee may be enrolled in the uniform group insurance program
9 created by this chapter by requesting enrollment with the employing department. If an
10 eligible employee does not enroll in the uniform group insurance program at the time
11 of beginning employment, in order to enroll at a later time the eligible employee must
12 meet minimum requirements established by the board. An employing department may
13 not require an active eligible employee to request coverage under the uniform group
14 insurance program as a prerequisite to receive the minimum employer-paid life
15 insurance benefits coverage or employee assistance program benefits coverage.
- 16 2. ~~Within five days after the expiration of the payroll period during which enrollment was~~
17 ~~requested, the employing department shall enroll the employee with the board. The~~
18 ~~employee's insurance coverage becomes effective on the date of enrollment.~~
- 19 3. A retiree who has accepted a periodic distribution from the defined contribution
20 retirement plan pursuant to section 54-52.6-13 who the board determines is eligible for
21 participation in the uniform group insurance program or has accepted a retirement
22 allowance from the public employees retirement system, the highway patrolmen's
23 retirement system, the teachers' insurance and annuity association of America -
24 college retirement equities fund for service credit earned while employed by North
25 Dakota institutions of higher education, the retirement system established by job
26 service North Dakota under section 52-11-01, the judges' retirement system
27 established under chapter 27-17, or the teachers' fund for retirement may elect to
28 participate in the uniform group under this chapter without meeting minimum
29 requirements at age sixty-five, when the member's spouse reaches age sixty-five,
30 upon the receipt of a benefit, or when the spouse terminates employment. If a retiree
31 or surviving spouse does not elect to participate at the times specified in this

1 subsection, the retiree or surviving spouse must meet the minimum requirements
2 established by the board. Subject to sections 54-52.1-03.2 and 54-52.1-03.3, each
3 retiree or surviving spouse shall pay directly to the board the premiums in effect for the
4 coverage then being provided. A retiree or surviving spouse who has met the initial
5 eligibility requirements of this subsection to begin participation in the uniform group
6 insurance program remains eligible as long as the retiree maintains the retiree's
7 participation in the program by paying the required premium pursuant to rules adopted
8 by the board.

9 4.3. Upon the termination of employment when the employee is not eligible to participate
10 under subsection ~~32~~ or ~~54~~ or applicable federal law, that employee cannot continue as
11 a member of the uniform group.

12 5.4. A member or former member of the legislative assembly or that ~~person's~~individual's
13 surviving spouse may elect to continue membership in the uniform group within the
14 applicable time limitations after either termination of eligible employment as a member
15 of the legislative assembly or termination of other eligible employment or, for a
16 surviving spouse, upon the death of the member or former member of the legislative
17 assembly. The member or former member of the legislative assembly or that
18 ~~person's~~individual's surviving spouse shall pay the premiums in effect for the coverage
19 provided directly to the board.

20 6.5. Each eligible employee requesting enrollment shall furnish the appropriate
21 ~~person~~individual in the employing department, board, or agency with such information
22 and in such form as prescribed by the board to enable the enrollment of the employee,
23 or employee and dependents, in the uniform group insurance program created by this
24 chapter.

25 7.6. If the participating employee is a faculty member in a state charitable, penal, or
26 educational institution who receives a salary or wages on less than a twelve-month
27 basis and has signed a contract to teach for the next ensuing school year, the agency
28 shall make arrangements to include that employee in the insurance program on a
29 twelve-month basis and make the contribution authorized by this section for each
30 month of the twelve-month period.

1 **SECTION 5. AMENDMENT.** Subsection 1 of section 54-52.1-03.3 of the North Dakota
2 Century Code is amended and reenacted as follows:

3 1. The following ~~persons~~individuals are entitled to receive credit for hospital and medical
4 benefits coverage and prescription drug coverage under any health insurance program
5 and dental, vision, and long-term care benefits coverage under the uniform group
6 insurance program under subsection 2:

7 a. A member or surviving spouse of the highway patrolmen's retirement system is
8 eligible for the credit beginning on the date retirement benefits are effective
9 ~~unless the premium is billed to the employer.~~

10 b. A member or surviving spouse of the public employees retirement system is
11 eligible for the credit beginning on the date retirement benefits are effective
12 ~~unless the premium is billed to the employer.~~

13 c. A member or surviving spouse of the retirement program established by job
14 service North Dakota under section 52-11-01 receiving retirement benefits is
15 eligible for the credit beginning on the date retirement benefits are effective
16 ~~unless the premium is billed to the employer.~~

17 d. A retired judge or surviving spouse receiving retirement benefits under the
18 retirement program established under chapter 27-17 is eligible for the credit
19 beginning on the date retirement benefits are effective ~~unless the premium is~~
20 ~~billed to the employer.~~

21 e. A former participating member of the defined contribution retirement plan
22 receiving retirement benefits, or the surviving spouse of a former participating
23 member of that retirement plan who was eligible to receive or was receiving
24 benefits, under section 54-52.6-13, is eligible as determined by the board
25 pursuant to its rules.

26 **SECTION 6. AMENDMENT.** Subsection 2 of section 54-52.1-18 of the North Dakota
27 Century Code is amended and reenacted as follows:

28 2. Health savings account fees for participating state employees must be paid by the
29 employer.

30 a. Except as provided in subdivision b, subject to the limits of section 223(b) of the
31 Internal Revenue Code [26 U.S.C. 233(b)], the difference between the cost of the

1 single and family premium for eligible state employees under section 54-52.1-06
2 and the premium for those employees electing to participate under the
3 high-deductible health plan under this section must be deposited in a health
4 savings account for the benefit of each participating employee.

5 b. If the public employees retirement system is unable to establish a health savings
6 account due to the employee's ineligibility under federal or state law or due to
7 failure of the employee to provide necessary information in order to establish the
8 account, the system is not responsible for depositing the health savings account
9 contribution. The member will remain a participant in the high-deductible health
10 plan regardless of whether a health savings account is established.

11 c. If a member closes the health savings account established for that member
12 under this section, the system is not responsible for depositing the health savings
13 account contribution after that closure.

14 **SECTION 7. AMENDMENT.** Subsection 2 of section 54-52.6-09 of the North Dakota
15 Century Code is amended and reenacted as follows:

16 2. The employer shall contribute an amount equal to four and twelve-hundredths percent
17 of the monthly salary or wage of a participating member. Employer contributions
18 increase by one percent of the monthly salary or wage of a participating member
19 beginning with the monthly reporting period of January 2012, and with an additional
20 increase of one percent, beginning with the monthly reporting period of January 2013,
21 and with an additional increase of one percent, beginning with the monthly reporting
22 period of January 2014. If the employee's contribution is paid by the employer under
23 subsection 3, the employer shall contribute, in addition, an amount equal to the
24 required employee's contribution. The Monthly, the employer shall pay monthly such
25 contribution into the participating member's account from ~~its~~the employer's funds
26 appropriated for payroll and salary or any other funds available for such purposes. If
27 the employer fails to pay the contributions monthly, ~~it~~the employer is subject to a civil
28 penalty of fifty dollars and, as interest, one percent of the amount due for each month
29 of delay or fraction thereof after the payment became due. In lieu of assessing a civil
30 penalty or one percent per month, or both, interest at the actuarial rate of return may
31 be assessed for each month the contributions are delinquent. If contributions are paid

- 1 within ninety days of the date the contributions became due, penalty and interest to be
- 2 paid on delinquent contributions may be waived.

PROPOSED AMENDMENT TO BILL 17.0118.01000

Page 1, line 3, after the first comma insert “section 54-52.6-06,”

Page 1, line 6, overstrike “and security officers employed by the national guard”

Page 1, line 10, after “plan” insert “ and to provide a continuing appropriation to fund the administrative expenses of the defined contribution plan from fines and fees”

Page 7, line 17, remove “, and”

Page 7, remove line 18

Page 7, line 19, remove “the member’s monthly salary beginning with the monthly report period of January 2018”

Page 15, after line 13, insert:

“SECTION 7. AMENDMENT. Section 54-52.6-06 of the North Dakota Century Codes is amended and reenacted as follows:

54-52.6-06. Administrative expenses - Continuing appropriation.

The administrative expenses of the plan must be paid by the participating members in a manner determined by the board. The board or vendors contracted for by the board may charge reasonable administrative expenses and deduct those expenses from a participating member's account in the defined contribution retirement plan established under this chapter. The board may also fund and offset the administrative expenses of the plan from fines and fees collected from vendors in a manner determined by the board. The board shall place any money deducted in an administrative expenses account with the state treasurer. The board may also use funds from the payroll clearing account established pursuant to section 54-52.3-03 to pay for consulting expenses. All moneys in the payroll clearing account, not otherwise appropriated, or so much of the moneys as may be necessary, are appropriated to the board on a continuing basis for the purpose of retaining a consultant as required for the administration of this chapter.”

Re-number accordingly



**North Dakota
Public Employees Retirement System**
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Executive Director
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Memorandum

TO: NDPERS Board

FROM: Kathy

DATE: August 16, 2016

SUBJECT: Final Average Salary Indexing for Highway Patrol

North Dakota Century Code 39-03.1-11(5) provides:

On termination of employment after completing ten years of eligible employment but before the normal retirement date, a contributor who does not elect to receive early retirement benefits is eligible to receive deferred vested retirement benefits..... The final average salary used for calculating deferred vested retirement benefits must be increased annually, from the later of the date of termination of employment or July 1, 1991, until the date the contributor begins to receive retirement benefits from the fund, at a rate as determined by the board not to exceed a rate that would be approximately equal to annual salary increases provided state employees pursuant to action by the legislative assembly.

As provided in statute, it is necessary for the NDPERS Board to set a rate to be used in establishing the index factor for deferred members of the highway patrol. It has been PERS policy to solicit input and a recommendation from the Highway Patrol leadership.

The last legislative assembly increased each agencies budget by an average of 3% for the second year of the 2015-17 biennium. The North Dakota Highway Patrol leadership is recommending that deferred members in its system have their final average salary indexed by 2%. Currently there are 22 members in the system in a deferred status.

The current assumption for indexing of deferred members as reported in Segal's July 1, 2015 actuarial report is 4%. Therefore, an increase of 2% will result in a slight actuarial gain to the plan as confirmed by our consultant, Gabriel Roeder & Smith (GRS).

For your information, listed below are the legislative increases granted, as well as the increase percentages set for indexing purposes by the board since 1993 when the factor was first established.

	Legislative Increase %	Board Approved Index %
1993	3.00	3.57
1994	2.00	3.00
1995	2.00	2.00
1996	2.00+ 1.00 discretionary	2.00
1997	Average 3.00	3.00
1998	Average 3.00	1.80
1999	2.00 (min \$35)	1.26
2000	2.00 (min \$35)	2.00
2001	3.00 (min \$35)	1.81
2002	3.00 (min \$35)	1.73
2003	None authorized	-0-
2004	None authorized	-0-
2005	4.00	4.00
2006	4.00	4.00
2007	4.00	4.00
2008	4.00	4.00
2009	5.00	5.00
2010	5.00	5.00
2011	3.00	2.00
2012	3.00	2.00
2013	3.00	3.00
2014	3.00	3.00
2015	3.00	3.00

As illustrated above, the Board has generally approved an indexing percentage, as recommended by the Highway Patrol leadership, that is the same or slightly lower than the salary increases granted to state employees.

Board Action Requested:

Accept or reject the Highway Patrol Administration's recommendation.



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Memorandum

TO: PERS Board

FROM: Sparb

DATE: July 12, 2016 (carried over from the July Board meeting)

SUBJECT: Board Meeting Agendas

At a recent meeting it was suggested that we may want to consider full day meetings so we would have additional time for Board education or discussion of other informational items. In discussing this, it may be helpful to recognize how some of the Board's work is presently allocated in addition to the monthly Board meeting.

Other Board Activities

The Investment Committee spends time reviewing issues relating to our Defined Benefit Plan investing, the defined contribution plan and the 457 plan. For example, the Investment committee spent several meetings working on the Asset Liability study before it was presented at the two Board meetings. Presently we have 4 Board members on this committee. In the last 16 months this committee met on 12/19/14, 2/20/15, 5/12/15, 8/11/15, 11/16/15, 2/23/16 and 5/18/16.

The Audit Committee meets 4 times a year and focuses on internal operations. Each of the meetings usually runs about 3 hours. We presently have three Board members on this committee.

The Benefits Committee meets about three times per biennium. This committee looks at the various programs administered by PERS and makes recommendations to the Board on changes. We have three Board members on this committee.

The Retiree Committee meets a couple of times each year and like the benefits committee reviews PERS program efforts relating to retirees and makes recommendations to the Board. We have one Board member on this committee.

Three PERS Board members served on the State Investment Board (SIB). The SIB meets almost every month and its meetings generally run about 4 hours.

The PERS Election Committee starts its work every February before a Board election. It usually has three Board members on it and is responsible for overseeing and certifying Board elections. Usually the committee meets several times.

The Executive Director Review Committee meets annually to conduct the evaluation of the Executive Director and after evaluating the reviews makes recommendations to the Board concerning the Executive Director and salary.

Special Board Meetings are to conduct required PERS business that must be completed before the next regularly scheduled meeting. In 2014 there were 8 special meetings and in 2015 there were 11 special meetings. The reason for scheduling the special meetings was that pertinent information was not available in time for the regularly scheduled meetings.

Observations

1. Presently the Board has subcommittee's that specialize in various aspects of the agency.
2. For some Board members the amount of time spent serving on these other committee's is two to three times the amount of time spent in PERS Board meetings.
3. Participation on one or more of these subcommittee's provides Board members a more detailed understanding of those areas of the agency for the committee is responsibility.
4. Presently the committee will work in detail on some Board efforts for the Board and report their findings. For example, with the recent asset liability study it was assigned to the Investment Committee. The committee had two meetings with Callan, PERS and RIO staff going over the report and discussing it in detail. When the committee concluded its work, it was forwarded to the PERS Board and was presented to the Board at one meeting and was placed on the agenda of a second meeting for Board action (generally for major decisions the item

will appear on two Board agendas – the first for presentation and discussion and the second for Board action).

Concepts for Additional Board Education

1. As mentioned one concept would be to extend our meetings to full day. If so, we may want to change the way the work is allocated to our committees.
2. Since a lot of background information about the agency and its programs are discussed at the committee level, we could add those PERS Board members that are not assigned to that committee to our mailing list so they get notice of the date and time of each these meetings as well as copies of the agenda. This would facilitate other Board members being able to attend the committee meetings so they can benefit from the discussion if it is a topic they would be interested in.
3. We could set up several educational meetings each year that are separate from the regular PERS Board meeting. We would not have any Board action items on this agenda and it would be educational only. This would allow Board members who have an interest in the topic to attend and for those who are already familiar with the topic they would not need to attend. Staff would put together some topics and times for these educational meetings in a memo to the Board. The Board could then select topics for further education and we would then put together the programs. This approach is developed in recognition of one of the challenges with Board education which is the varying level of familiarity each member already has with a topic. For Board members who have served on the Board for several years, they may find certain topics a repeat. For Board members who serve on specific committee some topics that would be of interest to other Board members would be a repeat for them since they already work with the topic by serving on the committee.

Board Action Requested

Provide guidance to the staff on how to proceed.



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Memorandum

TO: PERS Board
FROM: Bryan
DATE: August 25, 2016
SUBJECT: DC 457 Companion Plan Survey

Attached are the results of the 2016 survey of 457 Companion Plan members. The written additional comments are also attached. We did a similar survey in 2013 for the 457 Companion Plan and 401(a) Plan. The 2013 Companion Plan survey is also included for comparison. Here are some of the similar questions in both surveys:

1. Are you satisfied with the investment funds available? 2013 'Yes' 84% 2016 'Yes' 91%
2. Are you satisfied with the availability of plan information? 2013 'Yes' 88% 2016 'Yes' 88%
3. Are you confident that you are on the right track for retirement? 2013 'Yes' 72% 2016 'Yes' 68%
4. Have you ever met with a TIAA investment advisor? 2013 'Yes' 32% 2016 'Yes' 43%
5. Do you use an investment advisor or financial planner (other than TIAA) to help you with your investment decisions? 2013 'Yes' 40% 2016 'Yes' 32%
7. I am satisfied with the investment education and advice given by TIAA. 2013 72% Agree 2016 78% Agree
8. I am satisfied with the web services and quarterly statements provided by TIAA. 2013 86% Agree 2016 81% Agree
9. I am satisfied with the availability of counselors and advisors from TIAA. 2013 68% Agree 2016 75% Agree
11. I would recommend TIAA to other employees. 2013 88% Agree 2016 81% Agree
12. I am satisfied with the service provided by the NDPERS office. 2013 84% Agree 2016 81% Agree

Overall the survey responses were positive. Many of the questions had improvement from 2013 to 2016. Some of the new questions on automatic contribution increases and using a percentage contribution instead of a fixed dollar amount were mixed.

There is a noticeable difference in many of the questions, but with the low response rate for the two surveys, we cannot say they are statistically significant. Note that the average survey respondent age is 48.0 and we know the actual average age is 43.9 for the NDPERS Companion plan.

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

NDPERS 457 Deferred Compensation Companion Plan Survey (2013)

1. Are you satisfied with the investment funds available?	84% Yes 12% No
2. Are you satisfied with the availability of plan information?	88% Yes 6% No
3. Are you confident that you are on the right track for retirement?	72% Yes 24% No
4. Have you ever met with a TIAA-CREF investment advisor?	32% Yes 64% No
5. Do you use an investment advisor or financial planner (other than TIAA-CREF) to help you with your investment decisions?	40% Yes 58% No

	Strongly disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree
6. I am satisfied with the decision to change providers to TIAA-CREF.	4	0	4	16	62	10
7. I am satisfied with the investment education and advice given by TIAA-CREF.	2	8	16	18	50	4
8. I am satisfied with the web services and quarterly statements provided by TIAA-CREF.	2	2	8	16	64	6
9. I am satisfied with the availability of counselors and advisors from TIAA-CREF.	4	12	12	16	48	4
10. I am satisfied with the availability of the brokerage window for investing in other mutual funds.	2	6	2	38	36	4
11. I would recommend TIAA-CREF to other employees.	2	4	2	32	46	10
12. I am satisfied with the service provided by the NDPERS office.	2	6	6	28	46	10
13. I find selecting my own investments and asset allocation confusing.	8	24	6	22	32	6
14. I understand how the PEP provisions affect my retirement account.	8	18	24	20	26	4
15. I am confident my deferred compensation retirement savings will grow over time.	2	2	4	38	44	10
16. Years of Service with the state	17. Age at last birthday		18. Marital Status			
<u> 13.0 </u> Years	<u> 51.2 </u> Years		32% Single		66% Married	
19. Please circle your current monthly salary range? 8%-<\$2,000 42%-\$2,000-\$3,999 30%-\$4,000-\$5,999 14%-\$6,000+						

THANK YOU!

Please return this survey in the postage-paid envelope by: November 18, 2013

NDPERS 457 Deferred Compensation Companion Plan Survey (157 responses 10.5%)

1. Are you satisfied with the investment funds available?	91% Yes 9% No
2. Are you satisfied with the availability of plan information?	88% Yes 12% No
3. Are you confident that you are on the right track for retirement?	68% Yes 32% No
4. Have you ever met with a TIAA investment advisor?	43% Yes 57% No
5. Do you use an investment advisor or financial planner (other than TIAA) to help you with your investment decisions?	32% Yes 68% No

	Strongly disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree	N/S
6. I understand how PEP works with my contribution to increase my pension plan account balance.	6	13	10	22	32	17	1
7. I am satisfied with the investment education and advice given by TIAA.	5	7	8	32	38	8	3
8. I am satisfied with the web services and quarterly statements provided by TIAA.	3	6	6	17	49	15	3
9. I am satisfied with the availability of counselors and advisors from TIAA.	5	6	11	21	41	13	3
10. I am satisfied with the brokerage window for investing in other mutual funds & ETFs.	4	6	13	30	34	4	8
11. I would recommend TIAA to other employees.	3	5	9	22	46	13	3
12. I am satisfied with the service provided by the NDPERS office.	4	6	6	23	43	15	2
13. I find selecting my own investments and asset allocation confusing.	6	10	11	21	32	18	2
14. I am confident I will have enough money to retire.	8	12	16	31	26	5	1
15. I am confident my retirement savings will grow over time.	4	7	13	35	32	8	1
16. I am interested in having my contributions automatically increased each year.	13	15	13	25	23	9	2
17. I would be interested in contributing a percentage of my salary instead of a set dollar amount.	12	18	13	25	18	11	3

18. Years of Service with the state	19. Age at last birthday	20. Marital Status
Average 13.5 Years	Average 48.0 Years	28% Single 72% Married
21. Please circle your current monthly salary range? 4% <\$2,000 36% \$2,000-\$3,999 39% \$4,000-\$5,999 22% \$6,000+		
22. What is your monthly deferred compensation contribution? 16% \$25 22% \$26-\$100 40% \$101-\$500 21% \$501+		

Additional Comments?

THANK YOU!

Please return this survey in the postage-paid envelope by: July 15, 2016

2017 NDPERS 457 DEFERRED COMPENSATION COMPANION PLAN SURVEY

1. Would like someone to talk too. Don't quite understand how this all works or if I am doing this right. Would like to know if existing 401K could be moved here.
2. How does the state budget defecate affect our retirement and current benefits. Will we see changes in insurance? Does retirement benefits go up and down state budget is down? It would be nice to have more informational updates.
3. Need to get to the basics of plans. Too much to take in and understand with just a quick overview.
4. Don't get a very high return on my investment, if any at times.
5. I thought I had signed up for the deferred comp of \$25. In 2014 during the enrollment period but that is the last time I've heard about it. I don't know if it is being deducted from my check. The self enrollment of our benefits is confusing and not user friendly so I figured if it didn't work back when I tried it in 2014, the heck with it. Sorry for the negative feed back.
6. Scott Roshe did not impress me when I met with him. I expected him to help me determine if I was on track.
7. I've just started with the new job but I am familiar with NDPERS.
8. I need help with my financial life. Not sure who to see or what to do. I called the office once and felt uncomfortable as I found it be very confusing.
9. I do not understand how it works and how it is dispersed when I retire.
10. What is PEP?
11. Not sure why I was place at "high risk" when I am close to retirement.
12. It's not TIAA's fault that I don't know much about this it's just hard to get away from my job to go to the information meetings.
13. I will be retiring soon. Will need more information on withdrawal options and required with drawl.
14. I want to buy individual stocks. I don't like mixed funds. QQQ and the like would be ok but I want to diversify to my own liking.
15. I currently retired in June 2016.
16. Would like to see availability of ETFs as investments options. Also would like to have more low cost one low fee funds such as Vanguard Family of funds.
17. More consults outside of Bismarck.
18. You should define acronyms before you use them.
19. I need to meet with someone about increasing my contributions and how much risk I am willing to make. I have not made the time yet though your company has made opportunities.
20. Advisors/counselors are seldom available in our city.
21. Save now- should be your message.
22. There is little to no information available without talking to someone during business hours which I also work.

23. I am very satisfied with TIAA and my advisor Denise Bares. She is very knowledgeable and I like that she comes to the capitol building to meet.
24. I have no idea what you are doing with my money.
25. Maybe a better fee structure.
26. I am not in the Bismarck area and wish there was a little more access to employees in outlying areas for face to face contact. Thanks.
27. Lack of funds to choose from. TIAA funds lag behind average returns of other funds, such as fidelity, Vanguard.
28. I like the peace of mind I have with the companion plan.
29. Most of the workshops are all in Bismarck. Employees have to use annual leave, use personal transportation, pay for fuel and no reimbursement for travel time. The state and NDPERS must do better! The 2% increase for next fiscal year is a joke and insult!
30. TIAA is good but they should study Vanguard's website and paperwork and make some improvements.
31. TIAA is a good choice Sanford Health was very bad!
32. NDPERS is super fast to respond. I switched solely because of Denise Bares is a TIAA advisor. She is very knowledgeable and cares about her clients personally. Glad NDPERS is offering more retirement and financial seminars.
33. Wonderful program, beautiful.
34. The PERS office does great work.
35. Please have TIAA advisor hold a session in Jamestown.
36. It would be nice to have 457 Roth option especially for young people. But my 75 year old parents still contributed to a Roth so its not just younger people.
37. I was excited when NDPERS contracted with TIAACREF after a disappointing and frustrating experience with Fidelity. It's been a bit shake with TIAACREF but I've been riding it out. I'm about to roll out the funds I rolled in to TIAACREF not because of TIAACREF but the limited options I have to earn the highest return on my funds without investing in investment funds associated with stock market. Complaint-only fixed income fund available is Wells Fargo stable retirement only earning 1.11% with expense ratio of \$1.12 not available to participants: TIAA traditional NO Expense earning 3.25%. The funds I rolled over can participate in TIAA traditional no expense earning 2.25%.
38. I love the low cost Vanguard Index funds!! Most people invest because they don't know much and TIAA is helpful educator.

39. I marked "slightly agree" on two questions because I'm not that confident I understand how PEP works other than it's good for me. And the other questions were confusing with the wordage of brokerage window. I marked slightly disagree on two questions because I'm never going to feel confident in the amount of money because you never know how long you'll live or what will happen health wise and the out-of-pocket expenses. I would love to do a percentage salary instead of set dollar amount but I can't afford that. Love that advisor is available.
40. For number six question I understand what PEP is but it doesn't apply to me, so I can't answer the question. What do you have against TIAA? I can tell from the tone of your poorly written letter you don't like them. For number ten question
41. I know we are set up for payroll deduction for several funds but I don't know if that is a brokerage window. Cut the jargon and I can answer your questions. I don't anticipate needing an investment advisor as long as I work for North Dakota.



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Memorandum

TO: PERS Board
FROM: Bryan
DATE: August 25, 2016
SUBJECT: Flexcomp Survey

Attached are the results of the 2016 Flexcomp survey. I also included the 2013 results on the questions that were the same. The written comments for the 2016 survey are grouped under the question that was appropriate. I highlighted in red the responses that seemed negative. Overall, the responses do show improvement from the prior survey. The written comments are mixed with both positive and negative responses. Here are the question results with strongly disagree to slightly disagree and strongly agree to slightly agree combined.

	Disagree	Agree	N/S
7. I understand the NDPERS Flexcomp program.	2%	97%	1%
8. I am satisfied with the claim submission options available from ADP.	16%	82%	2%
9. I am satisfied with the online Web Services available from ADP.	15%	78%	7%
10. I am satisfied with the Debit Card option available from ADP.	12%	57%	31%
11. I am satisfied with the online claims submission option available from ADP.	13%	72%	15%
12. I am satisfied with the Mobile App option available from ADP.	4%	12%	84%
13. I am satisfied with the Automatic Claim Reimbursement option available from ADP.	11%	53%	36%
14. I am satisfied with the customer service provided by ADP.	15%	55%	30%
15. I am satisfied with the Flexcomp service provided by the NDPERS office.	7%	78%	15%
16. I plan to enroll in the Flexcomp plan next year.	2%	95%	3%
17. I would recommend the NDPERS Flexcomp plan to other employees.	4%	93%	3%

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

NDPERS 2016 Flexcomp Plan Survey – 454 Responses (30%)

1. Which Flexcomp program(s) do you participate in?		93% Medical 17% Dependent 51% Pre-Tax
2. Are you satisfied with the NDPERS Flexcomp enrollment process?	2013 'Yes' – 90%	93% Yes 6% No
3. Are you satisfied with the availability of Flexcomp plan information?	2013 'Yes' – 85%	93% Yes 6% No
4. Have you contacted ADP customer service?		55% Yes 44% No
5. Have you participated in the Flexcomp program before this year?		96% Yes 3% No
6. Do you plan to participate in the Flexcomp plan next year?	2013 'Yes' – 90%	96% Yes 3% No

Please mark the box with how much you agree/disagree with the following statements. Use "N/A" if you have not used the service or don't know.	Answer %						
	Strongly disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree	N/A
7. I understand the NDPERS Flexcomp program.	1	1	0	3	49	45	0

- I am a new employee. Previous employer had excellent flex program administrated professionally by Discovery Benefits, who were easy to work with. I used that plan over fifteen years. Transition to ND flex program with ADP was horrible. Both NDPERS and ADP customer service were limited help, sometimes giving incorrect information. For example: I asked if my flexcomp would be grandfathered in to my start date. The answer I was given was yes but the reality was no. I asked ADP about price for mile reimbursement for medical trips. The answer ADP gave me was "Just add what you want". In my previous employment there was a very specific and per mile. This was automatically figured in by the online submission form. ADP online submission was attempted. I received no confirmation of receipt, no payment nothing. I had to call just to see if they received my claim.
- I wish we could get more information on what we can submit for over the counter purchases. If we need a prescription or how to go about it. I feel information is lacking in this area.
- The process is complicated. NDPERS is not always helpful. The mobile and web based programs take different passwords? I think but I don't know. There are ways to make this smoother for everyone.

Please mark the box with how much you agree/disagree with the following statements. Use "N/A" if you have not used the service or don't know.	Answer %							
	Strongly disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree	N/A	
8. I am satisfied with the claim submission options available from ADP.	2016	5	4	7	11	40	31	1
	2013	13	9	9	12	33	19	6

- I am not impressed with how ADP can't seem to find the chiropractor charge on an EOB; they forever want them submitted unlike the other health care claims.
- It takes ADP too long to pay on claims submitted!
- The current program seems much easier to use than the program the first year I started. It

seems much less I need to do as far as claim verification. The first year I frequently had to submit my claims for verification.

- Some clinics and pharmacies around town are not recognized as “qualified” purchases and I always have to save receipts to justify purchases, very frustrating.
- Claims submission through ADP is very cumbersome. I hate it!
- Claims submission could be easier.
- Should provide an auto-dependent care option like that offered by Discovery Benefits.
- Don't like insurance submitted differently to ADP errors can be made. Prefer to submit EOBS myself.
- The initial information about ADP when they began was not sufficient. The documentation required by ADP on claims is too much, especially with dental and chiropractic. Also delayed by problems in obtaining EOBS from Sanford Health Plan.
- I find the program easy to use and I am very satisfied with ADP's service.
- The claims process is a pain the ass. They make you scan EOBS and several times because they can't read the pdf. I can read the pdf why can't they or are they rely on a text recognition program.
- Medical statements don't line up with information we have to submit, this makes claim submission clunky. This process could be improved. Thanks.
- Moving to an outside provider for claims processing is complex not easily understandable and cumbersome. Using ADP has been a disaster.
- Flex comp was much easier when an employee could contact NDPERS for answers and claims submissions.
- I've had issues in the past, having to submit additional information to ADP is very frustrating.
- This year I seem to have to do a lot of verification on my pharmacy. Very frustrated.
- ADP is difficult to satisfy for a normal claim. It seems like they ask for every claim
- I pay out of pocket for nursing in home care for my spouse. I haven't been able to figure out how I could use the flex comp dependent care option since my payments are not always the same.
- If online mobile app and auto claims exist I do not know about it. The claim submission by fax process is not user friendly.
- It works, fast reimbursements.
- They should make it more clear as to what type of additional documentation is needed when they deny a claim.
- The dental is hard for TDA and Delta mixing up the two spots when signing up.
- ADP asks for documentation of just about everything. If I make a payment to a clinic there shouldn't be any questions.
- Love ADP the flex comp plan. Everything is easy, smooth and much better than the old system.
- ADP took some getting use to initially but seems to be fine.
- Seems to be a delay from when we get paid until it is loaded onto ADP account and then into our daycare account.
- I appreciate the quick service with auto deposit. Thank you.
- Faxing claims to ADP has been problematic. I think right now our insurance provider is more of a problem than ADP.
- I have only one option to submit by paper because I have two insurances. So I can't use the debit card at the clinic as I would probably overpay and not be able to submit my claim. I am not familiar with the online option.
- I didn't use all functionality of ADP but what I use is easy and efficient.
- Don't feel ADP should waste my time verifying submitted charges. They should be able to determine if the charges are not of insurance reimbursements.

- The ADP claim process can be confusing as there is no direct point of contact. Having a NDPERS contact is easier.
- It has become much easier to do claim submissions than in the past.
- I believe the new ADP process is a pain despite years of participating in flexcomp, I have considered stopping due to the change to ADP processing.
- The only issue I have is when you apply the last of your money to a bill but don't have enough to pay the bill. ADP flags the payment and you have to try and explain why you only paid thirty dollars to a thirty six dollar bill. You would think it would be self explanatory to ADP.
- I do dislike the fact that ADP almost always asks for a copy of the receipt, EOB, or statement for each submitted expense. I wish they had a behind the scene way to access that information better from the medical providers.
- There needs to be better verification when you get to the end of the medical flexcomp and I turn in a bill for a partial amount (to clear a balance). Every year I need to give an explanation that it's a partial payment for an office visit. Every year I get a notice needing to verify that expense.
- I use to also use the dependent care option. ADP was not useful for this. Our children costs vary throughout the year and I could not get reimbursed for months. It was such a pain I stopped using the dependent care option.
- The time that ADP has the most problems is when I pay a clinic or hospital bill that has charges for both my wife and me. I have learned to make separate payments for these charges since ADP can't figure it out otherwise.
- It is inconvenient and confusing why we need to send in the explanation of benefits at all even when the amounts have already been deducted from ADP. This system was to make it easier but this does not make sense since we have to send in paperwork regardless.
- For some reason my dental expenses were always questioned. It has gotten a lot better.
- ADP needs to be more flexible in how long they handle disputed claims. They almost closed my account one time because they couldn't figure out my forty cent difference after they already paid the provider. There should better interaction and communication between ADP and Sanford Health.
- After I fax in my flex comp forms for reimbursement it takes ADP several days before I get an email from them stating they have received my forms. It use to be more prompt in handling my claims.
- I am mostly dissatisfied with the reimbursement process. I don't have many claims but when I do ADP always requires additional information about claims. Seems like I am doing a lot of paper work for small reimbursement.
- I am not pleased with ADP. ADP requires too much documentation. I use ADP for healthcare. I find it very tedious and a huge waste of time. I get different information every time I call ADP regarding an overpayment and probably won't bother using it next year. The time I spent attempting to resolve matters was not worth the tax savings of paying with pre tax dollars.

Please mark the box with how much you agree/disagree with the following statements.
Use "N/A" if you have not used the service or don't know.

	Answer %	Strongly disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree	N/A
9. I am satisfied with the online Web Services available from ADP.	2016	5	4	6	12	41	25	6
	2013	12	7	8	11	29	20	14

- I like to fill out flexcomp claim form long hand. It is very hard to understand ADP web page and print out a form for claims. The system was far better when PERS did it themselves.
- I am also disappointed how the website keeps old rejected claims in the notification area

forever.

- ADPS online claim submission is complicated, requires many steps, verifications and detailed receipts for reimbursements. My former employer used a different vendor whose claim process was much more streamlined.
- My only dissatisfaction is their web access. I do not care for it and don't find it very user friendly.
- ADP needs to redo their website. They need to send an email alert when documents need to be uploaded.
- Entirely too much paper work to submit claims!
- The flexcomp plan was much easier to work with than the one with ADP. Sometimes the way something is phrased on ADP's website is confusing. The website is not user friendly.
- I would recommend flex comp because of tax savings options, not because of ADP. I am a technology person and the ADP site is not inviting and not easy to follow. Messages stay out there forever that should be easy to fix with a delete or confirm function. Also, I have had to call ADP on claim submission items and feel they tell me what I want to hear to get me off the phone. Then I have to call back when my account information is no accurate and sometimes denied.

Please mark the box with how much you agree/disagree with the following statements.
Use "N/A" if you have not used the service or don't know.

	Answer %	Strongly disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree	N/A
10. I am satisfied with the Debit Card option available from ADP.	2016	4	4	4	7	21	29	30
	2013	13	6	5	9	19	22	27

- Always a problem with ADP. I never use the credit card that has been a disaster.
- It would be greatly appreciated when there is a notification that you have to provide additional paperwork that you would be sent an email to your state account letting you know that you need to check your flexcomp account because their needs to be additional information provided. I do not check it on a regular basis and would never know that their was a problem with my claim when using the debit card.
- I do not use the ADP card. I prefer to send in forms to get reimbursed.
- Every debit purchase requires additional documentation; pretty much offsets the benefit of it. I also do not receive notification that this is needed. It says so when I log into my ADP online account.
- Thank you for coming out with the card!
- I've had nothing but trouble using the ADP charge card. ADP's communication regarding claims is SEVERLY lacking! I will only be submitting claims with EOBS not the card.
- The card is useless you have to send in proof 95% of the time. It is just easier to pay and submit later regardless.
- I really like the debit card!! It is way easier than the old way.
- The process is very different than the old and took time to learn what was required. Using the debit card and than having to submit receipts and paperwork is ridiculous. It defeats the purpose of using the card to make the transaction easier.
- I think the current process is great. I love the debit card and will continue to file medical in the future.
- The most annoying thing was when I would use ADP card to pay for clinical/dental visits and I would get a letter saying they "made every effort" to validate the claim when mostly they didn't.

I would have to hunt down the bill/EOB to send it into them.

- The automatic validation for the debit card needs significant improvement. I had one transaction that was the copay at St. Alexius and the transaction read clinic visit. How are they not able to validate that? Also I had one for a lab fee for blood work and the receipt basically read the same and they were not able to validate it. I had to submit a receipt that said the EXACT same thing, very inconvenient!!
- ADP communication is severely lacking when there are issues with your account, such as card swipe validations. They don't email you or make any attempt to contact you if validations are needed, the only way to find out is to log onto the website. Contact forms and emails to ADP go unanswered. When the card works and no validation is asked for it works well but problems do not get dealt with efficiently.
- I never had issues with using the debit card until this year. For some reason it wouldn't process my payment. So I just submitted for reimbursement through the claim form and I received my reimbursement.
- If I use my card at the dentist they still ask for a statement which I don't feel should be necessary.
- Love the spending account debit card!
- Absolutely love the debit card option.
- I think it is very inconvenient to use the debit card and still have to download EOBS or statements for verification.
- I really like using the debit card. It is so easy and convenient. Thank for the debit card.
- I really like the card. It's so convenient. I have never had a problem with sending in requested claims via fax if requested by ADP.
- I don't like that anytime I used my card I have to verify the expense. An example would be when I paid my clinic bill by filling in the card information on the statement. We have had huge medical bills this year and it was added stress to work with ADP.
- I like the debit card with an exception. Every time I use it for a prescription, I have to send additional information in. This has also happened with a medical procedure at the clinic. Every single time! I have to provide verification. Because of this I will seriously consider discontinuing the use of the debit card.
- I find it redundant to always have to submit EOBS or detailed billing statements for unverified card swipes, when the transactions are always from the same chiropractic clinic and health care clinic. There should be a way for ADP to record that transactions from previously approved providers are ok so billing statements and EOBS don't have to be submitted for every debit swipe.
- Every time I use the debit card it goes through and then is denied. The itemized bill showing credit card payment needs to be faxed in before payment is made at the dental office only.
- I understand the audit process of charges but it seems like it doesn't matter where I use my ADP card they always request the receipt even from the same places like the eye doctor and clinic. I wonder what a person would be paying for besides medical for but with as many requests as they make it really doesn't make it easier because a person is still always submitting paperwork.
- ADP has a learning curve that is difficult. Calling PERS for the help with flex in the past was more enjoyable and personal. Even after using the ADP card at for instance, my optometrist every year since the transition they require additional proof to approve the claim. Don't they have a database of approved card swipes after this many years of servicing NDPERS?
- I might have to be done as a safeguard but I get aggravated each time I have to go above proofing what I did. An example would be my dentist bill. Why would I swipe my ADP card at the dentist office if I didn't have a dentist bill?
- If the card is suppose to facilitate the transaction having to submit the receipt anyway is a pain. There's always (it seems) a question of legitimacy. If it's a dentist or doctor this seems

ridiculous. It does save money which is why I do it.

- The debit card is not the most efficient if you use it for co-pay at Sanford it still requires you to submit the receipt to ADP. So what's the advantage? It should know it's allowable if it's a charge for \$25 hospital? ADP online is easy to use and you get paid quickly.
- ADP is a joke for claim reimbursement. You have a credit/debit card you are suppose to use to help eliminate paper submissions. Nine time out of ten ADP is having us submitting paper copies. The EOB is usually not good enough either, it has to be itemized. It is even worse when you get a medical bill in the mail. Obviously you cannot pay the doctor, hospital bill when you leave as you don't know the amount. I had a baby three years ago. I get the bill and pay it using my card. Of course I needed a copies sent to ADP. You would think EOBS would be good to upload and scan and send over. NOPE. I always end up calling the hospital for itemized statements. It isn't like I bought \$700 worth of smoothies there. The bottom line is, the card rarely works and when you use it you are constantly making copies anyway. Exactly, like it was before ADP, when the state handled it. Thanks.
- I don't like the card, I like to file my claims once a year and receive one check. This way is easier for me as I am a real busy person and the card complicates my life trying to figure out how much I need. When it was used they would pay some or none. Life is too short why complicate it and make it shorter.
- I believe there must be a better provider available. Use of their debit card has been more work than needed as 80% of the time I still need to scan and email/download image of billing. Not happy with their service.

Please mark the box with how much you agree/disagree with the following statements.
Use "N/A" if you have not used the service or don't know.

	Answer %	Strongly disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree	N/A
11. I am satisfied with the online claims submission option available from ADP.	2016	4	4	5	10	35	27	15
	2013	11	7	7	10	24	16	25

- Claims are processed timely. I prefer faxing versus online submission of claims.
- I wish we didn't have to scan in and submit receipts as often as required.
- I feel it is easy to use and line the online submission.
- I really appreciate the ease of submitting the claims online.
- Online claims are way better than paper version! Thanks!
- I really like the online filing option. It is very easy to use and reimbursements seem faster.
- I have had issues in the past with website errors when submitting online claims. My only complaint really.
- The online submission process is pretty cumbersome. If you have a lot of small claims.
- Flexcomp is very beneficial program. The only suggestion I can make to improve the online claim submission process would be to set up email notifications when a claim needs additional information to process. I've needed to log back into the ADP website to check on a claim before that I wasn't aware needed additional information. Thank you.
- Their correspondence is always late. Deadlines with in a week. Difficult to navigate on this site. Claim submission is a bit cumbersome and always seems like we need validation when it is a simple charge. It was a lot easier when it was through NDPERS.
- The website doesn't update and once you submit a claim you can not see it until several days later. I usually submit the claim the twice just in case it doesn't upload properly.
- ADP's online service is very hard to navigate for me to get to what I want. I have to call customer services that don't seem too happy to help, but refer me back to the website.

Please mark the box with how much you agree/disagree with the following statements. Use "N/A" if you have not used the service or don't know.		Strongly disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree	N/A
Answer %								
12. I am satisfied with the Mobile App option available from ADP.	2016	2	1	1	3	6	3	84
	2013	6	2	1	3	5	3	79
I didn't know there was a mobile app. Didn't know they had a mobile app.								
Please mark the box with how much you agree/disagree with the following statements. Use "N/A" if you have not used the service or don't know.		Strongly disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree	N/A
Answer %								
13. I am satisfied with the Automatic Claim Reimbursement option available from ADP.		4	4	3	6	26	21	37
	2013	9	6	3	8	20	17	38
<ul style="list-style-type: none"> Auto claim is not available with Sanford. Sanford's fault not ADP. The auto claim is denied on every payment except standard twenty-five dollar copays and prescriptions. Therefore you are required to paper submit EOBs and receipts when you receive them this can sometimes take months from Sanford. It doesn't work as smoothly as the ADP representative stated it would when we switched several years ago. I had automatic claim reimbursement with BCBS. When they switched to Sanford no one could help me with getting it set up again. I talked to PERS, Sanford and ADP. 								
<ul style="list-style-type: none"> What is automatic claim reimbursement? I do not know what the automatic claim reimbursement option is. The auto adjudication option where they are suppose to process EOB's as they become available from our health insurance carrier is incredibly poor. I had significant trouble getting it set up when we were with BCBS-ND. Even that never worked for many claims for some reason. When we switched to Sanford Health insurance they never bothered to carry the auto pay over. I didn't make any attempt to set it up with Sanford since the ADP customer service was so bad and it was less hassle to just manually submit the claims online. It's obvious to me that auto pay of claims is not a priority to ADP. I hope the PERS board dumps them ASAP. They promised a lot but haven't delivered. 								
Please mark the box with how much you agree/disagree with the following statements. Use "N/A" if you have not used the service or don't know.		Strongly disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree	N/A
Answer %								
14. I am satisfied with the customer service provided by ADP.	2016	6	5	4	10	30	15	28
	2013	10	5	6	10	21	16	32
<ul style="list-style-type: none"> ADP customer service took a major step back when they outsourced the service. The few times I have contacted customer service I was on hold for at least 20-30 minutes before talking to someone. Customer service is sporadic. Sometimes they are good and sometimes they are not. I submitted a receipt for dependent care for January 2016 and it was approved without any 								

problem. When I submitted dependent care for February they denied the claim even though the receipt was the same as January's but the dates were different. I called and they gave me the run around explaining to me that they didn't know why January was approved but they needed my child's name on the receipt and I explained that it clearly was on the receipt. When they realized my child's name was on the receipt they then told me that the receipt needed to specify the type of care not just dependent care. I told them the receipt was no different than the last month but they didn't want to help. Very poor customer service!

- When I have called the 800 number on the back of the card it is sometimes hard to understand or get the person on the other end of the line to understand.
- ADP does not always notify me if there is a problem which has caused delays; customer service representatives have been helpful.
- System is clunky and customer service is poor.
- Train customer service a little better. I was confused when I hung up when I had to call.
- ADP customer service is horrendous!
- Customer service when you call is not anywhere near what the NDPERS office use to provide. I miss the ND touch.
- I stopped one year of enrollment and just recently rejoined in January. I have yet to receive a new debit card for medical transactions. I was sent one quickly last time I enrolled. Where is my card? I need it for doctor visits.
- The staff at ADP is hard to understand regarding their clarity of their speech. I am not happy the way one receives notices regarding suspended card. You need to justify or send documentation for the same providers when you have provided information for them before.
- For some reason I seem to get audited by ADP about six times a year. This is a hassle. I don't see the need for multiple audits.
- ADP communications with you when it makes a mistake is terrible. They do not clearly tell you what you did wrong you never get to deal with the same person twice. I feel their customer service sucks!
- They have locked up my funds available to me several times because of claims paid that they hadn't verified before paying from my account. The customer service was not very knowledgeable in helping me resolve this. I would not recommend or us this again!
- ADP customer service when you have an issue is extremely poor to deal with. They are very uncooperative and fail to make a resolution. I will therefore not resolve any problems through them. I will only submit claims through the vendor. The concept is good but their customer service is very hard to understand. Very broken English!
- The customer service is terrible. They hang up on you or leave you on hold for a half hour! Online notices don't clear. They don't email about notices even though I have it set up. They want a copy of almost every statement. They wouldn't accept a co-workers insurance or provider statement due to him paying by check.
- Worst program ever with the worst customer service. Difficult to deal with. They can't read information in emails or fax. We have outstanding claims that we have been fighting with them for over twelve months and have sent copies of receipts in excess of ten times through numerous means email, fax, upload on website. They haven't switched claims to the correct calendar year even after providing evidence multiple times leaving us with over \$1100.00 of 2015 money unusable. After submitting my spouse forms five times they still won't speak to my husband. We have many more problems related to receipts and would like a follow up call. Awful company! Please call me if you have any questions ~~(XXX) XXX-XXXX-XXXXXXX~~
~~XXXXXXXXXX~~
- Main issue with unverified and rejected claim and lack of helpfulness and clarity on the phone with customer service staff. I have ended up reimbursing expenses out of pocket to avoid bureaucracy.
- At times when I call with questions I get different answers from different people. They couldn't

explain why a payment was denied and I had not even been notified that it wasn't being paid. I had to go into the system online to find out. Even though I have said I want email notification they don't do it.

Please mark the box with how much you agree/disagree with the following statements. Use "N/A" if you have not used the service or don't know.

	Answer %	Strongly disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree	N/A
15. I am satisfied with the Flexcomp service provided by the NDPERS office.	2016	2	2	3	7	41	30	15
	2013	5	3	4	11	37	30	12

- I loved the previous service provided by NDPERS.
- I liked and preferred the system prior to ADP.
- Calling for PERS for help is a joke. The usual answer is "I don't know". Try learning a little about the programs NDPERS offers. Also Sanford sucks for health insurance, get us back to BCBS.
- I feel the customer service was FAR better when PERS was doing the work.
- Annual enrollment process is confusing sometimes.
- NDPERS doesn't do anything but make sure the money is taken out of my paychecks.
- I very much preferred the old system but maybe that is because I am old too.
- There is room for improvement. Enrollment is confusing in Perslink.
- I don't like the use of ADP for flex comp. The former NDPERS plan was simpler and easier to file claims.
- NDPERS customer service is terrible and the gal answering the phone is rude.
- NDPERS link enrollment system is awful! Even though you elect to enroll in flexcomp (medical) I was uncertain it actually worked and than is didn't and the money wasn't drawn from the payroll system.

Please mark the box with how much you agree/disagree with the following statements. Use "N/A" if you have not used the service or don't know.

	Answer %	Strongly disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree	N/A
16. I plan to enroll in the Flexcomp plan next year.	2016	2	0	0	2	28	65	1
	2013	5	1	1	3	29	55	5

- I plan on saving next year myself instead of using the flex comp system just to earn some interest myself.
- Two separate issues with the medical so I will not choose that again. Two Sanford claims that were initially denied. I don't elect high amount so I am not going to use the medical anymore.
- I expect we will be using my spouse's provider next year Discovery Benefits.

Please mark the box with how much you agree/disagree with the following statements. Use "N/A" if you have not used the service or don't know.

	Answer %	Strongly disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree	N/A
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17. I would recommend the NDPERS Flexcomp plan to other employees.	2016	2	0	2	6	35	52	3
	2013	5	3	2	8	34	43	5

18. Years of Service with the state	19. Age at last birthday	20. Marital Status	
17.9 Average Years	50.3 Average Years	18% Single	82% Married
21. Did you defer/contribute more than \$1,000 to your Flexcomp account? 77% Yes 23% No			

Additional Comments?

- I would like the amount to increase to at least \$300.00.
- I think the contribution amount is too low. You should think about increasing it.
- I have always contributed the maximum amount, I wish it were higher amount but that's not in your control. I have always contributed the maximum amount, I wish it were higher amount but that's not in your control.
- I wish enrollment date could be closer to December or in December.
- I would like to see this change. If you don't use all your flex comp funds it should be refunded or you can carry it over to the next year.
- It was nice when we could flex comp more. What we can flex comp now just isn't enough.
- It would be nice if the maximums were increased. My family hits the medical max by June.
- I wish we could flex more. Some of my medications are very costly so it would be nice to have more of them covered.
- Excellent program, increase the medical limit.
- **Make audits easier, waiting three to six months to do an audit is crazy.**
- How much are we paying for this service from ADP vs NDPERS run service?
- Thank you for having flex comp available. It's a valuable benefit.
- Great program, wish five K was still allowed though!
- Moving flex comp to ADP was the best thing NDPERS has done. I became very frustrated with NDPERS when they attempted to run the flex comp program.
- Wish we could claim a higher amount. We use to be able to claim five thousand as I am getting older more medical and dental expenses.
- **I don't understand why you have to elect pretax each year on your dental and vision premiums. Other places that I have worked at once you elect pretax they are pre taxed until you notify payroll during open enrollment to change your status. Especially if that is the only thing you are changing it is easy to forget to log into elect pre tax.**
- I have never submitted a claim to ADP before so I have no experience with them.
- **Also the NDPERS website is difficult to navigate.**
- I wish we knew each year which plan we need to change or re enroll in. Some need yearly enrollments and some you don't enroll less changing. I wish it was more clear which options you had to do yearly otherwise it seems ok.
- **The enrollment process is confusing. It should be more user friendly. If you are enrolling in the dental or vision plan already and want to keep enrolled but just need to pre-tax it. There should just be a summary screen to check pre-tax. One screen option to pre-tax premiums and enroll in medical or dependent at the same time.**
- Access us to put more into flexcomp - \$2500 is not enough. Initially ADP requested confirmation on several expenses (all legitimate and confirmed).

THANK YOU!

Please return this survey in the postage-paid envelope by:
July 10, 2016