NDPERS BOARD MEETING
Agenda

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

July 19, 2007 **Time: 8:30 AM**

I. MINUTES

A. June 21, 2007

II. RETIREMENT

A. Deferred Normal Retirement Option – Sharmain (Board Action)
B. Retiree Health Credit – Sharmain (Board Action)
C. Career and Technical Education – Sharmain (Information)
D. 13th Check - Sparb (Information)

III. GROUP INSURANCE

A. Drug Formulary Education – BCBS (Information)
B. COB – BCBS (Information)
C. Draft BCBS Contract – Sparb (Board Action)
D. Health Districts/Garrison Diversion Conservancy – Kathy (Information)
E. Surplus/Affordability Update – Bryan (Information)

IV. LASR

A. Monthly Status Report – Deb (Information)
B. Sagitec Contract – Deb and Sparb (Board Action)
C. Sagitec – Information

V. MISCELLANEOUS

A. Board Committees – Sparb (Board Action)
B. Quarterly Consultant Fees – Jim (Information)
C. SIB Agenda

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

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

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

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

Memorandum

TO: NDPERS Board

FROM: Sharmain

DATE: July 12, 2007

SUBJECT: **IMPLEMENTATION OF SB 2048 – DEFERRED NORMAL RETIREMENT OPTION**

Background

SB 2048 provides for an actuarially increased retirement benefit as an option for retiring members who delayed or inadvertently failed to apply for retirement benefits at their earliest full retirement age. Full (normal) retirement ages are:

Main system:	Earlier of Rule of 85 or age 65
Law Enforcement:	Earlier of Rule of 85 or age 55
National Guard:	Age 55
Highway Patrol:	Earlier of Rule of 80 or age 55
Judges:	Earlier of Rule of 85 or age 65

Proposed Procedure:

The statute allows for the board to adopt rules to provide for the receipt of retirement benefits in optional forms. As the above provision is effective August 1, 2007, the following outlines staff and Segal's recommendations for interim procedures until rules can be promulgated. (Attachment 1 & 2)

The new DNRO allows members who have not commenced their full retirement benefits to elect an actuarially increased benefit in lieu of the current option. Currently the only option is to issue a lump sum of back payment of benefits. Members would be permitted to choose one of the optional forms of payment for their annuity benefits. Their lump sum would be determined based on the elected form of benefit. Members must make a determination of receiving a back payment of benefits in a lump sum or have the lump sum paid to them in a form of monthly increased benefit for their lifetime or spouse's lifetime. The increased amount would be determined by taking the lump sum multiplied by a factor that is determined by the member's age at commence of benefits. In cases of a highway patrol or judge retiree, the factor is determined by the member's age as well as the spouses. Highway Patrol and the judicial retirement systems provide for a normal benefit that includes an automatic 50% joint and survivor with no reduction in the retiree's monthly benefit.

The following example is to demonstrate the difference in factors. This example assumes the same benefit calculation and the member meeting the Rule 85 at age 62, but delayed benefit payments until age 70.

Main system		Judges	
Benefit:	$1,276.22	Benefit:	$1,276.22
Lump Sum:	$104,147.08	Lump Sum:	$104,147.08
Factor:	.1044	Factor:	.0936
Increased Benefit:	$2,182.30	Increased Benefit:	$2,088.57

Staff's Recommendation:

Adopt the tables and method of calculation as provided by Segal.

Board Action Requested:
Approve staff's recommend procedures for implementation of SB 2048.

THE SEGAL COMPANY
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Attachment 1

Michael Moehle, FSA
Vice President & Actuary
mmoehle@segalco.com

Benefits, Compensation and HR Consulting ATLANTA BOSTON CALGARY CHICAGO CLEVELAND DENVER HARTFORD HOUSTON LOS ANGELES MINNEAPOLIS NEW ORLEANS NEW YORK PHILADELPHIA PHOENIX PRINCETON RALEIGH SAN FRANCISCO TORONTO WASHINGTON, DC
Multinational Group of Actuaries and Consultants BARCELONA BRUSSELS DUBLIN GENEVA HAMBURG JOHANNESBURG LONDON MELBOURNE MEXICO CITY OSLO PARIS

May 14, 2007

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

Re: SB 2048 Deferred Normal Retirement Option – Lump Sum Conversion Factors

Dear Sparb:

Senate Bill 2048, SECTION 7, amended Subsection 5 of section 54-52-17 of the North Dakota Century Code as follows:

"Members who have delayed or inadvertently failed to apply for retirement benefits to commence on their normal retirement date may choose to receive either a lump sum payment equal to the amount of the missed payments, or an actuarial increases to the form of benefit the member has selected, which increase must reflect the missed payments."

As requested, we have developed the actuarial factors need for the conversion of missed deferred normal retirement benefit payments to an actuarially equivalent annuity. It is our understanding, based on prior communications between Segal and North Dakota PERS, that the missed payments are accumulated without any interest accruals but do include any ad-hoc COLA adjustment that would have applied to the missed payments.

The recommended factors on the next page are to be used for this conversion, following the steps outlined below. Note that these factors are the same as are used for the partial lump sum option calculation, reflecting an 8.0% interest rate assumption and the 1983 GAM unisex mortality table with margins.

Step 1: Determine the retiree's single life annuity benefit that would have commenced starting the retiree's normal retirement age.

Step 2: Apply any ad-hoc COL adjustments that would have applied to the benefit determined in Step 1 if the member had retired on his/her normal retirement age.

Step 3: Accumulate the annuity benefits determined in Step 2 up through the actual retirement date, without any interest adjustments.

Step 4: Multiply the Step 3 result times the factor from the following table based on the retiree's nearest age at the date of the actual commencement of benefits and then divide this result by 12.

Age	Factor	Age	Factor
40	0.0823	67	0.1138
41	0.0827	68	0.1166
42	0.0832	69	0.1196
43	0.0836	70	0.1228
44	0.0841	71	0.1263
45	0.0847	72	0.1301
46	0.0852	73	0.1342
47	0.0858	74	0.1385
48	0.0865	75	0.1432
49	0.0872	76	0.1483
50	0.0879	77	0.1537
51	0.0887	78	0.1594
52	0.0895	79	0.1656
53	0.0904	80	0.1721
54	0.0914	81	0.1790
55	0.0924	82	0.1864
56	0.0936	83	0.1942
57	0.0948	84	0.2025
58	0.0961	85	0.2114
59	0.0975	86	0.2210
60	0.0990	87	0.2313
61	0.1007	88	0.2424
62	0.1025	89	0.2545
63	0.1044	90	0.2675
64	0.1065	91	0.2816
65	0.1087	92	0.2969
66	0.1112	93	0.3135

Step 5: Add the Step 4 result to the monthly single life annuity benefit calculated on the actual date of retirement.

Step 6: Apply the optional form factor based on the retiree's election to the Step 5 result. This is the retiree's monthly benefit commencing at the actual date of retirement.

July 11, 2007 Attachment 2

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

Re: Deferred Normal Retirement Option for Judges and Highway Patrol — Lump Sum Conversion Factors

Dear Sparb:

We received a question from Sharmain Dschaak related to the procedure and factors to use with respect to the Judges and Highway Patrol Plans when a members delays retirement beyond the normal retirement date. Both of these plans provide for a 50% survivor benefit (no reduction) as the normal form of benefit.

The statutes provide the authority to provide an increased monthly annuity benefit in this situation. The actual methodology for calculating the monthly annuity adjustments will be adopted as a formal Board policy. In response to this request we had previously provided single life annuity factors to convert the missed payments to an additional annuity, since there is no charge to the retiree for the 50% survivor coverage. It is our understanding that the Board policy will specify that the missed payments are accumulated without any interest accruals but do include any ad-hoc COLA adjustment that would have applied to the missed payments and that the conversion of the missed payments will include the cost of the 50% survivor benefit, due to a concern over potential anti-selection on the part of retirees.

Based on our understanding of the Board policy that will be adopted, the factors to be used are the same partial lump sum option (PLSO) factors that are used for the PLSO calculation for the Judges and Highway Patrol Plans, following the steps outlined below. These reflect an 8.0% interest rate assumption and the 1983 GAM unisex mortality table (50% male/50% female) with margins.

Step 1: Determine the retiree's monthly formula annuity benefit that would have commenced starting the retiree's normal retirement age.

Step 2: Apply any ad-hoc COL adjustments that would have applied to the benefit determined in Step 1 if the member had retired on his/her normal retirement age.

Step 3: Accumulate the monthly annuity benefits determined in Step 2 up through (but not including) the actual retirement date, without any interest adjustments.

Step 4: Multiply the Step 3 result times the appropriate PLSO factor, using the age of the retiree and the beneficiary, using nearest age at the date of the actual commencement of benefits and then divide this result by 12.

Step 5: Add the Step 4 result to the monthly formula annuity benefit calculated on the actual date of retirement.

Step 6: Apply the optional form factor based on the retiree's election to the Step 5 result. This is the retiree's monthly benefit commencing at the actual date of retirement.

EXAMPLE

A member of the Judges plan starts delayed retirement at age 66 with a spouse age 66 and elects a 100% survivor benefit.

Step 1: Formula benefit is $1,000 per month.

Step 2: Assume no ad-hoc COL adjustments apply.

Step 3: Missed payment are for 12 months with no COL adjustment for a total of $12,000 in missed payments.

Step 4: Multiply $12,000 times 0.1029 divided by 12 equals $102.90 per month.

Step 5: Monthly benefit at age 66 is $1,000 plus $102.90 equals $1,102.90, payable as a 50% survivor benefit.

Step 6: Apply the conversion factor from a 50% survivor annuity to a 100% survivor annuity at age 66 to the $1,102.90 monthly benefit.

Please call if you have any questions on the procedure.

Sincerely,

Michael Moehle

/gxk

Sample: Highway & Judges Tables

Member Age	Beneficiary 50	51	52	53	54	55	56	57	58	59
60	0.0910	0.0913	0.0915	0.0917	0.0920	0.0922	0.0925	0.0927	0.0930	0.0933
61	0.0918	0.0921	0.0923	0.0926	0.0929	0.0931	0.0934	0.0937	0.0939	0.0942
62	0.0927	0.0930	0.0932	0.0935	0.0938	0.0941	0.0943	0.0946	0.0949	0.0953
63	0.0936	0.0939	0.0942	0.0944	0.0947	0.0950	0.0954	0.0957	0.0960	0.0963
64	0.0945	0.0948	0.0951	0.0954	0.0958	0.0961	0.0964	0.0968	0.0971	0.0975
65	0.0955	0.0958	0.0962	0.0965	0.0968	0.0972	0.0975	0.0979	0.0983	0.0986
66	0.0966	0.0969	0.0972	0.0976	0.0979	0.0983	0.0987	0.0991	0.0995	0.0999
67	0.0976	0.0980	0.0983	0.0987	0.0991	0.0995	0.0999	0.1003	0.1007	0.1012
68	0.0988	0.0991	0.0995	0.0999	0.1003	0.1007	0.1011	0.1016	0.1020	0.1025
69	0.0999	0.1003	0.1007	0.1011	0.1015	0.1020	0.1024	0.1029	0.1034	0.1039
70	0.1012	0.1016	0.1020	0.1024	0.1028	0.1033	0.1038	0.1043	0.1048	0.1054
71	0.1024	0.1028	0.1033	0.1037	0.1042	0.1047	0.1052	0.1057	0.1063	0.1069
72	0.1037	0.1042	0.1046	0.1051	0.1056	0.1061	0.1067	0.1072	0.1078	0.1084
73	0.1051	0.1055	0.1060	0.1065	0.1070	0.1076	0.1082	0.1088	0.1094	0.1101
74	0.1065	0.1070	0.1075	0.1080	0.1085	0.1091	0.1097	0.1104	0.1110	0.1117

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Memorandum

TO: PERS Board

FROM: Sharmain

DATE: July 12, 2007

SUBJECT: RETIREE HEALTH INSURANCE CREDIT PROGRAM (RHIC)

Background

Senate Bill 2045 provides that as of August 1, 2007, spouses who both have earned a RHIC may combine their respective credits and apply it toward the premium for NDPERS' group health insurance coverage. Until our administrative rules can be amended, below is the operating policy staff is proposing. Also attached as information is data on the number of active and retired members that are spouses.

Proposed Procedures:

Who is eligible for this provision?

A. Members and spouses receiving retirements benefits from the:
   i. Defined Benefit Hybrid Retirement Plan
   ii. National Guard Retirement Plan
   iii. Law Enforcement Retirement Plan
   iv. Highway Patrol Retirement Plan
   v. Judges Retirement Plan
   vi. Job Service Retirement Plan
   vii. Defined Contribution Retirement Plan

B. Surviving spouses receiving retirement benefits may be eligible to use the credit of a deceased spouse that was receiving benefits from one of the above referenced plans.

When are retirees eligible for this provision?

A. August 1, 2007 and thereafter

How can this option be elected or changed?

Members are responsible for notifying NDPERS if they want to elect or discontinue this option by completing either a **"Request to Combine Retiree Health Insurance Credits SFN 58591"** or **"Request to Cancel Combined Retiree Health Insurance Credits SFN 58592"**. Any request received prior to the 15th of the month will be effective the first of the following month.

How long can this option be continued?

Members may maintain this option as long as they are eligible for a benefit pursuant to N.D.C.C. 54-52

Can a retiree add additional family members to the policy when elected this option?

No. The decision to combine credits is not a qualifying event that allows retirees to add additional eligible family members to a contract.

Board Action:

Approved above policy and procedures for implementation of Senate Bill 2045

Attachment #1

Sharmain,
This table is from our retirement database using the member SSN and spouse SSN.
It shows the members that are also listed as another member's spouse.
To get the number of married couples, divide by two. So, there are 3,045 members that are also listed as another member's spouse (1,522 couples). A member could be married to another active employee or a retiree in this analysis.

STATUS	Frequency	Cumulative Percent	Cumulative Frequency	Percent
10 (Active)	1939	63.68	1939	63.68
20 (LOA)	4	0.13	1943	63.81
40 (Deferred vested)	281	9.23	2224	73.04
47 (Refunding)	1	0.03	2225	73.07
48 (Deferred non-vested)	143	4.70	2368	77.77
49 (Lost)	7	0.23	2375	78.00
70 (Retiree)	670	22.00	3045	100.00

If you only want to know the number of married members where both are active it is 1,518 (759 couples).

If you have any questions, let me know.

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Memorandum

TO: PERS Board

FROM: Sharmain

DATE: July 12, 2007

SUBJECT: STATE BOARD FOR CAREER & TECHNICAL EDUCATION

House Bill 1078 provides that employees of the State Board for Career and Technical Education may elect to transfer from the Teachers Fund for Retirement to PERS. This affects 16 people. Below is a timeline of activities relating to the implementation of HB 1078.

July 3rd: TFFR met with PERS to compute benefit estimates for both plans

July 23rd: PERS & TFFR staff will meet with the 16 individuals in a group setting. Each individual will receive folders containing the following:

- Copy of new law
- Plan comparison (Attachment 1)
- TFFR & PERS retirement brochures
- TFFR account copy
- TFFR & PERS benefit estimates for Rule of 85
- Election form (Attachment 2)
- PERS beneficiary form

July - September: Conduct any additional one-on-one counseling sessions

September 6th: TFFR will obtain the actuarial value of the transferring individuals
As soon as TFFR receives results from their actuaries, PERS will send the data to Segal

September 30th: The transfer of funds will take place on September 30

October 1: The transferring individuals will be reported to PERS under the new retirement contribution rates.

<u>Board Action:</u>

Informational only.

Attachment 1

Plan Highlights

Pension Plan Comparison
For
State Board for Career and Technical Education Election

	ND Public Employees Retirement System	ND Teachers' Fund for Retirement
Plan Design	The NDPERS Hybrid Defined Benefit Plan is funded by contributions from members, employers, and earnings from investments. The contribution rates for employees and employers are established in the N.D.C.C. Employee contributions are automatically credited to individual member's accounts. Employer contributions are paid into the retirement fund and retiree health insurance credit fund. If vested, you are promised a benefit at retirement, which is based on your salary, the multiplier, and your years of service. The more years of service, the greater the benefit. You will receive the benefit determined under the plan regardless of the performance of the plan's investments.	The NDTFFR Defined Benefit Plan is funded by contributions from members, employers, and earnings from investments. The contribution rates for employees and employers are established in the N.D.C.C. Employee contributions are automatically credited to individual member's accounts. Employer contributions are paid into the retirement fund. If vested, you are promised a benefit at retirement, which is based on your salary, the multiplier, and your years of service. The more years of service, the greater the benefit. You will receive the benefit determined under the plan regardless of the performance of the plan's investments.
How much do I contribute to my pension?	There is a mandatory pretax contribution of 4.00% of your salary. This is picked up by your employer under article 414(h) of the Internal Revenue Code.	There is a mandatory 7.75% contribution of your salary; 4% is picked up by your employer on a pretax basis under article 414(h) of the Internal Revenue Code and 3.75% is deducted from your pay on a pre-tax basis.
How much does the State of North Dakota contribute to my Pension Plan?	For Career and Technical Education employees electing to join NDPERS, the employer contribution is 6.97% of your salary for eight (8) years. (4.12% is paid into the retirement fund and 2.85% into the retiree health insurance credit fund.) After eight (8) years, the employer contribution will be 5.12%. (4.12% paid into the retirement fund and 1.00% into the retiree health insurance credit fund.)	The employer contribution to the retirement plan is set by state statute and is currently 7.75% of your salary. The employer contribution will increase to 8.25% on July 1, 2008.
When do I become vested?	After three (3) years of service, your pension benefit is vested.	After three (3) years of service, your pension benefit is vested.
How do I vest in the employer contribution?	The Portability Enhancement Provision (PEP) allows you to "vest" in the employer contribution for cash distribution purposes. This means that if you decide to leave employment, and do not elect to draw a pension from the NDPERS, you have the opportunity to take both the employee and the corresponding vested employer contribution out of NDPERS in a lump sum distribution.	You do not vest in the employer contribution.
How is my retirement participation	To continue participation in the retirement plan, you must work a minimum of 20 hours per week for 20 or more weeks of the year, and filling a	No minimum work requirements.

affected if I decide to work part-time?	permanent position that is regularly funded and not of limited duration. If you are not covered under the above provisions, the law expressly prohibits your employer from paying any portion of your retirement contributions. However, you may elect to participate, at your own cost, within 180 days of changing to part-time or temporary employment. You receive one (1) month of service credit for each month that contributions are received by NDPERS on your behalf.	Service credit earned based on compensated hours. One year of credit equals 700 hours. If compensated for less than 700 hours, service credit granted in proportion. Example: 250 hours / 700 = .357 year
When can I take a distribution?	At termination and before drawing a pension, you may take out the employee contributions and any employer contributions that you are vested in as a result of PEP, plus interest as established by the NDPERS board (current rate is 7.5%). An early withdrawal penalty may apply if you take your money out before age 59 1/2 without rolling it into another employer's eligible plan or IRA unless you retire or become disabled. You can also take an earlier retirement benefit with a reduced pension at age 55 with three years of service. Normal retirement age is 65, or the Rule of 85, whichever is earlier. You meet the Rule of 85 requirements if the combination of your age and years of service equals or exceeds 85.	At termination and before drawing a pension, you may take out the employee contribution plus interest (6%). An early withdrawal penalty may apply if you take your money out before age 59 1/2 without rolling it into another employer's eligible plan or IRA unless you retire or become disabled. You can also take an earlier retirement benefit with a reduced pension at age 55 with three years of service. Normal retirement age is 65, or the Rule of 85, whichever is earlier. You meet the Rule of 85 requirements if the combination of your age and years of service equals or exceeds 85.
How is my retirement benefit determined?	The amount of your benefit is based on years of service, age at which you retire, and your final average salary, which is your highest pay for 36 non-consecutive months of the last 120 worked. Effective August 1, 2010, final average salary will be calculated using your highest pay for 36 non-consecutive months of the last 180 worked. The normal retirement calculation is 2.00% times years of service in the plan times your final average salary.	The amount of your benefit is based on years of service, age at which you retire, and your final average salary, which is your highest 3 fiscal year salaries in your entire career. The normal retirement calculation is 2.00% times years of service in the plan times your final average salary.
What are my distribution options at retirement?	Guaranteed, fixed, monthly income for your life. Survivorship options are available to provide continued payments to your beneficiary after your death including 100% joint & survivor, 50% joint & survivor, 10-year term certain, 20-year term certain. A level income option with social security may be used with the Single Life option. A partial lump sum option paid in addition to a monthly lifetime benefit is also available for members retiring at the Rule of 85 or age 65 Lump sum refund of your contributions and any vested employer contributions (PEP), plus interest as establish by NDPERS Board (current rate is 7.5%). Roll your balance into another employer's eligible	Guaranteed, fixed, monthly income for your life. Survivorship options are available to provide continued payments to your beneficiary after your death including 100% joint & survivor, 50% joint & survivor, 10-year term certain, 20-year term certain. A level income option with social security may be used with any of the options. A partial lump sum option paid in addition to a monthly lifetime benefit is also available for members retiring at the Rule of 85 or age 65. Lump sum refund of your contributions plus interest (6%). Roll your balance into another employer's eligible

	plan or IRA.	plan or IRA.
What distribution options are available to my spouse if I die before retirement?	If you are not vested, your spouse will receive your account value including all employee contributions and vested employer contributions (PEP) plus interest (less taxes). If you are vested, your spouse may select: 50% of your accrued monthly benefit payable to spouse for life; 100% of your accrued monthly benefit payable for five years, or lump sum of account including all employee contributions and vested employer contributions (PEP) plus interest (less taxes).	If you are not vested, your spouse, (if named as beneficiary), will receive your account value including all employee contributions plus interest (less taxes). If you are vested, your spouse, (if named as beneficiary), may select: a monthly benefit for life under the 100% joint & survivor option; sixty monthly payments equal to your single life benefit without reduction for age; or a lump sum payment of the account including all employee contributions plus interest (less taxes).
What additional benefits do I receive as a retiree?	Retiree health credit is available to retirees of the plan if they choose to participate in the NDPERS Dakota Plan and are drawing a monthly NDPERS retirement benefit. A retiree receives $4.50 for every year of retirement service credit, subject to reduction for early retirement. Members retiring under Normal retirement or Disability will receive full credit. Health, dental, long-term care, vision and life insurances are available to retirees of the plan if they meet conditions associated with each type of coverage. Individuals who receive a lump sum distribution are not eligible for coverage beyond the 18-month COBRA continuation period.	Retiree health credit is not available. Health, dental, long-term care, vision and life insurances through PERS are available to TFFR retirees if they meet conditions associated with each type of coverage. Individuals who receive a lump sum distribution are not eligible for coverage beyond the 18-month COBRA continuation period.
What options are available to a non-spouse beneficiary?	If benefits have not commenced, whether or not you are vested, your beneficiary will receive your vested account value, including all employee contributions and vested employer contributions (PEP) plus interest (less taxes). If benefits have commenced, any payment your beneficiary will receive is subject to the option you select at retirement.	If benefits have not commenced, the survivor benefits payable to a non-spouse beneficiary are the same as benefits payable to a spouse. However, the lifetime benefit is not available if more than one beneficiary is named. If benefits have commenced, any payment your beneficiary will receive is subject to the option you select at retirement.
What disability retirement benefits are available?	After six months of service a member is eligible for a monthly disability retirement benefit, which is 25% of member's final average salary for as long as the disability lasts. Benefits are subject to income tax upon distribution. Survivorship options are available to provide continued payments to your beneficiary after your death.	After one year of service a member is eligible for a monthly disability retirement benefit calculated using the retirement formula without reduction for age and a minimum of 20 years of service credit. This calculation creates a minimum benefit of 40% of a member's final average salary for as long as the disability lasts. Benefits are subject to income tax upon distribution. Survivorship options are available to provide continued payments to your beneficiary after your death.
What are the provisions to purchase additional service credit?	Under certain circumstances, the following types of service may be purchased for additional retirement credit: Leave of Absence Legislative Service Military Service Previous Public Employment Generic/Airtime (5 year max)	Under certain circumstances, the following types of service may be purchased for additional retirement credit: Refunded TFFR service Air time (5 year max) Government agency teaching Leave of Absence Legislative Service

	The cost to obtain all additional credit is based on an actuarial cost calculation.	Military Service Non-public teaching Out of state teaching The cost to obtain additional credit (except refunds paid within 5 years of re-employment at 6% interest) is based on an actuarial cost calculation. TFFR purchases must be paid in full prior to completing the election form to transfer retirement participation from TFFR to PERS.
What are the provisions to purchase unused sick leave?	At termination/retirement, you may purchase all or part of your unused sick leave for retirement service credit. The cost to purchase sick leave is determined by taking the combined employer and employee contributions rates at termination times your final average salary times the number of months being purchased. The number of hours of unused sick leave at your separation of employment is not affected by any employer lump sum sick leave payment policy.	No provisions available to purchase unused sick leave.
Will post retirement benefit increases be provided?	No provision for automatic cost of living adjustments. However, ad hoc benefit increases may be granted by the Legislature.	No provision for automatic cost of living adjustments. However, ad hoc benefit increases may be granted by the Legislature.

RETIREMENT PLAN ELECTION
EMPLOYEES OF CAREER AND TECHNICAL EDUCATION
NORTH DAKOTA PUBLIC EMPLOYEE'S RETIREMENT SYSTEM
NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
SFN 58567 (Rev. 07-2007)

In compliance with the Federal Privacy Act of 1974, the disclosure of the individual's social security number on this form is mandatory pursuant to 26 U.S.C. Section 3402. The individual's social security number will be used for tax reporting and as an identification number.

NDPERS • PO Box 1657 • Bismarck • ND 58502-1657
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NDTFFR • PO Box 7100 • Bismarck • ND 58507-7100
(701) 328-9880 • 1-800-952-2970 • Fax 701-328-9897

PART A EMPLOYEE INFORMATION		
Name (Last, First, MI)		(Maiden)
Mailing Address (Street or PO Box)		Social Security Number
City	State	Zip Code + 4

As an employee of the Department of Career and Technical Education (CTE), I have been given the opportunity to elect to remain in my present retirement plan, which is the Teachers' Fund for Retirement or to transfer my participation to the Public Employee's Retirement System. The provisions of this transfer opportunity are found under NDCC 54-52 & 15-39.1. I understand that my election is irrevocable and permanent. I have had the opportunity to speak with an attorney and financial planner of my choosing and at my expense, to review NDCC Chapter 54-52 & 15-39.1 and the information available from the Public Employee's Retirement System and the Teachers' Fund for Retirement, and to ask any questions I may have concerning the election. I also understand that I must be an active employee of CTE at the time of transfer. If an election is NOT made by August 31, 2007, I understand that my retirement plan participation will remain in the Teachers' Fund for Retirement and I will not have opportunity to transfer in the future.

PART B EMPLOYEE ELECTION - Choose one of the following elections	
I have reviewed and understand the above provisions, and hereby elect to remain in my present retirement system, the Teachers' Fund for Retirement. This election is made this _____ day of _____, _____. _____ Employee Signature	I have reviewed and understand the above provisions, and hereby elect to transfer my retirement plan participation from the Teachers' Fund for Retirement to the Public Employee's Retirement System. This election is made this _____ day of _____, _____. _____ Employee Signature

SUBSCRIBED AND SWORN to before me this _____ day of _____, _____.

Notary Public Signature & Seal Required

PART C NDPERS USE ONLY

☐ Approved Effective Date: _____

☐ Denied Date Denied: _____ Reason: _____

FILING PROCEDURE: Original to NDPERS – Copy to NDTFFR - Employee and CTE should retain a photocopy.

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

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

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

Memorandum

TO: PERS Board

FROM: Sparb

DATE: July 12, 2007

SUBJECT: 13th Check

Good news. Steve Cochrane indicated that the estimated return for the PERS fund for the year ending June 30, 2007 was approximately 18%. According to SB 2044 we needed a return of 9.06% or more to give our retirees a 13th check equal to 75% of their monthly annuity in January of 2008. Based upon this estimate, it appears that we will be able to provide that in increase.

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Memorandum

TO: PERS Board

FROM: Sparb

DATE: July 11, 2007

SUBJECT: Drug Formulary

At the last meeting the Board requested that BCBS give a presentation on the drug formulary. Representatives of BCBS will be at the July meeting to give that presentation and answer questions.

BlueCross BlueShield of North Dakota

An independent licensee of the Blue Cross & Blue Shield Association

Consulting Services Unit
4510 13th Avenue South
Fargo, North Dakota 58121-0001

(701) 282-1444

Memorandum

Date: July 11, 2007

To: Sparb Collins, NDPERS

From: Larry Brooks, BCBSND

SUBJECT: Formulary Development – BCBSND Commercial & Medicare Part D

On June 21, I presented 2006 Medicare Part D activity to the PERS Board. During the presentation, I brought up the notion of the new "Ideal" formulary RAS is promoting. A question was asked about how the formulary was developed. In addition, how does the development of the Part D formulary differ (if any) from the BCBSND commercial formulary development?

The following pages outline how the two entities develop today's formulary lists. Any differences between the commercial and Medicare Part D formulary processes are due to the first bullet in the following paragraph:

Product Review Process for Medicare Part D

The product review process weighs clinical, compliance, and financial information. A finalized recommendation is presented to the P&T (Pharmacy and Therapeutics) Committee. They make a final decision on the basis of stepwise consideration of the following criteria:

- **Medicare Part D requirements (USP classification, mandatory coverage, mandatory exclusion, and any limitations in coverage)**
- Safety
- Efficacy
- Uniqueness
- Market considerations (drug pipeline, member impact, net cost, etc.)

National P&T Committee
For the Medicare Part D formulary development, Prime enhanced its National P&T Committee to meet stringent CMS P&T guidelines. Current P&T Committee members are nationally recognized practitioners (pharmacists and physicians). The P&T Committee meets quarterly to review and update Prime's formularies.

CMS Formulary Submission Process
Formulary submission is a lengthy and complicated process. The first submission is required in April each year for the following plan year. The CMS review process involves multiple revisions and

resubmissions of the Formulary. The final approval of the Formulary is provided by the end of September prior to the upcoming plan year.

BCBSND commercial business:

Formulary Development

The BCBSND P&T (Pharmacy & Therapeutics) Committee, a diverse group of physicians and pharmacists within the State of North Dakota, meets quarterly to review therapeutic drug classes and new drug monographs. Drug monographs are prepared by Prime based on their clinical expertise, complete literature review, and complete product dossiers submitted in Academy of Managed Care Pharmacy (AMCP) format by drug manufacturers.

The P&T Committee conducts reviews of all therapeutic classes annually with the reviews distributed equally between the four meetings. New drugs are evaluated in conjunction with their therapy area review unless there are compelling clinical or financial reasons to review the agent out of cycle.

Formulary additions and deletions are made on the basis of stepwise consideration of the following criteria spelled out by the P&T Committee:

- Safety
- Efficacy
- Uniqueness
- Cost

The overriding consideration of the P&T Committee is to preserve the clinical integrity of the formulary. Decisions are made based on the information gathered through the combined efforts of Prime's clinical staff and the local expertise of the P&T Committee. All parties work together to ensure that safety, efficacy and uniqueness considerations are met. Where those three criteria are similar among drug products, minimization of cost is pursued.

If you have any questions, please let me know.

Thank you.

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

Memorandum

TO: PERS Board

FROM: Sparb

DATE: July 12, 2007

SUBJECT: COB Procedure

Attached please find a memo from Larry Brooks discussing a change in the coordination of benefits (COB) procedure. Larry will be at the meeting to discuss this change and answer questions.

BlueCross BlueShield of North Dakota

An independent licensee of the Blue Cross & Blue Shield Association

Consulting Services Unit
4510 13th Avenue South
Fargo, North Dakota 58121-0001

(701) 282-1444

Memorandum

TO: Sparb Collins, NDPERS

FROM: Larry Brooks, BCBSND

DATE: May 16, 2007

SUBJECT: Coordination of Benefits (COB) – Pay and Pursue Method

Sparb, as I briefly mentioned to you a couple weeks ago, we are changing our process for determination of Coordination of Benefits (COB) from a "pursue and pay method" to a "pay and pursue" process. The process is changing only for those claims that might have "another insurance carrier". There are two reasons for the change:

1. **Member satisfaction** - currently if the member doesn't respond to our other insurance inquiry letter, we deny claims until a response is received . As mentioned below, in 2005, only 59 PERS claims (out of 2,731 denied claims) actually had duplicate coverage. This means that approximately 98% of the 2,731 claims denied when they could have been allowed per contract benefits. Most of the time we don't receive the other insurance inquiry letter back from the member, the provider bills the member for the services, and the dissatisfied members call and question why their claims are not paying. This results in re-processing of the claim, again almost 98% of the time.
2. **Blue Cross Blue Shield Association mandate** - Due to issues with claims timeliness standards not being met with the pursue and pay method the BCBS Association is discussing mandating the pay and pursue method throughout the BCBS system nationwide.

At this time, the BCBS Association mandate determination has not been finalized. In addition, a process start-up date has not been formally established. But I do want to notify you this change will be coming and why. Please see below for more information.

This change will affect situations outlined below:

- Pertains only to claims being questioned for other health coverage.
- Project ***does not*** include claims questioned for No Fault, Subrogation, Dependent Certification or Workers Compensation.

Currently, if a claim meets the $1,000 threshold it will hold for an "other insurance" inquiry letter. The held claim will not be paid until that "other insurance" inquiry letter is returned. This method is called "Pursue and Pay." After conducting some research, our Claims department discovered:

- 6% of BCBSND membership has dual coverage
- 4% of this is Blue on Blue (both contracts are BCBSND coverage)
- Leaving only 2% of our BCBSND (2.1% for NDPERS) membership has duplicate coverage outside a BCBSND Plan
- In 2005, 2,731 NDPERS claims were denied because the "other insurance" inquiry letter was not returned, however, *only* 59 claims actually had duplicate coverage. In other words 97.8 % of those claims were denied and did not need to be.

Based on this information our Claims department (with approval from BCBSND Executive Staff) will be changing to a "Pay and Pursue" method of claims processing. The threshold will remain in tact at $1,000, however the claim will pay first and then COB information will be pursued. COB information will be pursued every 24 months. Since this is an administrative change, we will be implementing this change throughout our entire book of business (including Self-Funded, Fully Insured and NDPERS groups). By making this change, the goal is not only to meet BCBS Association standards but more importantly to increase Member and Provider satisfaction.

There are some exception claims that will still hold for the "pursue and pay" method before they are paid. Those exceptions would include:

- Claims greater then $2,000 that are setting up to pay the Member
- Claims greater then $50,000 that are setting up to pay the Provider

The BCBSND Claims area is hoping to have claims processing switched to the "Pay and Pursue" process by 7/1/07, however this implementation date may change depending on programming requirements.

If you have any questions, please let me know.

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

Memorandum

TO: PERS Board

FROM: Sparb

DATE: July 12, 2007

SUBJECT: BCBS Contract

Attached please find the BCBS proposed administrative agreement for the 2007-2009 biennium. Changes from our existing contract are highlighted in red. Staff is presently reviewing the attached and will present our recommendations at the July meeting for your consideration.

The second part of the contract is the summary plan document (SPD). That will be sent to you by email and has been filed with the Insurance Department for their review. The SPD is sent to the members and is a detailed description of the plans coverage.

Board Action Requested

To approve the agreement based upon the recommendations submitted.

North Dakota Public Employees Retirement System

July 1, 2007 through June 30, 2009

ADMINISTRATIVE SERVICE AGREEMENT

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

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

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

1. **EFFECTIVE DATE:**

This agreement is effective July 1, 2007 through June 30, 2009, unless terminated as provided.

2. **DEFINITIONS**

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

A. **BENEFIT PAYMENTS** - payments of benefits under the Plan.

B. **CERTIFICATE OF CREDITABLE COVERAGE** - a certificate disclosing information relating to an individual's creditable coverage under a health care benefit program for purposes of reducing any preexisting condition waiting period imposed by any group health plan coverage.

C. **CLAIM** - notification in a form acceptable to BCBSND that service has been provided or furnished to a Member.

D. **DRG** - shall mean diagnostic related groups.

E. **DATA AGGREGATION** - the combining of Protected Health Information that BCBSND creates or receives for or from the Plan and for or from other health plans or health care providers for which BCBSND is acting as a business associate to permit data analyses that relate to the Health Care Operations of the Plan and those other health plans or providers.

F. **FEES AND CHARGES** - the amounts the Plan Administrator must pay BCBSND for the administrative services described in Section 6. FEES AND CHARGES.

G. **HEALTH CARE OPERATIONS** - any of the activities of a health plan to the extent the activities relate to functions that make it a health plan.

H. **HEALTH CARE PROVIDER** - any eligible provider that has provided care, diagnosis, or treatment to or for a Member for which benefits are sought under the Plan.

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

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

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

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

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

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

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

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

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

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

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

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

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

3. **BCBSND SHALL:**

3.1 Establish a membership record for existing Members containing information as provided by NDPERS.

3.2 Provide Identification Cards, Certificates of Insurance/Summary Plan Descriptions and applications for enrollment for each Subscriber.

3.3 Upon enrollment under the NDPERS Benefit Plan, BCBSND will provide written notice to covered employees and their covered spouses of their continuation rights pursuant to the Consolidated Omnibus Budget Reconciliation Act. ("COBRA").

3.4 Receive applications for enrollment for late entrants.

3.5 Provide Managed Benefits services in accordance with appropriate licensure and certification requirements including a dedicated staff person.

3.6 Provide a dedicated service unit to adjudicate all claims and respond to Member's inquiries. Provide toll-free Member and Health Care Provider service lines between the hours of 8 AM and 5:00 PM CST or CDT at the home office in Fargo, ND, as appropriate. A toll-free managed benefits line for Health Care Providers will also be available between the hours of 7:30 AM and 5:30 PM CST or CDT. During nonbusiness hours, answering machine services will be available for managed benefits calls.

3.7 Process claims and inquiries per MTM (Member Touchpoint Measures) for Non-BlueCard claims.

3.8 Correspond with the Members and Health Care Providers if additional information is deemed necessary by BCBSND to complete the administrative process.

3.9 Administer other party liability programs.

3.10 Provide to Members an Explanation of Benefits Statement.

3.11 Provide a procedure for detection of fraud and unlawful activity.

3.12 Provide to Members a conversion policy when application is made within 31 days of the termination of enrollment under NDPERS.

3.13 Provide assistance to NDPERS for the conduct of enrollment, servicing and education.

3.14 Provide to NDPERS formal Policy and Procedure guidelines for the conduct of external audits or reviews commissioned by NDPERS.

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

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

3.15 Provide NDPERS with reporting to include but not limited to:

a. Monthly EPO reports including utilization, membership and PMPM's broken down in the following manner: by month, by categories and by type of service.

b. Annual group reporting of membership and utilization by group segments and product.

c. EPO utilization information for presentations to the NDPERS board.

d. Estimates of future claim reserves and premium to claim ratio.

e. Such other special claims reports as requested from time-to-time by NDPERS, subject to the availability of data and appropriate cost considerations.

f. Interest calculation monthly report.

g. Semi-annual performance objectives as outlined in section 2 of the BCBSND response to question 15 of the RFP.

3.16 Provide NDPERS with claims specific data on a monthly basis on compact disc or other agreed upon medium. This information shall be in a format acceptable to NDPERS and subject to all federal and state laws on confidentiality and open records.

3.17 Provide support to NDPERS for the establishment of a Preferred Provider and Exclusive Provider Network consistent with objectives established by NDPERS.

a. BCBSND will provide technical and administrative advice to NDPERS relative to the appropriateness of PPO and EPO arrangements compared to existing Blue Cross Blue Shield participation and reimbursement arrangements, to verify that PPO arrangements provide for payments which are no greater than the existing arrangements. BCBSND will provide current information regarding Blue Cross Blue Shield participation and reimbursement arrangements in place on a provider-specific basis for comparative purposes.

b. BCBSND will develop jointly with NDPERS a written instrument to be used as the basis for providers participating in the PPO and EPO Program.

c. BCBSND will secure provider agreements upon completion of negotiations with providers. Such negotiations will be conducted jointly by BCBSND and NDPERS.

d. BCBSND will enforce strict managed benefits, utilization review and quality assurance criteria to assure attainment of Preferred Provider and Exclusive Provider program objectives.

e. BCBSND will, upon NDPERS direction, terminate a Provider's NDPERS PPO participation agreement in accordance with terms of the agreement, when a PPO Provider is noncompliant with NPDERS policies and procedures. Said policies and procedures shall be documented and communicated to the participating provider prior to implementation.

3.18 Carry over any Deductible and/or Coinsurance Amounts incurred from January 1 to June 30, of the prior contract period.

3.19 Provide funding for a Wellness Benefit Program.

4. **NDPERS SHALL:**

4.1 Prepare and distribute monthly billings to participating employers and retirees participating in the Plan. NDPERS shall respond to the participating employers inquiries concerning eligibility rules, billing, etc.

4.2 Prepare monthly eligibility tape by participating employer and premium classification for both active and retired employees and provide the tape to BCBSND to be used for eligibility certification purposes. Along with the eligibility tape, NDPERS will furnish a monthly listing of participants added or terminated during the month. Such listing will reflect the name of the employee, dependents, Social Security Number, the effective date of coverage for a new employee or the termination date of a terminated employee and the coverage classification.

4.3 Provide enrollment forms, obtain completed classifications or addresses, etc. from participants and furnish BCBSND with a copy of the enrollment forms or request for coverage or address changes and retain the original copy. Enrollment forms will include the NDPERS and Blue Cross Blue Shield Service Marks.

4.4 Be responsible for the administration of and compliance with COBRA. BCBSND will forward requests for COBRA participation by membership to NDPERS upon notification.

4.5 Comply with BCBSND's established administrative policies which are reasonable and consistent with the NDPERS Health Plan and the bid specifications agreed to by the parties, including but not limited to: underwriting policies, standard adjudication and Medical Policy Guidelines, Payable Provider Guidelines, Managed Benefits Program Guidelines and claim payment procedures.

4.6 Develop and provide BCBSND the objectives established for the Preferred Provider and Exclusive Provider programs.

4.7 Assume joint responsibility for the determination of provider eligibility and performance criteria in the Preferred Provider and Exclusive Provider programs.

4.8 Be responsible for any systems redesign costs to BCBSND which result from the implementation of any new reimbursement mechanisms not presently in place within BCBSND automated claims payment systems. Those reimbursement mechanisms currently in place include:

Institutional	Professional
Percent of Billed Charges	Percent of Physician Payment Schedule
Percent of DRGs	Percent of Billed Charges
Percent of Per Diems	Capitation
Targeted Cost per Member	Targeted Cost per Member

4.9 Pay premiums to BCBSND according to the schedule in Section 6.

5. PRIVACY USE AND DISCLOSURE RESPONSIBILITIES

5.1 RESPONSIBILITIES OF BCBSND

A. Privacy of Protected Health Information (PHI)

1. BCBSND will keep confidential all Claim records and all other PHI that BCBSND creates or receives in the performance of its duties under this Agreement. Except as permitted or required by this Agreement for BCBSND to perform its duties under this Agreement, BCBSND will not use or disclose such Claim information or other PHI without the authorization of the Member who is the subject of such information or as required by law.

2. BCBSND will neither use nor disclose Members' PHI (including any Members' PHI received from a business associate of the Plan) except (1) as permitted or required by this Agreement, (2) as permitted in writing by the Plan Administrator, (3) as authorized by Members, or (4) as required by law.

3. BCBSND will be permitted to use or disclose Members' PHI only as follows:

   a. BCBSND will be permitted to use and disclose Members' PHI (a) for the management, operation and administration of the Plan the Plan Administrator offers Members, and (b) for the services set forth in the Plan, which include Payment activities, Health Care Operations, and Data Aggregation as these terms are defined under federal law.

      1. BCBSND will be permitted to use Members' PHI as necessary for BCBSND proper management and administration or to carry out BCBSND's legal responsibilities.

2. BCBSND will be permitted to disclose Members' PHI as necessary for BCBSND's proper management and administration or to carry out BCBSND's legal responsibilities only if (i) the disclosure is required by law, or (ii) before the disclosure, BCBSND obtains from the entity to which the disclosure is to be made reasonable assurance, evidenced by a written contract, that the entity will hold Members' PHI in confidence, use or further disclose Members' PHI only for the purposes for which BCBSND disclosed it to the entity or as required by law, and notify BCBSND of any instance the entity becomes aware of where the confidentiality of any Members' PHI was breached.

b. BCBSND will make reasonable efforts to use, disclose, or request only the minimum necessary amount of Members' PHI to accomplish the intended purpose.

4. Other than disclosures permitted by Section 5.1(A)3, BCBSND will not disclose Members' PHI to the Plan Administrator or to the Plan's business associate except as directed by the Plan Administrator in writing.

5. BCBSND will require each subcontractor and agent to which BCBSND is permitted by this Agreement or in writing by the Plan Administrator to disclose Members' PHI to provide reasonable assurance, evidenced by written contract, that such other entity will comply with the same privacy and security obligations with respect to Members' PHI as this Agreement applies to BCBSND.

6. BCBSND will not disclose any Members' PHI to the Plan Sponsor, except as permitted by and in accordance with Section 5.1(A)3.

7. BCBSND will report to the Plan Administrator any use or disclosure of Members' PHI not permitted by this Agreement. BCBSND will make any such report to the Plan Administrator after BCBSND learns of such non-permitted use or disclosure.

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

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

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

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

9. Disposition of Protected Health Information

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

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

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

1. Upon the Plan Administrator's written request, BCBSND will make available for inspection and obtaining copies by the Plan Administrator, or at the Plan Administrator's direction by the Member (or the Members' representative), any PHI about the Member created or received for or from the Plan Administrator in BCBSND's custody or control so the Plan Administrator may meet its access obligations under federal law.

2. Upon receipt of a written request from the Plan Administrator, or at the Plan Administrator's direction by the Member (or the Members' representative), BCBSND will amend or permit the Plan Administrator access to amend any portion of the PHI created or received for or from the Plan Administrator in

BCBSND's custody or control, so the Plan Administrator may meet its amendment obligations under federal law.

3. So the Plan Administrator may meet its disclosure accounting obligations under federal law, BCBSND will do the following:

   a. BCBSND will record each disclosure of Members' PHI which is not excepted from disclosure accounting under Section 5.1(B)3.b that BCBSND makes to the Plan Administrator or to a third party.

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

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

   b. BCBSND will not be required to record disclosure information or otherwise account for disclosures of Members' PHI that this Agreement or the Plan Administrator in writing permits or requires:
      (1) for Payment activities or Health Care Operations,
      (2) to the Member who is the subject of the PHI or to that Members' personal representative,
      (3) to persons involved in that Members' health care or payment for health care, as provided under federal law,
      (4) for notification for disaster relief purposes or national security or intelligence purposes as provided under federal law,
      (5) to law enforcement officials or correctional institutions regarding inmates,
      (6) for incidental uses or disclosures,
      (7) as part of a limited data set in accordance with federal law,
      (8) that occurred prior to the HIPAA Privacy Compliance Date,
      (9) pursuant to a valid authorization.

   c. BCBSND will have available for the Plan Administrator the disclosure information required by Section 5.1(B)3.a. for the six (6) years immediately preceding the date of the Plan Administrator's request for the disclosure information.

   d. Upon the Plan Administrator's written request, BCBSND will make available to the Plan Administrator, or at the Plan Administrator's direction to the Member (or the Member's representative), disclosure information regarding the Member, so the Plan Administrator may meet its disclosure accounting obligations under federal law.

C. **Information Safeguards**

1. BCBSND will maintain reasonable and appropriate administrative, technical and physical safeguards to protect the privacy of Member PHI. The safeguards must reasonably protect Member PHI from any intentional or unintentional use or disclosure in violation of federal law and limit incidental uses or disclosures made pursuant to a use or disclosure otherwise permitted by this Agreement.

2. BCBSND will implement administrative, technical, and physical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of electronic PHI BCBSND creates, receives, maintains, or transmits on behalf of the Plan Administrator as required by federal law.

D. **Inspection of Books and Records**

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

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

F. **Information Privacy and Safeguard Provisions Survive Termination of Agreement**

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

5.2 **RESPONSIBILITIES OF THE PLAN SPONSOR**

A. The Plan Sponsor retains full and final authority and responsibility for the Plan and its operation. BCBSND is empowered to act on behalf of the Plan only as stated in this Agreement or as mutually agreed in writing by the Plan Sponsor and BCBSND.

B. Except with respect to services provided by BCBSND set forth in this agreement, the Plan Sponsor will have the sole responsibility for and will bear the entire cost of compliance with all federal, state and local laws, rules, and regulations concerning the privacy of PHI, including any licensing, filing, reporting, and disclosure requirements, that may apply to the Plan. BCBSND will have no responsibility for or liability with respect to the Plan's compliance or noncompliance with any applicable federal, state, or local law, rule, or regulation.

C. By executing this Agreement, the Plan Sponsor certifies to BCBSND it has amended the Plan documents to incorporate the provisions required by and under federal law, and agrees to comply with the Plan Administrator's plan documents as amended.

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

6. **FEES AND CHARGES**

6.1 In consideration of the fully insured contract under this Agreement, BCBSND agrees to accept the following provisions and premium rates for the Effective Date of this Agreement.

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
PREMIUM RATE STRUCTURE FOR THE 2007-2009 BIENNIUM

Rate Structure A			(1)	(2)	(3)	(4)	(5)	(6)	(7)
Code		Description	Total BCBSND Bid	Less NDPERS Retention	(1)-(2) Total Premium to BCBSND	Wellness Programs & Disease Mgmt	(3)+(4) Total Monthly Paid to BCBSND	Plus NDPERS Retention	(5)+(6) NDPERS Billing Rate
Political Subdivision Rates with Wellness Program									
Active EPO/PPO/Basic									
1	4	Single	$335.31	$2.80	$332.51	$4.25	$336.76	$2.80	$339.56
2	4	Family	$813.33	$2.80	$810.53	$4.25	$814.78	$2.80	$817.58
COBRA									
4	4	Single	$335.31	$2.80	$332.51	$4.25	$336.76	$9.51	$346.27
5	4	Family	$813.33	$2.80	$810.53	$4.25	$814.78	$19.07	$833.85
Active EPO/Basic									
1	6	Single	$312.05	$2.80	$309.25	$4.25	$313.50	$2.80	$316.30
2	6	Family	$756.61	$2.80	$753.81	$4.25	$758.06	$2.80	$760.86
COBRA									
4	6	Single	$312.05	$2.80	$309.25	$4.25	$313.50	$9.04	$322.54
5	6	Family	$756.61	$2.80	$753.81	$4.25	$758.06	$17.93	$775.99
Political Subdivision Rates w/o Wellness Program									
Active EPO/PPO/Basic									
1	3	Single	$335.31	$2.80	$332.51	$4.25	$336.76	$6.20	$342.96
2	3	Family	$813.33	$2.80	$810.53	$4.25	$814.78	$10.98	$825.76
COBRA									
4	3	Single	$335.31	$2.80	$332.51	$4.25	$336.76	$9.51	$346.27
5	3	Family	$813.33	$2.80	$810.53	$4.25	$814.78	$19.07	$833.85
Active EPO/Basic									
1	5	Single	$312.05	$2.80	$309.25	$4.25	$313.50	$5.96	$319.46
2	5	Family	$756.61	$2.80	$753.81	$4.25	$758.06	$10.41	$768.47
COBRA									
4	5	Single	$312.05	$2.80	$309.25	$4.25	$313.50	$9.04	$322.54
5	5	Family	$756.61	$2.80	$753.81	$4.25	$758.06	$17.93	$775.99
State Contracts with Wellness Program									
Active									
1-3	2	S/F/Dual	$653.83	$2.80	$651.03	$4.25	$655.28	$2.80	$658.08
COBRA									
4	2	Single	$314.05	$2.80	$311.25	$4.25	$315.50	$9.08	$324.58
5	2	Family	$759.77	$2.80	$756.97	$4.25	$761.22	$18.00	$779.22
Part-Time/Temporary/LOA									
6	2	Single	$314.05	$2.80	$311.25	$4.25	$315.50	$2.80	$318.30
7	2	Family	$759.77	$2.80	$756.97	$4.25	$761.22	$2.80	$764.02
State Contracts w/o Wellness Program									
Active									
1-3	1	S/F/Dual	$653.83	$2.80	$651.03	$4.25	$655.28	$9.38	$664.66
COBRA									
4	1	Single	$314.05	$2.80	$311.25	$4.25	$315.50	$9.08	$324.58
5	1	Family	$759.77	$2.80	$756.97	$4.25	$761.22	$18.00	$779.22
Part-Time/Temporary/LOA									
6	1	Single	$314.05	$2.80	$311.25	$4.25	$315.50	$5.98	$321.48
7	1	Family	$759.77	$2.80	$756.97	$4.25	$761.22	$10.44	$771.66

Rate Structure A (cont'd) (1) (2) (3) (4) (5) (6) (7)

Code		Description	Total BCBSND Bid	Less NDPERS Retention	(1)-(2) Total Premium to BCBSND	Wellness Programs & Disease Mgmt	(3)+(4) Total Monthly Paid to BCBSND	Plus NDPERS Retention	(5)+(6) NDPERS Billing Rate
Non-Medicare Retiree									
21	11	Single	$471.09	$2.80	$468.29	$4.25	$472.54	$2.80	$475.34
22	11	Family	$942.17	$2.80	$939.37	$4.25	$943.62	$2.80	$946.42
23	11	Family (3+)	$1,177.73	$2.80	$1,174.93	$4.25	$1,179.18	$2.80	$1,181.98
COBRA									
24	11	Single	$471.09	$2.80	$468.29	$4.25	$472.54	$7.97	$480.51
25	11	Family	$942.17	$2.80	$939.37	$4.25	$943.62	$17.38	$961.00
26	11	Family (3+)	$1,177.73	$2.80	$1,174.93	$4.25	$1,179.18	$22.09	$1,201.27
Medicare Retiree									
41	11	1 Medicare only	$154.06	$2.80	$151.26	$0.00	$151.26	$2.80	$154.06
42	11	2 Medicare only	$298.18	$2.80	$295.38	$0.00	$295.38	$2.80	$298.18
50	11	3 Medicare only	$317.02	$2.80	$314.22	$0.00	$314.22	$2.80	$317.02
51	11	4 Medicare only	$194.66	$2.80	$191.86	$0.00	$191.86	$2.80	$194.66
43	11	1 Medicare+Others	$561.74	$2.80	$558.94	$0.00	$558.94	$2.80	$561.74
49	11	2 Medicare+Others	$439.38	$2.80	$436.58	$0.00	$436.58	$2.80	$439.38
55	11	3 Medicare+Others	$317.02	$2.80	$314.22	$0.00	$314.22	$2.80	$317.02
44	11	Part A Single	$424.32	$2.80	$421.52	$0.00	$421.52	$2.80	$424.32
COBRA									
46	11	1 Medicare only	$154.06	$2.80	$151.26	$0.00	$151.26	$7.08	$158.34
47	11	2 Medicare only	$298.18	$2.80	$295.38	$0.00	$295.38	$11.16	$306.54
53	11	3 Medicare only	$317.02	$2.80	$314.22	$0.00	$314.22	$12.74	$326.96
54	11	4 Medicare only	$194.66	$2.80	$191.86	$0.00	$191.86	$11.50	$203.36
48	11	1 Medicare+Others	$561.74	$2.80	$558.94	$0.00	$558.94	$15.24	$574.18
52	11	2 Medicare+Others	$439.38	$2.80	$436.58	$0.00	$436.58	$13.98	$450.56
56	11	3 Medicare+Others	$317.02	$2.80	$314.22	$0.00	$314.22	$12.74	$326.96
Medicare Low Income Subsidy									
41	13	1 Medicare only (1cr)	$154.06	$2.80	$151.26	$0.00	$151.26	$2.80	$154.06
42	13	2 Medicare only (2cr)	$298.18	$2.80	$295.38	$0.00	$295.38	$2.80	$298.18
50	13	3 Medicare only (1cr)	$317.02	$2.80	$314.22	$0.00	$314.22	$2.80	$317.02
43	13	1 Medicare+Others (1cr)	$561.74	$2.80	$558.94	$0.00	$558.94	$2.80	$561.74
49	13	2 Medicare+Others (1cr)	$439.38	$2.80	$436.58	$0.00	$436.58	$2.80	$439.38
61	13	1 Medicare only (.75cr)	$154.06	$2.80	$151.26	$0.00	$151.26	$2.80	$154.06
71	13	1 Medicare only (.5cr)	$154.06	$2.80	$151.26	$0.00	$151.26	$2.80	$154.06
72	13	2 Medicare only (1cr)	$298.18	$2.80	$295.38	$0.00	$295.38	$2.80	$298.18

(1) - BCBSND premium rates, per bid.
(2) - Per contract charge retained by NDPERS.
(3) - Total premium paid to BCBSND.
(4) - Wellness Programs and Disease Management submitted to BCBSND.
(5) - Amount of premium NDPERS will send to BCBSND.
(6) - Per contract charge retained by NDPERS.
(7) - Premium amount NDPERS will bill its contract holders.

Rate Structure B First Year July/2007 - June/2008 Code		Description	(1) Total BCBSND Bid	(2) Less NDPERS Retention	(3) (1)-(2) Total Premium to BCBSND	(4) Wellness Programs & Disease Mgmt	(5) (3)+(4) Total Monthly Paid to BCBSND	(6) Plus NDPERS Retention	(7) (5)+(6) NDPERS Billing Rate
Political Subdivision Rates with Wellness Program									
Active EPO/PPO/Basic									
1	8	Single	$320.11	$2.80	$317.31	$4.25	$321.56	$2.80	$324.36
2	8	Family	$776.45	$2.80	$773.65	$4.25	$777.90	$2.80	$780.70
COBRA									
4	8	Single	$320.11	$2.80	$317.31	$4.25	$321.56	$9.20	$330.76
5	8	Family	$776.45	$2.80	$773.65	$4.25	$777.90	$18.33	$796.23
Active EPO/Basic									
1	10	Single	$297.91	$2.80	$295.11	$4.25	$299.36	$2.80	$302.16
2	10	Family	$722.31	$2.80	$719.51	$4.25	$723.76	$2.80	$726.56
COBRA									
4	10	Single	$297.91	$2.80	$295.11	$4.25	$299.36	$8.76	$308.12
5	10	Family	$722.31	$2.80	$719.51	$4.25	$723.76	$17.25	$741.01
Political Subdivision Rates w/o Wellness Program									
Active EPO/PPO/Basic									
1	7	Single	$320.11	$2.80	$317.31	$4.25	$321.56	$6.04	$327.60
2	7	Family	$776.45	$2.80	$773.65	$4.25	$777.90	$10.61	$788.51
COBRA									
4	7	Single	$320.11	$2.80	$317.31	$4.25	$321.56	$9.20	$330.76
5	7	Family	$776.45	$2.80	$773.65	$4.25	$777.90	$18.33	$796.23
Active EPO/Basic									
1	9	Single	$297.91	$2.80	$295.11	$4.25	$299.36	$5.82	$305.18
2	9	Family	$722.31	$2.80	$719.51	$4.25	$723.76	$10.07	$733.83
COBRA									
4	9	Single	$297.91	$2.80	$295.11	$4.25	$299.36	$8.76	$308.12
5	9	Family	$722.31	$2.80	$719.51	$4.25	$723.76	$17.25	$741.01
State Contracts with Wellness Program (see Rate Structure 'A')									
Active									
1-3	2	S/F/Dual	$653.83	$2.80	$651.03	$4.25	$655.28	$2.80	$658.08
COBRA									
4	2	Single	$314.05	$2.80	$311.25	$4.25	$315.50	$9.08	$324.58
5	2	Family	$759.77	$2.80	$756.97	$4.25	$761.22	$18.00	$779.22
Part-Time/Temporary/LOA									
6	2	Single	$314.05	$2.80	$311.25	$4.25	$315.50	$2.80	$318.30
7	2	Family	$759.77	$2.80	$756.97	$4.25	$761.22	$2.80	$764.02
State Contracts w/o Wellness Program (see Rate Structure 'A')									
Active									
1-3	1	S/F/Dual	$653.83	$2.80	$651.03	$4.25	$655.28	$9.38	$664.66
COBRA									
4	1	Single	$314.05	$2.80	$311.25	$4.25	$315.50	$9.08	$324.58
5	1	Family	$759.77	$2.80	$756.97	$4.25	$761.22	$18.00	$779.22
Part-Time/Temporary/LOA									
6	1	Single	$314.05	$2.80	$311.25	$4.25	$315.50	$5.98	$321.48
7	1	Family	$759.77	$2.80	$756.97	$4.25	$761.22	$10.44	$771.66

Rate Structure B
First Year (cont'd)
July/2007 - June/2008

Code		Description	(1) Total BCBSND Bid	(2) Less NDPERS Retention	(3) (1)-(2) Total Premium to BCBSND	(4) Wellness Programs & Disease Mgmt	(5) (3)+(4) Total Monthly Paid to BCBSND	(6) Plus NDPERS Retention	(7) (5)+(6) NDPERS Billing Rate
Non-Medicare Retiree (see Rate Structure 'A')									
21	12	Single	$471.09	$2.80	$468.29	$4.25	$472.54	$2.80	$475.34
22	12	Family	$942.17	$2.80	$939.37	$4.25	$943.62	$2.80	$946.42
23	12	Family (3+)	$1,177.73	$2.80	$1,174.93	$4.25	$1,179.18	$2.80	$1,181.98
COBRA									
24	12	Single	$471.09	$2.80	$468.29	$4.25	$472.54	$7.97	$480.51
25	12	Family	$942.17	$2.80	$939.37	$4.25	$943.62	$17.38	$961.00
26	12	Family (3+)	$1,177.73	$2.80	$1,174.93	$4.25	$1,179.18	$22.09	$1,201.27
Medicare Retiree									
41	12	1 Medicare only	$147.08	$2.80	$144.28	$0.00	$144.28	$2.80	$147.08
42	12	2 Medicare only	$284.66	$2.80	$281.86	$0.00	$281.86	$2.80	$284.66
50	12	3 Medicare only	$302.66	$2.80	$299.86	$0.00	$299.86	$2.80	$302.66
51	12	4 Medicare only	$185.84	$2.80	$183.04	$0.00	$183.04	$2.80	$185.84
43	12	1 Medicare+Others	$536.28	$2.80	$533.48	$0.00	$533.48	$2.80	$536.28
49	12	2 Medicare+Others	$419.46	$2.80	$416.66	$0.00	$416.66	$2.80	$419.46
55	12	3 Medicare+Others	$302.66	$2.80	$299.86	$0.00	$299.86	$2.80	$302.66
COBRA									
46	12	1 Medicare only	$147.08	$2.80	$144.28	$0.00	$144.28	$7.08	$151.36
47	12	2 Medicare only	$284.66	$2.80	$281.86	$0.00	$281.86	$11.16	$293.02
53	12	3 Medicare only	$302.66	$2.80	$299.86	$0.00	$299.86	$12.74	$312.60
54	12	4 Medicare only	$185.84.	$2.80	$183.04	$0.00	$183.04	$11.50	$194.54
48	12	1 Medicare+Others	$536.28	$2.80	$533.48	$0.00	$533.48	$15.24	$548.72
52	12	2 Medicare+Others	$419.46	$2.80	$416.66	$0.00	$416.66	$13.98	$430.64
56	12	3 Medicare+Others	$302.66	$2.80	$299.86	$0.00	$299.86	$12.74	$312.60

(1) - BCBSND premium rates, per bid.
(2) - Per contract charge retained by NDPERS
(3) - Total premium paid to BCBSND.
(4) - Wellness Programs and Disease Management submitted to BCBSND.
(5) - Amount of premium NDPERS will send to BCBSND.
(6) - Per contract charge retained by NDPERS.
(7) - Premium amount NDPERS will bill its contract holders.

Rate Structure B Second Year July/2008 - June/2009			(1) Total BCBSND Bid	(2) Less NDPERS Retention	(3) (1)-(2) Total Premium to BCBSND	(4) Wellness Programs & Disease Mgmt	(5) (3)+(4) Total Monthly Paid to BCBSND	(6) Plus NDPERS Retention	(7) (5)+(6) NDPERS Billing Rate
Code		Description							
Political Subdivision Rates with Wellness Program									
Active EPO/PPO/Basic									
1	8	Single	$350.51	$2.80	$347.71	$4.25	$351.96	$2.80	$354.76
2	8	Family	$850.21	$2.80	$847.41	$4.25	$851.66	$2.80	$854.46
COBRA									
4	8	Single	$350.51	$2.80	$347.71	$4.25	$351.96	$9.81	$361.77
5	8	Family	$850.21	$2.80	$847.41	$4.25	$851.66	$19.80	$871.46
Active EPO/Basic									
1	10	Single	$326.19	$2.80	$323.39	$4.25	$327.64	$2.80	$330.44
2	10	Family	$790.91	$2.80	$788.11	$4.25	$792.36	$2.80	$795.16
COBRA									
4	10	Single	$326.19	$2.80	$323.39	$4.25	$327.64	$9.32	$336.96
5	10	Family	$790.91	$2.80	$788.11	$4.25	$792.36	$18.62	$810.98
Political Subdivision Rates w/o Wellness Program									
Active EPO/PPO/Basic									
1	7	Single	$350.51	$2.80	$347.71	$4.25	$351.96	$6.35	$358.31
2	7	Family	$850.21	$2.80	$847.41	$4.25	$851.66	$11.34	$863.00
COBRA									
4	7	Single	$350.51	$2.80	$347.71	$4.25	$351.96	$9.81	$361.77
5	7	Family	$850.21	$2.80	$847.41	$4.25	$851.66	$19.80	$871.46
Active EPO/Basic									
1	9	Single	$326.19	$2.80	$323.39	$4.25	$327.64	$6.10	$333.74
2	9	Family	$790.91	$2.80	$788.11	$4.25	$792.36	$10.75	$803.11
COBRA									
4	9	Single	$326.19	$2.80	$323.39	$4.25	$327.64	$9.32	$336.96
5	9	Family	$790.91	$2.80	$788.11	$4.25	$792.36	$18.62	$810.98
State Contracts with Wellness Program (see Rate Structure 'A')									
Active									
1-3	2	S/F/Dual	$653.83	$2.80	$651.03	$4.25	$655.28	$2.80	$658.08
COBRA									
4	2	Single	$314.05	$2.80	$311.25	$4.25	$315.50	$9.08	$324.58
5	2	Family	$759.77	$2.80	$756.97	$4.25	$761.22	$18.00	$779.22
Part-Time/Temporary/LOA									
6	2	Single	$314.05	$2.80	$311.25	$4.25	$315.50	$2.80	$318.30
7	2	Family	$759.77	$2.80	$756.97	$4.25	$761.22	$2.80	$764.02
State Contracts w/o Wellness Program (see Rate Structure 'A')									
Active									
1-3	1	S/F/Dual	$653.83	$2.80	$651.03	$4.25	$655.28	$9.38	$664.66
COBRA									
4	1	Single	$314.05	$2.80	$311.25	$4.25	$315.50	$9.08	$324.58
5	1	Family	$759.77	$2.80	$756.97	$4.25	$761.22	$18.00	$779.22
Part-Time/Temporary/LOA									
6	1	Single	$314.05	$2.80	$311.25	$4.25	$315.50	$5.98	$321.48
7	1	Family	$759.77	$2.80	$756.97	$4.25	$761.22	$10.44	$771.66

Rate Structure B Second Year (cont'd) July/2008 - June/2009			(1)	(2)	(3)	(4)	(5)	(6)	(7)
Code		Description	Total BCBSND Bid	Less NDPERS Retention	(1)-(2) Total Premium to BCBSND	Wellness Programs & Disease Mgmt	(3)+(4) Total Monthly Paid to BCBSND	Plus NDPERS Retention	(5)+(6) NDPERS Billing Rate
Non-Medicare Retiree (see Rate Structure 'A')									
21	12	Single	$471.09	$2.80	$468.29	$4.25	$472.54	$2.80	$475.34
22	12	Family	$942.17	$2.80	$939.37	$4.25	$943.62	$2.80	$946.42
23	12	Family (3+)	$1,177.73	$2.80	$1,174.93	$4.25	$1,179.18	$2.80	$1,181.98
COBRA									
24	12	Single	$471.09	$2.80	$468.29	$4.25	$472.54	$7.97	$480.51
25	12	Family	$942.17	$2.80	$939.37	$4.25	$943.62	$17.38	$961.00
26	12	Family (3+)	$1,177.73	$2.80	$1,174.93	$4.25	$1,179.18	$22.09	$1,201.27
Medicare Retiree									
41	12	1 Medicare only	$161.04	$2.80	$158.24	$0.00	$158.24	$2.80	$161.04
42	12	2 Medicare only	$311.70	$2.80	$308.90	$0.00	$308.90	$2.80	$311.70
50	12	3 Medicare only	$331.38	$2.80	$328.58	$0.00	$328.58	$2.80	$331.38
51	12	4 Medicare only	$203.48	$2.80	$200.68	$0.00	$200.68	$2.80	$203.48
43	12	1 Medicare+Others	$587.20	$2.80	$584.40	$0.00	$584.40	$2.80	$587.20
49	12	2 Medicare+Others	$459.30	$2.80	$456.50	$0.00	$456.50	$2.80	$459.30
55	12	3 Medicare+Others	$331.38	$2.80	$328.58	$0.00	$328.58	$2.80	$331.38
COBRA									
46	12	1 Medicare only	$161.04	$2.80	$158.24	$0.00	$158.24	$7.21	$165.45
47	12	2 Medicare only	$311.70	$2.80	$308.90	$0.00	$308.90	$11.43	$320.33
53	12	3 Medicare only	$331.38	$2.80	$328.58	$0.00	$328.58	$13.03	$341.61
54	12	4 Medicare only	$203.48	$2.80	$200.68	$0.00	$200.68	$11.67	$212.35
48	12	1 Medicare+Others	$587.20	$2.80	$584.40	$0.00	$584.40	$15.75	$600.15
52	12	2 Medicare+Others	$459.30	$2.80	$456.50	$0.00	$456.50	$14.39	$470.89
56	12	3 Medicare+Others	$331.38	$2.80	$328.58	$0.00	$328.58	$13.03	$341.61

(1) - BCBSND premium rates, per bid.
(2) - Per contract charge retained by NDPERS.
(3) - Total premium paid to BCBSND.
(4) - Wellness Programs and Disease Management submitted to BCBSND.
(5) - Amount of premium NDPERS will send to BCBSND.
(6) - Per contract charge retained by NDPERS.
(7) - Premium amount NDPERS will bill its contract holders.

6.2 NDPERS will pay BCBSND, on or before the last day of each month, premium income based on the amount identified in Column 5 of the above Table for type of contract for that month.

6.3 BCBSND will retain any surplus funds from the amounts identified in Column 3 of the above tables. Surplus funds retained by BCBSND shall earn interest at a rate to be determined monthly, based on US Treasury Notes quoted by the Wall Street Journal. The monthly rate will be established at the close of the first trading day each month based on the closing yield to maturity of US Treasury Notes maturing 24 months hence. If there are multiple notes for that maturity, the rate will be based on an average. If there are no notes with that maturity, the next subsequent maturity will be used.

Surplus funds described in the above section 6.3 not used by BCBSND to pay NDPERS Health Plan incurred claims plus administrative expenses will be subject to the Final Accounting as described in Section 7 of this Agreement.

6.4 Payments made pursuant to Section 6.2 and pursuant to column 4 of the above will be handled as follows:

BCBSND will dispense, to Health Dialog, fees for the NDPERS Disease Management program and interest will not be paid on this account.

$0.25 per contract per month will be allocated to a separate account for the NDPERS Wellness Pilot program. Funds from this account will be dispensed at the direction of NDPERS according to established guidelines and interest will not be paid on this account.

$0.12 per contract per month will be allocated to a separate account for the NDPERS Wellness Benefit Program. Interest will not be paid on this account.

Funds described in section 6.4 are not subject to final accounting as described in section 7 of this Agreement.

7. **FINAL ACCOUNTING:**

7.1 A continual accounting of NDPERS Health Plan experience will take place during the 2007-2009 biennium. Monthly reports of earned income less incurred claims and administrative expense will be produced during the biennium and the twelve months following the biennium.

7.2 Within 31 days of 12 months after the end of the biennium (by July 31, 2010), BCBSND will provide an accounting which will result in an initial settlement of the biennium agreement as follows:

1. Earned Premium Income during the Biennium
2. Plus interest on Surplus Funds.
3. Less Claims Incurred during the Biennium and Paid July 1, 2007 through June 30, 2010.
4. Less Estimated Claims Incurred and Unpaid at June 30, 2010.
5. Less Administrative Expense during the Biennium ($29.90 per contract per month)
6. Less 50% of First $3.0 Million Excess
7. Equals Refund paid to NDPERS, if positive. (7=1+2-3-4-5-6)

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

7.3 Within 31 days of 24 months after the end of the biennium (by July 31, 2011), BCBSND will provide an accounting, which will result in a final settlement of the biennium agreement as follows:

1. Earned Premium Income during the Biennium
2. Plus interest on Surplus Funds.
3. Less Claims Incurred during the Biennium and Paid July 1, 2007 through June 30, 2011.
4. Less administrative expenses during the Biennium ($29.90 per contract per month)
5. Less 50% of First $3.0 Million Excess
6. Less any refund paid to NDPERS at initial settlement on July 31, 2010
7. Equals Refund paid to NDPERS (if positive) (7=1+2-3-4-5-6)
8. If 7 of 7.3 is negative, BCBSND retains all losses and any estimated gains previously distributed to NDPERS are subject to refund back to BCBSND based on this final settlement.

8. TERM AND TERMINATION OF AGREEMENT

8.1 The term of this Agreement shall be for a two year period from July 1, 2007 through June 30, 2009.

8.2 This Agreement may be terminated by mutual agreement of both parties, upon 60 days notice, in writing.

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

a. If funding from federal, state or other sources is not obtained and continued at levels sufficient to allow for purchase of the services or supplies in the indicated quantities or term. The Agreement may be modified by agreement of the parties in writing to accommodate a reduction of funds.

b. If federal or state laws, rules or regulations are modified, changed or interpreted in such a way that the services are no longer allowable or appropriate for purchase under this Agreement or are no longer eligible for the funding proposed for payments authorized by this Agreement.

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

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

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

9. BLUECARD PROGRAM®

Like all Blue Cross and Blue Shield Licensees, BCBSND participates in a program called "BlueCard." Whenever Members access health care services outside the geographic area BCBSND serves, the claim for those services may be processed through BlueCard and presented to BCBSND for payment in conformity with network access rules of the BlueCard Policies then in effect ("Policies"). Under BlueCard, when Members receive Covered Services within the geographic area served by an on-site Blue Cross and/or Blue Shield Licensee ("Host Blue"), BCBSND will remain responsible to the Group for fulfilling BCBSND's contract obligations. However, the Host Blue will only be responsible, in accordance with applicable BlueCard Policies, if any, for providing such services as contracting with its participating providers and handling all interaction with its participating providers. The financial terms of BlueCard are described generally below.

Liability Calculation Method Per Claim - The calculation of Member liability on claims for Covered Services incurred outside the geographic area BCBSND serves and processed through BlueCard will be based on the lower of the provider's billed charges or the negotiated price BCBSND pays the Host Blue.

The methods employed by a Host Blue to determine a negotiated price will vary among Host Blues based on the terms of each Host Blue's provider contracts. The negotiated price paid to a Host Blue by BCBSND on a claim for health care services processed through BlueCard may represent:

1. the actual price paid on the claim by the Host Blue to the health care provider ("Actual Price"), or

2. an estimated price, determined by the Host Blue in accordance with BlueCard Policies, based on the Actual Price increased or reduced to reflect aggregate payments expected to result from settlements, withholds, any other contingent payment arrangements and non-claims transactions with all of the Host Blue's health care providers or one or more particular providers ("Estimated Price"), or

3. an average price, determined by the Host Blue in accordance with BlueCard Policies, based on a billed charges discount representing the Host Blue's average savings expected after settlements, withholds, any other contingent payment arrangements and non-claims transactions for all of its providers or for a specified group of providers ("Average Price"). An Average Price may result in greater variation to the Member and the Group from the Actual Price than would an Estimated Price.

Host Blues using either the Estimated Price or Average Price will, in accordance with BlueCard Policies, prospectively increase or reduce the Estimated Price or Average Price to correct for over- or underestimation of past prices. However, the amount paid by the Member is a final price and will not be affected by such prospective adjustment.

Statutes in a small number of states may require a Host Blue either (1) to use a basis for calculating Member liability for Covered Services that does not reflect the entire savings realized, or expected to be realized, on a particular claim or (2) to add a surcharge. Should any state statutes mandate liability calculation methods that differ from the negotiated price methodology or require a surcharge, the Host Blue would then calculate Member liability for any Covered Services in accordance with the applicable state statute in effect at the time the Member received those services.

Return of Overpayments - Under BlueCard, recoveries from a Host Blue or from participating providers of a Host Blue can arise in several ways, including, but not limited to, anti-fraud and abuse audits, provider/hospital audits, credit balance audits, utilization review refunds, and unsolicited refunds. In some cases, the Host Blue will engage third parties to assist in discovery or collection of recovery amounts. The fees of such a third party are netted against the recovery.

Recovery amounts, net of fees, if any, will be applied in accordance with applicable BlueCard Policies, which generally require correction on a claim-by-claim or prospective basis.

10. RETROSPECTIVE DISCOUNT PAYMENT

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

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

11. GENERAL PROVISIONS:

11.1 This Agreement is between NDPERS and BCBSND and does not create any rights or legal relationships between BCBSND and any Member(s).

11.2 This Agreement, together with the Response to the Request for Proposal and any exhibits, attachments and amendments constitutes the entire Agreement between the parties. No promises, terms, conditions or obligations other than those contained in this Agreement are valid or binding. Any prior agreements, statements, promises, negotiations, inducements or representations, either oral or written, made by either party or agent of either party that are not contained in this Agreement are of no effect. No modification of the terms or provisions of this Agreement shall be effective unless evidenced by a written amendment, signed by an authorized officer or employee of NDPERS and BCBSND.

11.3 This Agreement shall be governed by and construed according to the laws of the state of North Dakota.

11.4 Failure of either party at any time to require performance by the other party of any provision of this Agreement shall not be deemed to be a continuing waiver of that provision or a waiver of any other provision of this Agreement.

11.5 No assignment of this Agreement in whole or in part may be made by either party without written agreement approved by both parties.

11.6 All notices and correspondence required or permitted to be given under this Agreement shall be given by personal delivery to the other party or may be sent by mail, postage prepaid to the other party at the following addresses:

NORTH DAKOTA PUBLIC EMPLOYEES
RETIREMENT SYSTEM
PO Box 1657
Bismarck, North Dakota 58502

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

11.7 Neither party shall be liable for any delay in or failure to perform under this Agreement due to an act of God or due to war mobilization, insurrection, rebellion, civil commotion, riot, act of an extremist or public enemy, sabotage, labor dispute, explosion, fire, flood, storm, accident, drought, equipment failure, power failure, fuel or energy shortages, unavoidable delay of carriers, embargo, law, ordinance, act, rule or regulation of any government, whether valid or invalid.

11.8 NDPERS hereby expressly acknowledges and understands that BCBSND is an independent corporation operating under a license with the Blue Cross and Blue Shield Association, an association of independent Blue Cross and Blue Shield Plans (the "Association"), permitting BCBSND to use the Blue Cross and Blue Shield Service Marks in the state of North Dakota, and that BCBSND is not contracting as an agent of the Association. NDPERS further acknowledges and agrees this Agreement was not entered into based upon representations by any person or entity other than BCBSND and that no person, entity, or organization other than BCBSND shall be held accountable or liable to NDPERS for any of BCBSND's obligations to NDPERS created under this Agreement. This paragraph shall not create any additional obligations whatsoever on the part of BCBSND other than those obligations created under other provisions of this Agreement.

11.9 If NDPERS or BCBSND creates benefit communications for Members, relating to the Certificate of Insurance attached as Exhibit A, such communications will be sent to BCBSND or NDPERS for comment prior to distribution. Either party will have 5 business days to comment on the communication. If one party fails to advise the other within that 5-day period, it will be presumed there are no comments on the communication. If NDPERS has a digital or online version of the Certificate of Insurance available to its Members, NDPERS agrees that it will not alter, modify or change the language of the Certificate of Insurance, and further agrees the Certificate of Insurance, attached as Exhibit A, will be the controlling document in the event of any conflict or liability that might arise as the result of any alterations, modifications or changes made by NDPERS. In the event a claim is paid based on NDPERS's modified or altered digital or online Certificate of Insurance, NDPERS is liable for all such claims. NDPERS further agrees that no waiver of this agreement is valid unless in writing and approved by BCBSND.

11.10 When coverage under this Agreement is terminated, BCBSND will, within a reasonable period of time, issue a Certificate of Creditable Coverage to the Subscriber. Upon notification by the Subscriber of the ineligibility of a dependent, a Certificate of Creditable Coverage will be issued to the affected Member within a reasonable period of time. Certificates of Creditable Coverage may also be obtained from BCBSND upon request within 24 months after coverage is terminated. Certificates of Creditable Coverage will only reflect continuous coverage provided through BCBSND.

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

12. **DISPUTES AND INDEMNIFICATION**

If litigation is filed regarding denial of benefits or otherwise, and BCBSND is named as the sole defendant, BCBSND will have the right to manage and have full control of litigation and to determine whether to pay, compromise, litigate or appeal the litigation.

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

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

By: _____

Title: _____

Date: _____

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

Its President and CEO

Date:

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

By: _____

Title: _____

Date: _____

Effective Date: 07/01/07-06/30/09

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

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

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

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

Memorandum

TO: **NDPERS Board**

FROM: **Kathy**

DATE: **July 12, 2007**

SUBJECT: **Health Districts/Garrison Diversion Conservancy**

House Bill 1179 authorizes that effective August 1, 2007, the Garrison Diversion Conservancy District and district health units may now participate in the uniform group insurance program under the same terms and conditions as state agencies. In the past participation in the health and life plans was on the same basis as that of political subdivisions. The passage of this bill means that they are now required to offer their employees enrollment opportunities in the health, life, dental, vision, long term care and employee assistance programs. There are 20 districts, including Garrison Diversion, that were identified as eligible to participate as state agencies. Of these, 13 already participate in the health plan as a group and 8 participate as a group in the life plan.

To assist these districts with enrollment activities, PERS staff conducted two in-service orientation programs in Bismarck on June 5 and 14 for the designated district personnel. The program provided an outline of the eligibility requirements for all programs, premium information, plan design features, application procedures and an overview of the various forms required for enrollment, changes, etc.

At this time, enrollment activities are being conducted by the non-participating districts for the health and life plans and by all the districts for the voluntary products. In addition, each district is required to select an EAP vendor for its group. The deadline for submitting applications and selecting a vendor is July 15. Staff continues to assist the districts with their enrollment efforts and will continue to follow-up with employers to ensure that all eligible employees have had the opportunity to consider the programs available and enroll accordingly.

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

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

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

M E M O R A N D U M

TO: NDPERS BOARD
SPARB COLLINS, NDPERS
KATHY ALLEN, NDPERS

BTR

FROM: BRYAN T. REINHARDT

DATE: June 22, 2007

SUBJECT: GROUP MEDICAL PLAN - SURPLUS/AFFORDABILITY UPDATE

Here is the May surplus projection and affordability analysis for the NDPERS group medical plan. The plan made it through the 2003-2005 biennium and is in the last part of the 2005-2007 period.

Net premium sent to BCBS in July 2005 was $10,853,370. For comparison, net premium sent to BCBS in June 2005 was $9,821,731. The NDPERS health plan ended up with 23,580 contracts in June, 2005. There were 22,947 contracts in June, 2003, and 21,792 in July 2001. There are now 24,349 contracts.

The projection for the 2003 - 2005 biennium shows an ending balance of $15.67 million. The cash settlement back to NDPERS should be around $2.0 million. The $14.3 million deposit date for the 05-07 biennium was July 1, 2006. These amounts are at BCBS and receiving interest.

The projection for the 2005 - 2007 biennium shows a June 30, 2007 ending gain of $415,000. Since we share 50/50 in the first $3.0 million surplus with BCBS, future growth in this surplus will be difficult. BCBS has the IBNR estimate for this projection at $16 million.

If you have any questions or you should need anymore information, please contact me.

NDPERS - ESTIMATED SURPLUS PROJECTION: 2005-2007 BIENNIUM

May, 2007

The following exhibit summarizes the estimated surplus for the NDPERS group medical plan at the end of the 2005-2007 biennium. The estimate has been updated to include account activity through May, 2007.

1) Preliminary Underwriting Gain for the 2005-2007 Biennium		($14,506,600)
2) Cash Balance Interest Accumulation		$1,053,843
3) Estimated Underwriting Gain for the 2005-2007 Biennium		($13,452,757)
5) Refunds and Settlements		
07/01/05 Perform Rebate	(Included as claim rebates)	$424,842
10/04/05 Perform Rebate	(Included as claim rebates)	$430,343
12/01/05 Perform Rebate	(Included as claim rebates)	$8,716
01/01/06 Perform Rebate	(Included as claim rebates)	$332,766
02/24/06 Perform Rebate	(Included as claim rebates)	$387,919
03/01/06 Perform Rebate	(Included as claim rebates)	$15,236
05/26/06 Perform Rebate	(Included as claim rebates)	$280,399
08/31/06 Perform Rebate	(Included as claim rebates)	$288,072
11/30/06 Perform Rebate	(Included as claim rebates)	$266,417
12/30/06 Perform Rebate	(Included as claim rebates)	$23,228
02/28/07 Perform Rebate	(Included as claim rebates)	$272,137
03-04/07 Perform Rebate	(Included as claim rebates)	$7,686
05/31/07 Perform Rebate	(Included as claim rebates)	$280,570
EPO Settlement Payments 7/05 - 6/06 (Included as rebates & paid)		$1,277,000
EPO Settlement Payments 7/06 - 6/07 (Included as rebates & paid)		$0
6) Cash Reserve Account Balance		$15,666,912
2003-2005 Settlement Cash Out:		($1,439,151)
Future Interest:		$56,053
Total		$14,283,814
7) Total Estimated Surplus Held by BCBS		$831,056
8) BCBS Portion of Surplus (50% upto $1,500,000)		$415,528
9) PERS Portion of Surplus Held by BCBS		$415,528
10) NDPERS Wellness Accounts		
My Health Connection		$172,963
Employer Based Wellness		$53,131
Wellness Benefit Program		$38,439
SubTotal		$264,532
Total Adjusted for Usage		$0
11) Total Estimated Funds Available to PERS on June 30, 2007		$415,528

NDPERS - Projected Underwritten Experience for the 2005-2007 Biennium
May, 2007

MONTH	NET PREMIUM COLLECTED	PREMIUM ADJUSTMENT	TOTAL PREMIUM INCOME	ADMIN EXPENSE $26.98/CON	NET PREMIUM	CLAIMS INCURRED & PAID TO DATE	ESTIMATED IBNR CLAIMS	TOTAL INCURRED CLAIMS (1)	ESTIMATED GAIN / LOSS
Jul-05	$11,491,070	($2,387)	$11,488,683	$637,699	$10,850,984	$10,937,414	$0	$10,937,414	($86,430)
Aug-05	$11,486,984	$0	$11,486,984	$635,676	$10,851,308	$10,784,189	$0	$10,784,189	$67,119
Sep-05	$11,592,130	$0	$11,592,130	$641,396	$10,950,735	$9,701,184	$0	$9,701,184	$1,249,551
Oct-05	$11,564,639	($995)	$11,563,644	$640,748	$10,922,896	$10,047,852	$0	$10,047,852	$875,044
Nov-05	$11,565,139	$1,417	$11,566,556	$640,478	$10,926,078	$11,366,034	$0	$11,366,034	($439,956)
Dec-05	$11,575,731	$7,675	$11,583,406	$640,829	$10,942,577	$11,768,924	$0	$11,768,924	($826,347)
Jan-06	$11,053,969	$332	$11,054,300	$644,606	$10,409,694	$10,007,532	$0	$10,007,532	$402,162
Feb-06	$11,053,628	$0	$11,053,628	$645,308	$10,408,320	$9,712,546	$0	$9,712,546	$695,774
Mar-06	$11,049,994	($26,775)	$11,023,218	$645,146	$10,378,073	$12,074,746	$0	$12,074,746	($1,696,673)
Apr-06	$11,066,004	($36,321)	$11,029,683	$645,820	$10,383,862	$10,971,791	$0	$10,971,791	($587,929)
May-06	$11,064,390	$3,501	$11,067,891	$646,198	$10,421,693	$11,068,185	$0	$11,068,185	($646,492)
Jun-06	$11,076,821	$0	$11,076,821	$647,385	$10,429,436	$11,669,827	$0	$11,669,827	($1,240,391)
Jul-06	$11,056,557	$0	$11,056,557	$646,495	$10,410,063	$10,372,542	$0	$10,372,542	$37,521
Aug-06	$11,052,995	$0	$11,052,995	$646,414	$10,406,581	$11,448,283	$0	$11,448,283	($1,041,702)
Sep-06	$11,153,014	$0	$11,153,014	$650,785	$10,502,229	$10,053,788	$0	$10,053,788	$448,441
Oct-06	$11,116,487	$6,351	$11,122,838	$650,515	$10,472,323	$11,251,320	$104,000	$11,355,320	($882,997)
Nov-06	$11,146,017	($8,222)	$11,137,795	$652,916	$10,484,879	$11,212,397	$159,000	$11,371,397	($886,518)
Dec-06	$11,130,343	($12,813)	$11,117,530	$651,972	$10,465,558	$11,402,851	$258,000	$11,660,851	($1,195,293)
Jan-07	$11,173,395	($5,016)	$11,168,379	$654,643	$10,513,737	$11,496,465	$564,000	$12,060,465	($1,546,728)
Feb-07	$11,192,661	$1,098	$11,193,759	$658,177	$10,535,582	$9,499,973	$785,000	$10,284,973	$250,609
Mar-07	$11,192,066	$4,290	$11,196,356	$656,154	$10,540,202	$11,032,696	$1,999,000	$13,031,696	($2,491,494)
Apr-07	$11,212,566	$6,117	$11,218,683	$657,017	$10,561,666	$8,635,805	$3,930,000	$12,565,805	($2,004,139)
May-07	$11,213,832	$6,568	$11,220,400	$656,909	$10,563,491	$3,861,956	$8,201,000	$12,062,956	($1,499,465)
Jun-07	$11,213,832	$0	$11,213,832	$656,909	$10,556,923	$0	$0	$12,017,212	($1,460,290)
BIENNIAL TOTAL	$269,494,262	($55,181)	$269,439,081	$15,550,193	$253,888,889	$240,378,300	$16,000,000	$268,395,512	($14,506,624)

(1) Future Months are Estimated based on Projection from NDPERS.

North Dakota
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Sparb Collins
Executive Director
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1-800-803-7377

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

Memorandum

TO: **NDPERS Board**

FROM: **Deb Knudsen**

DATE: **July 11, 2007**

SUBJECT: **Monthly Status Report**

Attached is the monthly status report provided by L.R. Wechsler. In summary, staff expects to have a final document for the Board's review at this Board meeting under separate cover. Sparb and I will be available if you have questions, or feel free to contact me prior to the Board meeting if you wish.

L.R. Wechsler, Ltd.

North Dakota Public Employees Retirement System

Legacy Application System Review Project

Monthly Status Report – June 30, 2007

Activities and tasks accomplished this reporting period

- Procurement Activities
  - Participated in various contract negotiation and support calls with NDPERS individually and together with Sagitec.
  - Reviewed material exchanged between NDPERS and Sagitec including proposed contract revisions from Sagitec.

Activities planned for the next month

- Procurement Activities
  - Participate in contract negotiations and other discussions and meetings as necessary.
  - Review and provide feedback on the quarterly status report to ITD.
  - Provide "lessons learned" feedback as requested by Deb. Suggest we either have a conference call or in-person meeting to discuss same.

Problems Encountered this Period

- None

Reconciliation of Progress

- None

Problems Anticipated Next Period

- None

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Memorandum

TO: PERS Board

FROM: Sparb

DATE: July 12, 2007

SUBJECT: Sagitec Contract

Attached please find the proposed contract with Sagitec for the business system replacement project. The contract has been reviewed by the Attorney General's Office and Aaron will be at the meeting to go over it and answer any questions you may have. Generally the contract:

1. Provides for an October 1 start date and goes for 36 months.
2. States the total contract amount is $7,678,360.
3. Establishes the payment process and timelines for completion of work.
4. Establishes the rights and remedies of both parties.
5. Incorporates by reference our RFP and the proposal.
6. Details subsequent discussion on the proposal and the understanding of the parties relating to those discussions.

The next step in this effort is to define the effort of LRWL in the business system replacement project and develop a contract pursuant to that understanding. Our goal is to bring that to the Board in August.

Board Action Requested

Approve the attached contract with Sagitec for the business system replacement project.

Staff recommendation

Approve the contract.

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

Wayne Stenehjem
ATTORNEY GENERAL

July 10, 2007

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

Dear Sparb:

I have completed my review of the final version of the Sagitec Agreement. I am satisfied with the final version of the agreement. This agreement is legally sound and adequately protects the interests of NDPERS.

As you are aware, I have also reviewed this contract with Doreen Gridley of the Ice Miller Law Firm. She has an extensive background in the IT field, and specifically, with these types of agreements. She is also in agreement that this contract adequately protects NDPERS.

If you need anything else, just let me know.

Sincerely,

Aaron Webb

Aaron K. Webb
Assistant Attorney General

vkk

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Memorandum

TO: PERS Board

FROM: Deb Knudsen & Sparb Collins

DATE: **July 12, 2007**

SUBJECT: **Sagitec Solutions**

Rick Deshler, Project manager and senior partner, as well as Jeff Adair, Account Manager from Sagitec Solutions, our selected vendor for the LASR Project, will be in attendance at the Blue Cross Blue Shield location in Fargo. They will provide a short presentation and answer any questions you may have.

Sagitec

Delivering Dynamic IT Solutions

Sagitec

Quick Overview

- **Fast Facts**
  - Launched in April 2004
  - 40+ full-time employees
  - 3 current client engagements – Kansas PERS, Colorado FPPA, California PERS

- **Distinctive Capabilities**
  - Singularly focused on providing tailor-made software solutions for public employee and teachers retirement systems
  - Experienced pension administration professionals
    - Company wide
      - More than 150 years public pension experience
    - Proposed key team members
      - More than 50 years public pension experience spanning 7 different clients
      - Our proposed technical team has an average of 15 years of systems integration experience
  - Solution framework provides benefits of COTS, flexibility of custom development
  - Incremental, iterative development and delivery

Experience

It’s all about the people assigned to your project

	Project Management	Functional Design	Technical Design	Development	Conversion	Testing	Training	Deployment
Minnesota Teachers Retirement Association	X	X	X	X	X	X	X	X
Minnesota Public Employees Retirement Association	X	X	X	X	X	X	X	X
California Public Employees	X	X	X			X		
Georgia Teachers		X						
City of Milwaukee	X	X	X					
Kansas Public Employee Retirement System	X	X	X	X	X	X	X	X
Colorado Fire and Police Pension Association	X	X	X	X	X	X	X	X

Critical Success Factors

- Start on the right foot
- Maintain momentum
- Track progress
- Make smart decisions
- Institutionalize post-mortem analysis

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Memorandum

TO: PERS Board

FROM: Sparb

DATE: July 12, 2007

SUBJECT: Board Committees

The PERS Board has several standing committees:

- Investment Committee
- Audit Committee
- Benefits Committee
- Election Committee

As a result of Rosey's departure from the Board, we have a vacancy on the Investment Committee and the Board needs to consider its committee membership.

<u>Investment Committee</u>

Three members of the PERS Board are on this committee. The members have been Rosey, Ron and Howard. Members serving on this committee represent PERS on the State Investment Board and oversee the Defined Contribution Plan and 457 plan investments. Pursuant to NDCC the PERS members to the State Investment Board must be:

1. The North Dakota state investment board consists of the governor, the state treasurer, the commissioner of university and school lands, the director of workforce safety and insurance, the insurance commissioner, three members of the teachers fund for retirement board or the board's designees who need not be members of the fund as selected by that board, and three of the elected members of the public employees retirement system board as selected by that board. The director o workforce safety and insurance may appoint a designee, subject to approval by the workforce safety and insurance board of directors, to attend the meetings participate, and vote when the director is unable to attend. The teachers' fund fo retirement board may appoint an alternate designee with full voting privileges to attend meetings of the state investment board when a selected member is unable to attend. The public employees retirement system board may appoint an alternate designee with full voting privileges from the public employees retirement system board to attend meetings of the state investment board when a selected member is unable to attend. The members of the state investment board, except elected and appointed officials and the director of workforce safety and insurance or the director's designee, are entitled to receive as compensation sixty-two dollars and fifty cents per day and necessary mileage and travel expenses as provided in sections 44-08-04 and 54-06-09 for attending meetings of the state investment board.

Based upon the above the three members appointed by PERS must be from the elected members to the Board. Also we need to appoint an alternate member.

Audit Committee

The Audit Committee has traditionally been chaired by the chair and had one other PERS member assigned. Jon and Ron are presently members. This committee meets each quarter and works with the internal auditor. Minutes of this committee are reported to the Board.

Benefits Committee

The Benefits Committee members work with the PERS Benefits Committee each odd year to develop ideas and proposals for the PERS consideration relating to the PERS programs. Present PERS board members are Joan, Arvy and in the past Sandi. This committee will begin its work in August of this year.

Election Committee

The Election Committee oversees the election process for the Board. Presently Howard, Ron and Joan are members.

Board Action Requested

To appoint the members to the above committees.

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MEMORANDUM

TO: NDPERS Board

FROM: Jim Smrcka

DATE: July 10, 2007

SUBJECT: **Consultant Fees**

Attached is a report showing the consulting, investment and administrative fees paid during the quarter ended June 30, 2007 Please let me know if you have any questions on the report.

Attachment

North Dakota Public Employees Retirement System
Consulting/Investment/Administrative Fees
For the Quarter Ended June 30, 2007

	Program/Project	Fee Type	Apr-07	May-07	Jun-07	Fees Paid During The Quarter	Fees Paid Year-To-Date
Actuary/Consulting Fees:							
Gallagher Benefit Services, Inc	Insurance	Fixed Fee				-	-
Gallagher Benefit Services, Inc	Ongoing consulting	Time charges		7,416		7,416	17,630
Gallagher Benefit Services, Inc	Travel Expenses	Actual				-	-
LR Wechsler, LTD	IT Project	Fixed Fee	12,620	15,190	23,640	51,450	128,040
LR Wechsler, LTD	Travel Expenses	Actual	1,589	467		2,057	11,714
Mid Dakota Clinic	Retirement Disability	Time charges	440	80	880	1,400	3,440
The Segal Company	Retirement (DB)	Fixed Fee	12,825			12,825	25,650
The Segal Company	Ret Health Credit	Fixed Fee	2,475			2,475	4,950
The Segal Company	FlexComp	Fixed Fee	900		900	1,800	4,500
The Segal Company	Job Service	Fixed Fee	3,600			3,600	7,200
The Segal Company	QDRO/Compliance	Time charges				-	7,530
The Segal Company	Legislation	Time charges				-	34,031
The Segal Company	Retirement (DC)	Time charges				-	-
The Segal Company	Deferred Comp	Time charges				-	2,613
The Segal Company	Travel Expenses	Actual				-	-
			$ 34,449	$ 23,153	$ 25,420	$ 83,022	$ 247,298
Audit Fees:							
Brady Martz	Annual audit	Fixed Fee				$ -	$ 9,250
Legal Fees:							
ICEMILLER llp	IT Project	Time charges			$ 4,582	$ 4,582	$ 4,582
ND Attorney General	Administrative	Time charges	$ 682	$ 2,410	$ 4,111	$ 7,203	$ 13,734
Calhoun Law Group	Administrative	Time charges				$ -	$ -
Investment Fees:							
SIB - Investment Fees	Retirement (DB)	% Allocation	548,626	500,389	1,431,284	2,480,299	4,448,635
SIB - Investment Fees	Ret Health Credit	% Allocation	434	266	35,492	36,192	89,184
SIB - Investment Fees	Insurance	% Allocation	201	24	25	250	519
SIB - Administrative Fees	Retirement (DB)	% Allocation	9,687	17,745	15,172	42,604	75,081
						$ 2,559,345	$ 4,613,419
Administrative Fee:							
Blue Cross Blue Shield	Health Plan	Fixed fee	$ 656,154	$ 657,017	$ 656,909	$ 1,970,080	$ 3,934,872