

NDPERS BOARD MEETING

Agenda

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

June 19, 2014

Time: 8:30 AM

I. MINUTES

- A. May 22, 2014
- B. May 29, 2014

II. PRESENTATIONS

- A. OPEB Valuation – Nyhart (Information)
- B. Investment Update – David Hunter, RIO (Information)

III. MISCELLANEOUS

- A. Board Election Results – Kathy (Board Action)
- B. Budget – Sharon (Board Action)
- C. Executive Director Review – (Board Action)
- D. Legislative Employee Benefits Committee – Sparb (Information)
- E. Audit Committee Minutes – (Information)

IV. RETIREMENT

- A. Job Service Update – Sparb & Kathy (Information)
- B. DOMA - Sparb (Information)
- C. GASB Update – Sparb (Board Action)
- D. Defined Contribution Enrollments – Bryan (Information)
- E. DC Plans in the Public Sector – Sparb (Information)
- F. Data Request Update – Sparb (Information)

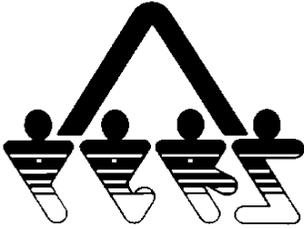
V. GROUP INSURANCE

- A. Fully Insured Group Health Insurance Bid – Deloitte (Board Action)
- B. Healthy Blue Authorization – Kathy (Board Action)
- C. Member Survey Results – BCBS (Information)
- D. Superior Vision Rate Renewal – Sparb and Kathy (Board Action)
- E. House Bill 1443, Diabetes Coalition – Sparb (Information)

VI. FLEX COMP

- A. ADP Renewal – Kathy (Board Action)

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**
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Memorandum

TO: PERS Board
FROM: Sparb
DATE: June 11, 2014
SUBJECT: OPEB Valuation Results

Attached is the draft OPEB (GASB 45) Valuation results report. The report was done by Nyhart. Representatives from that firm will join the Board via conference call to review the results and answer any questions you may have.

As you may recall, last session we proposed HB 1058 which passed and one provision of the bill was that PERS would no longer provide pre-Medicare retiree health insurance. The OPEB valuation measures the liability to the employer for offering that coverage. As anticipated when we submitted the bill, those liabilities are no longer increasing but rather decreasing.



***North Dakota Public Employees
Retirement System***

*GASB 45 Actuarial Valuation
As of July 1, 2013*

Prepared by:
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June 12, 2014

Sparb Collins
North Dakota Public Employees Retirement System
400 East Broadway Suite 505
Bismarck, ND 58502

This report summarizes the GASB actuarial valuation for the North Dakota Public Employees Retirement System (ND PERS) as of July 1, 2013. To the best of our knowledge, the report presents a fair position of the funded status of the plan in accordance with GASB Statement No. 45 (Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions). The valuation is also based upon our understanding of the plan provisions as summarized within the report.

The information presented herein is based on the information furnished to us by the Plan Sponsor that has been reconciled and reviewed for reasonableness. We are not aware of any material inadequacy in employee census provided by the Plan Sponsor. We have not audited the information at the source, and therefore do not accept responsibility for the accuracy or the completeness of the data on which the information is based.

The actuarial assumptions were selected by the Plan Sponsor with the concurrence of Nyhart. In our opinion, the actuarial assumptions are individually reasonable and in combination represent our estimate of anticipated experience of the Plan. All computations have been made in accordance with generally accepted actuarial principles and practice.

To our knowledge, there have been no significant events prior to the current year's measurement date or as of the date of this report that could materially affect the results contained herein.

Neither Nyhart nor any of its employees has any relationship with the plan or its sponsor that could impair or appear to impair the objectivity of this report.

Should you have any questions please do not hesitate to contact us.



Randy Gomez, FSA, MAAA
Consulting Actuary



Marilyn Jones, ASA, MAAA
Consulting Actuary



Evi Laksana, ASA, MAAA
Valuation Actuary

Substantive plan provision has changed since the last valuation as of July 1, 2011 as described below.

With the exception of former Legislators, only employees who retire prior to July 1, 2015 are eligible for continuation of health coverage beyond COBRA prior to Medicare eligibility. All employees are allowed to enroll in ND PERS health plans once they are eligible for Medicare (including those who retire on/after July 1, 2015). There is no retirement date cut-off for former Legislators. They continue to be eligible for continuation of health coverage beyond COBRA prior to Medicare eligibility if they have continuous coverage under the health plan.

Several actuarial assumption have been updated since the last actuarial valuation as of July 1, 2011:

1. Age difference between husbands and wives have been updated to be consistent with the assumption used in the North Dakota Retiree Health Insurance Credit Fund actuarial valuation as of July 1, 2013. Comparison of prior and current assumptions are as shown below:
 - a. Prior valuation:
 - i. Main System members – husbands are assumed to be four years older than wives
 - ii. Judges and Highway Patrol members – husbands are assumed to be three years older than wives
 - iii. All other members – husbands are assumed to be five years older than wives.
 - b. Current valuation – husbands are assumed to be three years older than wives for all retirement system members

This change caused a decrease in liabilities.

2. Retiree contribution increase assumption has been updated from an annual increase according to the same health care trend rates applicable to the per capita costs to an every other year increase that is based on the health care trend rates applicable to the per capita costs. This change caused an increase in liabilities. Comparison of prior and current retiree contributions trend increase is as shown below.

FYE	Prior Expected	Current Actual	FYE	Prior Expected	Current Actual
2012	9.0%	N/A	2017	7.0%	0.0%
2013	8.5%	N/A	2018	6.5%	14.0%
2014	8.0%	0.0%	2019	6.0%	0.0%
2015	7.5%	16.1%	2020	6.0%	12.4%*

* On/after FYE June 30, 2019, the retiree contributions are assumed to increase by 12.4% biennially.

3. Amortization method has been changed from level percentage of pay to a level dollar since retiree health benefits are only offered to a closed group of employees (those who retire prior to July 1, 2015).

Summary of Results

Presented below is the summary of GASB 45 results as of July 1, 2013 and 2014 compared to the last full valuation as shown in the GASB 45 actuarial valuation report as of July 1, 2011.

	<i>As of July 1, 2011</i>		<i>As of July 1, 2013</i>		<i>As of July 1, 2014</i>
Actuarial Accrued Liability	\$	65,195,904	\$	33,849,724	\$ 29,912,433
Actuarial Value of Assets	\$	0	\$	0	\$ 0
Unfunded Actuarial Accrued Liability	\$	65,195,904	\$	33,849,724	\$ 29,912,433
Funded Ratio		0.0%		0.0%	0.0%

	<i>FY 2012/13¹</i>		<i>FY 2013/14</i>		<i>FY 2014/15</i>
Annual Required Contribution	\$	8,212,947	\$	3,053,866	\$ 2,848,396
Annual OPEB Cost	\$	8,341,819	\$	2,552,933	\$ 2,395,466
Annual Employer Contribution	\$	3,314,055	\$	6,080,368	\$ 9,403,467

	<i>As of June 30, 2013</i>		<i>As of June 30, 2014</i>		<i>As of June 30, 2015</i>
Net OPEB Obligation	\$	22,292,533	\$	18,765,098	\$ 11,757,097

	<i>As of July 1, 2011</i>		<i>As of July 1, 2013</i>	
Total Active Participants		28,115		29,528
Total Retiree Participants		4,362		4,921

The active participants' number above may include active employees who currently have no health care coverage. Refer to Summary of Participants section for an accurate breakdown of active employees with and without coverage.

¹ As shown in the North Dakota PERS July 1, 2011 actuarial valuation report of retiree health plans.

Below is a breakdown of total GASB 45 liabilities allocated to past, current, and future service as of July 1, 2013 and 2014 compared to the last full valuation.

	<i>As of July 1, 2011</i>	<i>As of July 1, 2013</i>	<i>As of July 1, 2014</i>
Present Value of Future Benefits	\$ 122,141,461	\$ 34,421,863	\$ 30,513,179
Active Employees	118,024,917	21,912,289	20,849,053
Retired Employees	4,116,544	12,509,574	9,664,126
Actuarial Accrued Liability	\$ 65,195,904	\$ 33,849,724	\$ 29,912,433
Active Employees	61,079,360	21,340,150	20,248,307
Retired Employees	4,116,544	12,509,574	9,664,126
Normal Cost	\$ 4,820,407	\$ 572,139	\$ 600,746
Future Normal Cost	\$ 52,125,150	\$ 0	\$ 0

Present Value of Future Benefits (PVFB) is the amount needed as of July 1, 2013 and 2014 to fully fund ND PERS retiree health care subsidies for existing and future retirees and their dependents assuming all actuarial assumptions are met.

Actuarial Accrued Liability is the portion of PVFB considered to be accrued or earned as of July 1, 2013 and 2014. This amount is a required disclosure in the Required Supplementary Information section.

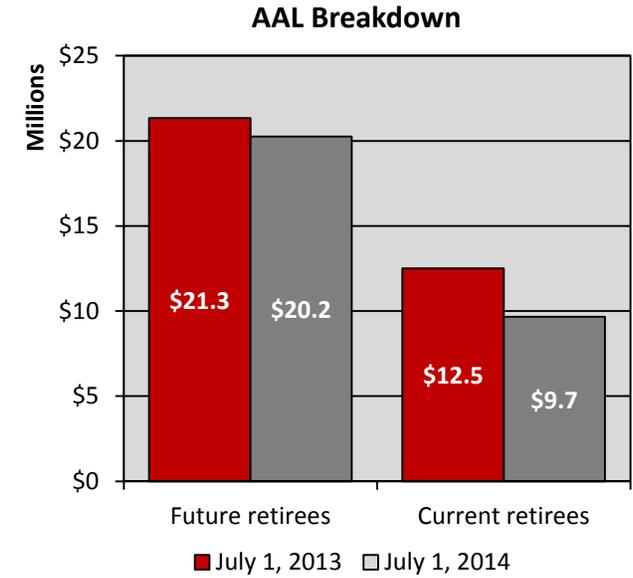
Normal Cost is the portion of the total liability amount that is attributed and accrued for current year's active employee service by the actuarial cost method.

Future Normal Cost is the portion of the total liability amount that is attributed to the future employee service by the actuarial cost method.

Executive Summary

Below is a breakdown of total GASB 45 Actuarial Accrued Liability (AAL) allocated to pre and post Medicare eligibility. The liability shown below includes explicit (if any) and implicit subsidies. Refer to the Substantive Plan Provisions section for complete information on the Plan Sponsor’s GASB subsidies.

Actuarial Accrued Liability (AAL)	As of July 1, 2011	As of July 1, 2013	As of July 1, 2014
Active Pre-Medicare	\$ 61,079,360	\$ 21,340,150	\$ 20,248,307
Active Post-Medicare	0	0	0
Total Active AAL	\$ 61,079,360	\$ 21,340,150	\$ 20,248,307
Retirees Pre-Medicare	\$ 4,116,544	\$ 12,509,574	\$ 9,664,126
Retirees Post-Medicare	0	0	0
Total Retirees AAL	\$ 4,116,544	\$ 12,509,574	\$ 9,664,126
Total AAL	\$ 65,195,904	\$ 33,849,724	\$ 29,912,433

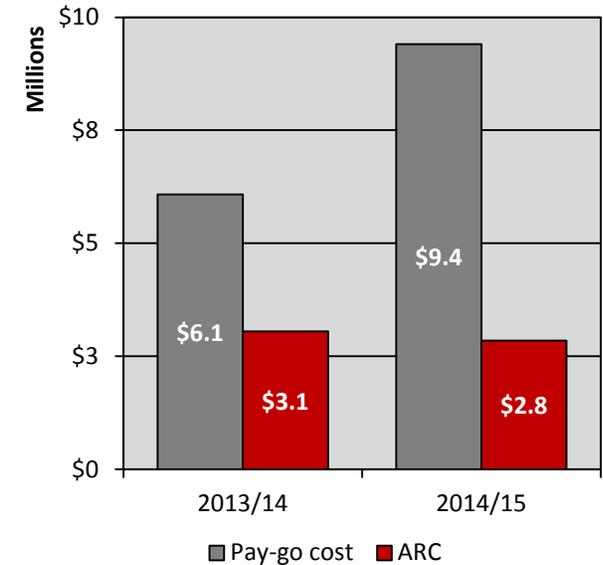


Development of Annual Required Contribution (ARC)

Required Supplementary Information	FY 2012/13	FY 2013/14	FY 2014/15
Actuarial Accrued Liability as of beginning of year	\$ 70,901,678 ²	\$ 33,849,724	\$ 29,912,433
Actuarial Value of Assets as of beginning of year	0	0	0
Unfunded Actuarial Accrued Liability (UAAL)	\$ 70,901,678	\$ 33,849,724	\$ 29,912,433
Covered payroll	\$ N/A	\$ N/A	N/A
UAAL as a % of covered payroll	N/A	N/A	N/A

Annual Required Contribution	FY 2012/13	FY 2013/14	FY 2014/15
Normal cost as of beginning of year	\$ 4,820,407	\$ 572,139	\$ 600,746
Amortization of the UAAL	3,001,447	2,336,305	2,112,012
Total normal cost and amortization payment	\$ 7,821,854	\$ 2,908,444	\$ 2,712,758
Interest to end of year	391,093	145,422	135,638
Total Annual Required Contribution (ARC)	\$ 8,212,947	\$ 3,053,866	\$ 2,848,396

Cash vs Accrual Accounting



Annual Required Contribution (ARC) is the annual expense recorded in the income statement under GASB 45 accrual accounting. It replaces the cash basis method of accounting recognition with an accrual method.

² Based on July 1, 2011 Actuarial Accrued Liability actuarially projected to July 1, 2012 on a no gain/loss basis.

Development of Annual OPEB Cost and Net OPEB Obligation

Annual employer contribution for pay-go costs are estimated for 2012/13, 2013/14, and 2014/15.

Net OPEB Obligation (NOO)	FY 2012/13		FY 2013/14		FY 2014/15	
ARC as of end of year	\$	8,212,947	\$	3,053,866	\$	2,848,396
Interest on NOO to end of year		863,238		1,114,627		938,255
NOO amortization adjustment to the ARC		(734,366)		(1,615,560)		(1,391,185)
Annual OPEB cost	\$	8,341,819	\$	2,552,933	\$	2,395,466
Annual employer contribution for pay-go cost		(3,314,055)		(6,080,368)		(9,403,467)
Annual employer contribution for pre-funding		0		0		0
Change in NOO	\$	5,027,764	\$	(3,527,435)	\$	(7,008,001)
NOO as of beginning of year		17,264,769		22,292,533		18,765,098
NOO as of end of year	\$	22,292,533	\$	18,765,098	\$	11,757,097

Pay-as-you-go Cost is the expected total employer cash cost for the coming period based on all explicit and implicit subsidies. It is also the amount recognized as expense on the Income Statement under pay-as-you-go accounting.

Net OPEB Obligation is the cumulative difference between the annual OPEB cost and employer contributions. This obligation will be created if cash contributions are less than the current year expense under GASB 45 accrual rules.

The net obligation is recorded as a liability on the employer's balance sheet which will reduce the net fund balance.

The value of implicit subsidies is considered as part of cash contributions for the current period. Other cash expenditures that meet certain conditions are also considered as contributions for GASB 45 purposes.

Summary of GASB 45 Financial Results

Presented below is the summary of GASB 45 results for the fiscal year ending June 30, 2014 and prior fiscal years as shown in the State of North Dakota Notes to Financial Statements.

Schedule of Funding Progress

<i>As of</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Actuarial Value of Assets (AVA)</i>	<i>Unfunded Actuarial Accrued Liability (UAAL)</i>	<i>Funded Ratio</i>	<i>Covered Payroll</i>	<i>UAAL as % of Covered Payroll</i>
	<i>A</i>	<i>B</i>	<i>C = A - B</i>	<i>D = B / A</i>	<i>E</i>	<i>F = C / E</i>
July 1, 2013	\$ 33,849,724	\$ -	\$ 33,849,724	0.0%	\$ N/A	N/A
July 1, 2012	\$ 70,901,678	\$ -	\$ 70,901,678	0.0%	\$ N/A	N/A
July 1, 2011	\$ 65,195,904	\$ -	\$ 65,195,904	0.0%	\$ N/A	N/A

Schedule of Employer Contributions

<i>FYE</i>	<i>Employer Contributions</i>	<i>Annual Required Contribution (ARC)</i>	<i>% of ARC Contributed</i>
	<i>A</i>	<i>B</i>	<i>C = A / B</i>
June 30, 2014	\$ 6,080,368	\$ 3,053,866	199.1%
June 30, 2013	\$ 3,314,055	\$ 8,212,947	40.4%
June 30, 2012	\$ 2,552,416	\$ 7,854,425	32.5%

Historical Annual OPEB Cost

<i>As of</i>	<i>Annual OPEB Cost</i>	<i>% of Annual OPEB Cost Contributed</i>	<i>Net OPEB Obligation</i>
June 30, 2014	\$ 2,552,933	238.2%	\$ 18,765,098
June 30, 2013	\$ 8,341,819	39.7%	\$ 22,292,533
June 30, 2012	\$ 7,961,185	32.1%	\$ 17,264,769

Reconciliation of Actuarial Accrued Liability

The Actuarial Accrued Liability (AAL) is expected to change on an annual basis as a result of expected and unexpected events. Under normal circumstances, it is generally expected to have a net increase each year. Below is a list of the most common events affecting the AAL and whether they increase or decrease the liability.

Expected Events

- Increases in AAL due to additional benefit accruals as employees continue to earn service each year
- Increases in AAL due to interest as the employees and retirees age
- Decreases in AAL due to benefit payments

Unexpected Events

- Increases in AAL when actual premium rates increase more than expected. A liability decrease occurs when premium rates increase less than expected.
- Increases in AAL when more new retirements occur than expected or fewer terminations occur than anticipated. Liability decreases occur when the opposite outcomes happen.
- Increases or decreases in AAL depending on whether benefit provisions are improved or reduced.

	<i>FY 2012/13</i>	<i>FY 2013/14³</i>
Actuarial Accrued Liability as of beginning of year	\$ 70,901,678 ⁴	\$ 33,849,724
Normal cost as of beginning of year	4,820,407	572,139
Expected benefit payments during the year	(3,314,055)	(6,080,368)
Interest adjustment to end of year	3,704,263	1,570,938
Expected Actuarial Accrued Liability as of end of year	\$ 76,112,293	\$ 29,912,433
Actuarial (gain) / loss due to experience	13,381,037	0
Actuarial (gain) / loss due to provisions changes	(55,757,690)	0
Actuarial (gain) / loss due to assumptions changes	114,084	0
Actual Actuarial Accrued Liability as of end of year	\$ 33,849,724	\$ 29,912,433

Reconciliation of AAL shows what the actuary expects the actuarial accrued liability to be at the beginning of the following fiscal year based on current assumptions and plan provisions. The expected end of year AAL will change as actual plan experience varies from assumptions. Generally, the AAL is expected to have a net increase each year.

³ Actuarial Accrued Liability (AAL) as of beginning of year was actuarially projected to the end of the fiscal year on a “no gain/loss” basis.

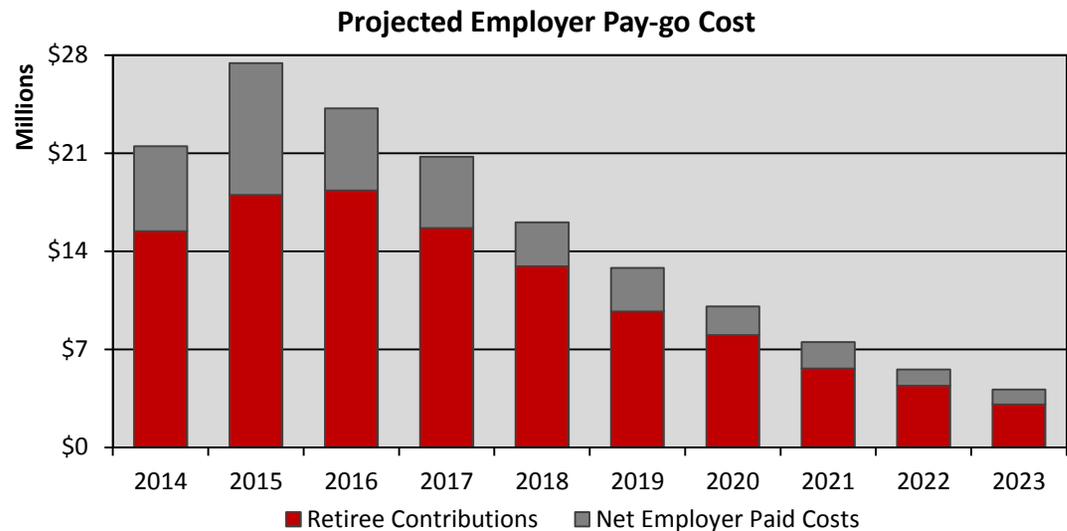
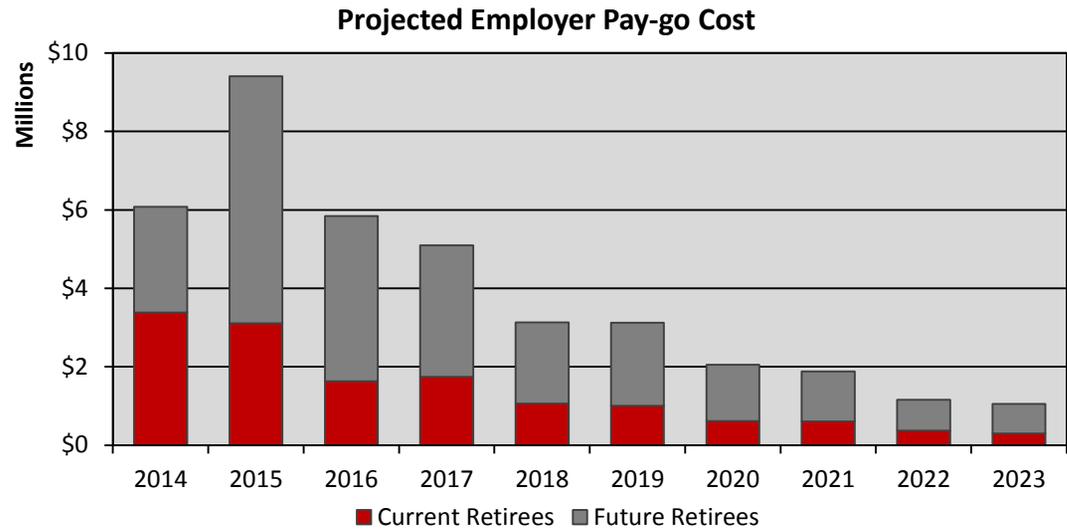
⁴ Based on July 1, 2011 AAL projected to July 1, 2012 on a “no gain/loss” basis.

Employer Contribution Cash Flow Projections

The below projections show the actuarially estimated employer-paid contributions for retiree health benefits for the next ten years. Results are shown separately for current /future retirees and gross claim costs/retiree contributions. These projections include explicit and implicit subsidies.

FYE	Current Retirees	Future Retirees ⁵	Total
2014	\$ 3,387,277	\$ 2,693,091	\$ 6,080,368
2015	\$ 3,105,675	\$ 6,297,792	\$ 9,403,467
2016	\$ 1,628,111	\$ 4,216,386	\$ 5,844,497
2017	\$ 1,746,783	\$ 3,347,996	\$ 5,094,779
2018	\$ 1,064,892	\$ 2,064,455	\$ 3,129,347
2019	\$ 1,008,544	\$ 2,115,110	\$ 3,123,654
2020	\$ 612,650	\$ 1,436,100	\$ 2,048,750
2021	\$ 611,377	\$ 1,270,986	\$ 1,882,363
2022	\$ 370,369	\$ 791,599	\$ 1,161,968
2023	\$ 302,930	\$ 753,011	\$ 1,055,941

FYE	Estimated Claims Costs	Retiree Contributions	Net Employer Paid Costs
2014	\$ 21,500,130	\$ 15,419,762	\$ 6,080,368
2015	\$ 27,422,878	\$ 18,019,411	\$ 9,403,467
2016	\$ 24,192,608	\$ 18,348,111	\$ 5,844,497
2017	\$ 20,740,952	\$ 15,646,173	\$ 5,094,779
2018	\$ 16,061,983	\$ 12,932,636	\$ 3,129,347
2019	\$ 12,819,991	\$ 9,696,337	\$ 3,123,654
2020	\$ 10,059,756	\$ 8,011,006	\$ 2,048,750
2021	\$ 7,524,542	\$ 5,642,179	\$ 1,882,363
2022	\$ 5,572,195	\$ 4,410,227	\$ 1,161,968
2023	\$ 4,128,474	\$ 3,072,533	\$ 1,055,941



⁵ Projections for future retirees do not take into account future new hires.

Eligibility

Former Legislators are eligible for continuation of health coverage beyond COBRA prior to Medicare eligibility if they have continuous coverage under the health plan. For all other employees, only those retiring prior to July 1, 2015 are eligible for continuation of health coverage beyond COBRA prior to Medicare eligibility. All employees are allowed to enroll in ND PERS health plans once they are eligible for Medicare (including those who retire on/after July 1, 2015).

Eligibility requirements for retiree health benefits are as follows:

1. Main System (ND PERS) / Judges – earlier of:
 - a. Age 55 and vested (early retirement)
 - b. Rule of 85 (normal retirement)
 - c. Age 65 (normal retirement)
2. National Guard / Law Enforcement – earlier of:
 - a. Age 50 and vested (early retirement)
 - b. Rule of 85 (normal retirement) – for Law Enforcement only
 - c. Age 55 with 3 years of service (normal retirement)
3. Highway Patrol (NDHPRS) – earlier of:
 - a. Age 50 and vested (early retirement)
 - b. Rule of 80 (normal retirement)
 - c. Age 55 (normal retirement)

Additionally, the following members are also eligible for retiree health benefits:

- Those receiving retirement benefits from North Dakota Teacher’s Fund for Retirement (TFFR) or TIAA-CREF (North Dakota University System only).
- Certain political subdivisions members if enrolled in the Dakota Plan as an active employee and receiving a “retirement allowance” from NDPERS Board approved employer sponsored retirement plan.

Vesting requirements for the different retirement systems are as follows:

- 3 years of service for Main System, National Guard, and Law Enforcement
- 5 years of service for Judges
- 10 years of service for Highway Patrol

Deferred vested employees are eligible to receive retiree health benefits once they start receiving their pension benefits.

Spouse Benefit

Retiree health coverage continues to surviving spouse upon death of retirees or active employees eligible to retire provided they are receiving a beneficiary benefit from the retirement plans. Surviving spouses of active employees who are not eligible to retire are eligible for COBRA benefits only.

Explicit Subsidy

None

Retiree Cost Sharing

Retirees contribute 102% of the active rates during COBRA period (called COBRA rates below) and 150% of the active rates afterwards (called retiree rates below). Monthly COBRA and retiree rates effective on January 1, 2014 are as shown below.

COBRA Rates	1/2014 – 6/2015		1/2014 – 6/2014		7/2014 – 6/2015	
	Single	Family	Single	Family	Single	Family
State Agencies PPO	\$ 482.18	\$ 1,162.12	N/A	N/A	N/A	N/A
State Agencies HDHP	\$ 420.24	\$ 1,012.18	N/A	N/A	N/A	N/A
Political Subdivisions PPO	Single	Family	Single	Family	Single	Family
Enrolled < 7/1/2013 Grandfathered	\$ 515.16	\$ 1,244.62	N/A	N/A	N/A	N/A
Enrolled < 7/1/2013 Non-Grandfathered	\$ 522.98	\$ 1,263.54	N/A	N/A	N/A	N/A
Enrolled ≥ 7/1/2013 Grandfathered	N/A	N/A	\$ 511.02	\$ 1,235.02	\$ 539.86	\$ 1,304.98
Enrolled ≥ 7/1/2013 Non-Grandfathered	N/A	N/A	\$ 522.38	\$ 1,262.46	\$ 551.88	\$ 1,334.00
Political Subdivisions HDHP	Single	Family	Single	Family	Single	Family
Enrolled < 7/1/2013 Non-Grandfathered	\$ 461.66	\$ 1,115.40	N/A	N/A	N/A	N/A
Enrolled ≥ 7/1/2013 Non-Grandfathered	N/A	N/A	\$ 449.00	\$ 1,084.68	\$ 474.34	\$ 1,146.12
Retiree Rates	1/2014 – 6/2015		1/2014 – 6/2014		7/2014 – 6/2015	
	Retiree	Ret/Sp	Retiree	Ret/Sp	Retiree	Ret/Sp
Non-Medicare	\$ 709.10	\$ 1,418.20	N/A	N/A	N/A	N/A
Medicare retirees enrolled < 7/1/2013	\$ 221.24	\$ 439.72	N/A	N/A	N/A	N/A
Medicare retirees enrolled ≥ 7/1/2013	N/A	N/A	\$ 222.16	\$ 441.50	\$ 227.00	\$ 451.22

Medical Benefit

Same benefit options are available to retirees as active employees. The health plans are fully-insured and partially experience rated. Monthly active premium rates effective on January 1, 2014 are as shown below.

Active Rates	With Wellness		Without Wellness	
	Single	Family	Single	Family
State Agencies PPO and HDHP	\$ 981.68	\$ 981.68	\$ 991.50	\$ 991.50
Political Subdivision enrolled < 7/1/2013				
Rates effective 1/2014 – 6/2015	Single	Family	Single	Family
Grandfathered PPO	\$ 505.06	\$ 1,220.22	\$ 510.10	\$ 1,232.42
Non-Grandfathered PPO	\$ 512.74	\$ 1,238.76	\$ 517.26	\$ 1,249.70
Non-Grandfathered HDHP	\$ 452.62	\$ 1,093.54	\$ 457.14	\$ 1,104.48
Political Subdivision enrolled ≥ 7/1/2013				
Rates effective 1/2014 – 6/2014	Single	Family	Single	Family
Grandfathered PPO	\$ 501.00	\$ 1,210.80	\$ 506.00	\$ 1,222.90
Non-Grandfathered PPO	\$ 512.14	\$ 1,237.72	\$ 516.54	\$ 1,248.34
Non-Grandfathered HDHP	\$ 440.20	\$ 1,063.42	\$ 444.60	\$ 1,074.04
Rates effective 7/2014 – 6/2015	Single	Family	Single	Family
Grandfathered PPO	\$ 529.28	\$ 1,279.40	\$ 534.56	\$ 1,292.18
Non-Grandfathered PPO	\$ 541.06	\$ 1,307.84	\$ 545.70	\$ 1,319.08
Non-Grandfathered HDHP	\$ 465.04	\$ 1,123.66	\$ 469.68	\$ 1,134.90

Disability Benefit

All future disabled employees are assumed to be eligible for Medicare. No liabilities have been valued for them.

Post-Medicare Liability

There is no post-Medicare GASB liabilities as retirees pay the full cost of coverage.

The actuarial assumptions used in this report represent a reasonable long-term expectation of future OPEB outcomes. As national economic and North Dakota PERS experience change over time, the assumptions will be tested for ongoing reasonableness and, if necessary, updated.

There are changes to the actuarial methods and assumptions since the last GASB valuation, which was as of July 1, 2011. Refer to Actuary's Notes section for complete information on these changes. For the current year GASB valuation, we have also updated the per capita costs. We expect to update health care trend rates and per capita costs again in the next full GASB valuation, which will be as of July 1, 2015.

Measurement Date	July 1, 2013
Discount Rate	5.0%
Payroll Growth	4.5% per year
Inflation Rate	3.5% per year
Cost Method	Projected Unit Credit with linear proration to decrement
Amortization	Level dollar over a closed 30-year period beginning on July 1, 2007. The remaining amortization period as of July 1, 2013 is 24 years.
Census Data	<p>Census information was provided by ND PERS in March 2014. We have reviewed it for reasonableness and we have made the following assumptions:</p> <ul style="list-style-type: none"> • A hire date of age 36 or current age (whichever is earlier) is assumed for actives listed without a hire date. • Records in the data missing employee group designations (law enforcement, highway patrol, judges, etc.) are valued as "Main System."
Employer Funding Policy	Pay-as-you-go cash basis
Mortality	<p>Healthy retirees:</p> <ul style="list-style-type: none"> • NDHPRS: RP-2000 Combined Healthy Mortality Table set back one year for males and females • All others: RP-2000 Combined Healthy Mortality Table set back three years for males and females <p>Disabled retirees: RP-2000 Disabled Retiree Mortality Table set back one year for males (no set back for females)</p>

Turnover Rate

Assumption used to project terminations (voluntary and involuntary) prior to meeting minimum retirement eligibility for retiree health coverage. The rates represent the probability of termination in the next 12 months. The termination rates are based ND PERS actuarial valuation as of July 1, 2013.

Group A		Age			After 5 YOS			
YOS	<29	30 – 39	40+	Age	Group A/B	Group C*	Group D	
1	22%	16%	12%	20 – 24	8.8%	2.2%	2.5%	
2	18%	14%	10%	25 – 29	8.8%	2.2%	2.5%	
3	16%	12%	10%	30 – 34	5.5%	1.4%	2.5%	
4	14%	12%	8%	35 – 39	4.7%	1.2%	1.0%	
5	14%	11%	7%	40 – 44	3.9%	1.0%	1.0%	
				45 – 49	3.7%	0.9%	1.0%	
				50 – 54	3.4%	0.8%	1.0%	
				55 – 59	0.1%	0.0%	1.0%	
				60+	0.2%	0.1%	1.0%	

Group B		Age		
YOS	<29	30 – 39	40+	
1	25%	20%	17%	
2	23%	17%	15%	
3	20%	15%	12%	
4	17%	13%	10%	
5	15%	11%	7%	

Group D		Age		
YOS	<29	30 – 39	40+	
1	10%	10%	10%	
2 – 5	5%	5%	5%	

- Group A – Main System members
- Group B – National Guard and Law Enforcement members
- Group C – Judges
- Group D – Highway Patrol members

* These rates are applicable at all years of service.

Retirement Rate

The retirement rates are based ND PERS actuarial valuation as of July 1, 2013.

Age	Main System		Judges	National Guard / Law Enforcement
	Unreduced*	Reduced		
51 – 52	8%	0%	N/A	N/A
53 – 54	8%	0%	N/A	N/A
55	8%	2%	N/A	20%
56 – 59	10%	2%	N/A	20%
60	10%	4%	10%	20%
61	20%	10%	10%	20%
62	35%	20%	20%	20%
63	25%	15%	20%	20%
64	30%	10%	20%	50%
65	30%	N/A	50%	100%
66 – 69	20%	N/A	50%	100%
70 – 74	20%	N/A	100%	100%
75+	100%	N/A	100%	100%

* Age 65 or rule of 85

For Highway Patrol members, the retirement assumption is as follows:

- Early retirement (age 50 with 10 years of service) – 25%
- First year eligible for unreduced retirement (age 55 and 10 years of service or rule of 80) – 75%
- After first year eligibility for unreduced retirement – 100%

Disability

None

Health Care Coverage Election Rate

Active employees assumed retiree health care election rate based on North Dakota Retiree Health Insurance Credit Fund actuarial valuation as of July 1, 2013 are as follows:

Main System, National Guard and Law Enforcement		Judges and Highway Patrol	
YOS	Rate	YOS	Rate
<3	0%	<5	0%
3 – 4	30%	5 – 9	50%
5 – 9	50%	10 – 14	65%
10 – 14	65%	15 – 19	80%
15 – 19	80%	20 – 24	85%
20 – 24	85%	25+	90%
25+	90%		

100% of inactive employees who currently have coverage are assumed to continue coverage in the future.
0% of inactive employees who currently have no coverage are assumed to elect coverage in the future.

0% of deferred vested employees are assumed to elect coverage at retirement.

Spousal Coverage

Spousal coverage for current retirees is based on actual data.

Percentage of employees assumed to elect spousal coverage are as shown below:

	Male	Female
Main System, National Guard, and Law Enforcement	80%	65%
Judges	100%	100%
Highway Patrol	90%	90%

Husbands are assumed to be three years older than wives for all retirement system members.

Health Care Trend Rates

FYE	Trends
2014	8.0%
2015	7.5%
2016	7.0%
2017	6.5%
2018+	6.0%

The initial trend rate was based on a combination of employer history, national trend surveys, and professional judgment.

The ultimate trend rate was selected based on historical medical CPI information.

Retiree Contributions

Retiree contribution are assumed to increase according to the table below.

FYE	Trends	FYE	Trends
2014	0.0%	2017	14.0%
2015	16.1%	2018	0.0%
2016	0.0%	2019+	12.4%*

* Retiree contribution on or after FYE June 30, 2019 is assumed to increase 12.4% biennially.

Per Capita Costs

Annual per capita costs were calculated based on a weighted average of the 36-month ending December 31, 2013 claims experience projected to 2014/15 plan year plus administrative expenses, actuarially increased using health index factors and current enrollment. The costs are assumed to increase with health care trend rates. Sample monthly per capita costs are as shown below:

Age	Costs
40	\$ 420
45	\$ 489
50	\$ 570
55	\$ 684
60	\$ 824
64	\$ 964
65	N/A

The per capita costs represent the cost of coverage for a retiree-only population.

Actuarial standards require the recognition of higher inherent costs for a retired population versus an active population.

Age 65 Claims Cost	7/1/2011	7/1/2013	% increase
Per member	\$ 825.69	\$ 1,002.40	21.4%

Explicit Subsidy

The difference between (a) the premium rate and (b) the retiree contribution. Below is an example of the monthly explicit subsidies for a State Agency retiree enrolled in the PPO plan during and after the COBRA periods.

During COBRA Period	COBRA Rates	Retiree Contribution	Explicit Subsidy
	A	B	C = A – B
Retiree	\$ 482	\$ 482	\$ 0
Spouse	\$ 680	\$ 680	\$ 0

After COBRA Period	Retiree Rates	Retiree Contribution	Explicit Subsidy
	A	B	C = A – B
Retiree	\$ 709	\$ 709	\$ 0
Spouse	\$ 709	\$ 709	\$ 0

Implicit Subsidy

The difference between (a) the per capita cost and (b) the premium rate. Below is an example of the monthly implicit subsidies for a State Agency retiree age 60 with spouse of the same age during and after the COBRA periods.

During COBRA Period	Per Capita Cost	COBRA Rates	Implicit Subsidy
	A	B	C = A – B
Retiree	\$ 824	\$ 482	\$ 342
Spouse	\$ 824	\$ 680	\$ 144

After COBRA Period	Per Capita Cost	Retiree Rates	Implicit Subsidy
	A	B	C = A – B
Retiree	\$ 824	\$ 709	\$ 115
Spouse	\$ 824	\$ 709	\$ 115

All employers that utilize premium rates based on blended active/retiree claims experience will have an implicit subsidy. There is an exception for plans using a true community-rated premium rate.

GASB Subsidy Breakdown

Below is a breakdown of the GASB 45 monthly total cost for a State Agency retiree age 60 and his/her spouse of the same age enrolled in the PPO plan during and after the COBRA periods.

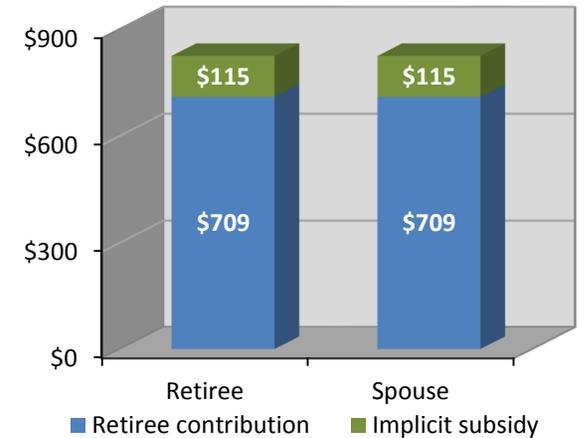
During COBRA	Retiree	Spouse
Retiree contribution	\$ 482	\$ 680
Explicit subsidy	\$ 0	\$ 0
Implicit subsidy	\$ 342	\$ 144
Total monthly cost	\$ 824	\$ 824

After COBRA	Retiree	Spouse
Retiree contribution	\$ 709	\$ 709
Explicit subsidy	\$ 0	\$ 0
Implicit subsidy	\$ 115	\$ 115
Total monthly cost	\$ 824	\$ 824

GASB Subsidy Breakdown (During COBRA)



GASB Subsidy Breakdown (After COBRA)



Summary of Plan Participants

<i>Actives with coverage⁶</i>	<i>Single</i>	<i>Family</i>	<i>Total</i>	<i>Avg. Age</i>	<i>Avg. Svc</i>	<i>Salary</i>
Dakota Plan under 65	5,830	14,369	20,199	45.2	10.6	N/A
Dakota Plan over 65	234	451	685	68.4	24.8	N/A
Total actives with coverage	6,064	14,820	20,884	45.9	11.1	N/A

<i>Actives without coverage</i>	<i>Total</i>	<i>Avg. Age</i>	<i>Avg. Svc</i>	<i>Salary</i>
Total actives without coverage	8,644	45.8	7.1	N/A

All active employees who currently have no coverage are assumed to elect coverage according to the health care coverage election assumption shown in the Actuarial Assumptions section. They have been included in the GASB valuation.

<i>Retirees with coverage⁵</i>	<i>Single</i>	<i>Family</i>	<i>Total</i>	<i>Avg. Age</i>
Dakota Plan under 65	605	414	1,019	61.6
Dakota Plan over 65	2,390	1,512	3,902	74.7
Total retirees with coverage	2,995	1,926	4,921	72.0

There is no liabilities for retirees over 65 as they pay the full cost of coverage.

⁶ Age determination is made as of July 1, 2013. For retirees, enrollment grouping is based on the retiree's age. If the retiree is under 65, the entire policy will be counted in the under 65 enrollment grouping, regardless of whether the spouse is over or under 65.

Active Age-Service Distribution

Age	Years of Service										Total
	< 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	
Under 25	1,030	232	5								1,267
25 to 29	1,551	872	241								2,664
30 to 34	1,462	752	672	138	2						3,026
35 to 39	896	1,062	575	405	113	1					3,052
40 to 44	511	746	1,175	417	336	105	6				3,296
45 to 49	395	590	708	1,037	317	323	138	9			3,517
50 to 54	420	616	652	755	1,128	370	377	203	17		4,538
55 to 59	328	476	583	487	600	1,165	310	242	160	4	4,355
60 to 64	123	272	361	313	278	446	717	143	118	34	2,805
65 to 69	31	73	119	87	60	44	110	184	13	11	732
70 & up	12	26	36	49	26	11	4	38	54	20	276
Total	6,759	5,717	5,127	3,688	2,860	2,465	1,662	819	362	69	29,528

APPENDIX

Comparison of Participant Demographic Information

The active participants' number below may include active employees who currently have no health care coverage. Refer to Summary of Participants section for an accurate breakdown of active employees with and without coverage.

	<i>As of July 1, 2011</i>	<i>As of July 1, 2013</i>
Active Participants	28,115	29,528
Retired Participants	4,362	4,921
Averages for Active		
Age	46.4	45.9
Service	N/A	9.9
Averages for Inactive		
Age	71.6	72.0

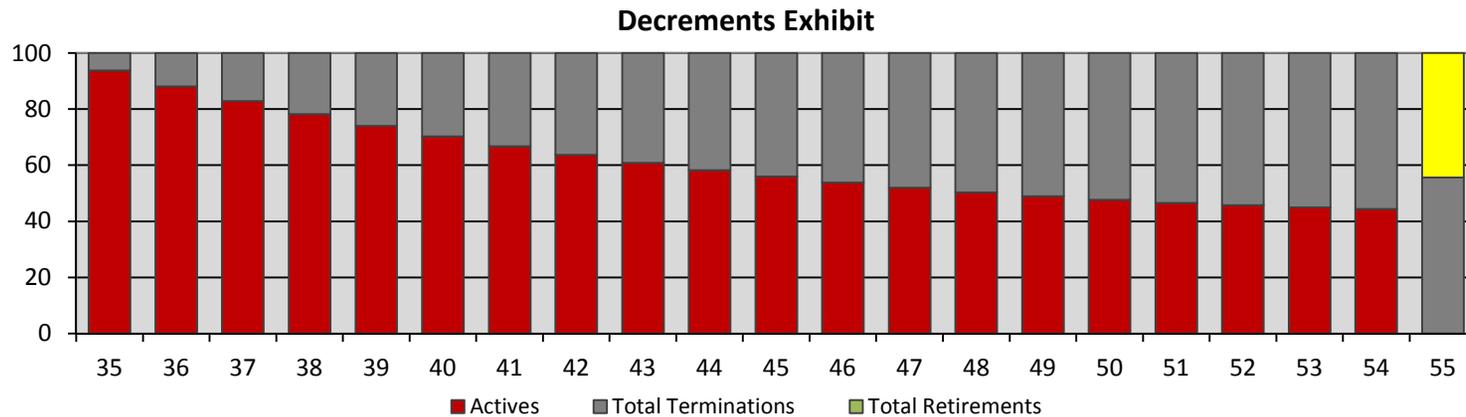
Glossary

Decrements Exhibit

The table below illustrates how actuarial assumptions can affect a long-term projection of future liabilities. Starting with 100 employees at age 35, the illustrated actuarial assumptions show that 44.430 employees out of the original 100 are expected to retire and could elect retiree health benefits at age 55.

Age	# Remaining Employees	# of Terminations per Year*	# of Retirements per Year*	Total Decrements
35	100.000	6.276	0.000	6.276
36	93.724	5.677	0.000	5.677
37	88.047	5.136	0.000	5.136
38	82.911	4.648	0.000	4.648
39	78.262	4.209	0.000	4.209
40	74.053	3.814	0.000	3.814
41	70.239	3.456	0.000	3.456
42	66.783	3.131	0.000	3.131
43	63.652	2.835	0.000	2.835
44	60.817	2.564	0.000	2.564
45	58.253	2.316	0.000	2.316

Age	# Remaining Employees	# of Terminations per Year*	# of Retirements per Year*	Total Decrements
46	55.938	2.085	0.000	2.085
47	53.853	1.866	0.000	1.866
48	51.987	1.656	0.000	1.656
49	50.331	1.452	0.000	1.452
50	48.880	1.253	0.000	1.253
51	47.627	1.060	0.000	1.060
52	46.567	0.877	0.000	0.877
53	45.690	0.707	0.000	0.707
54	44.983	0.553	0.000	0.553
55	44.430	0.000	44.430	44.430

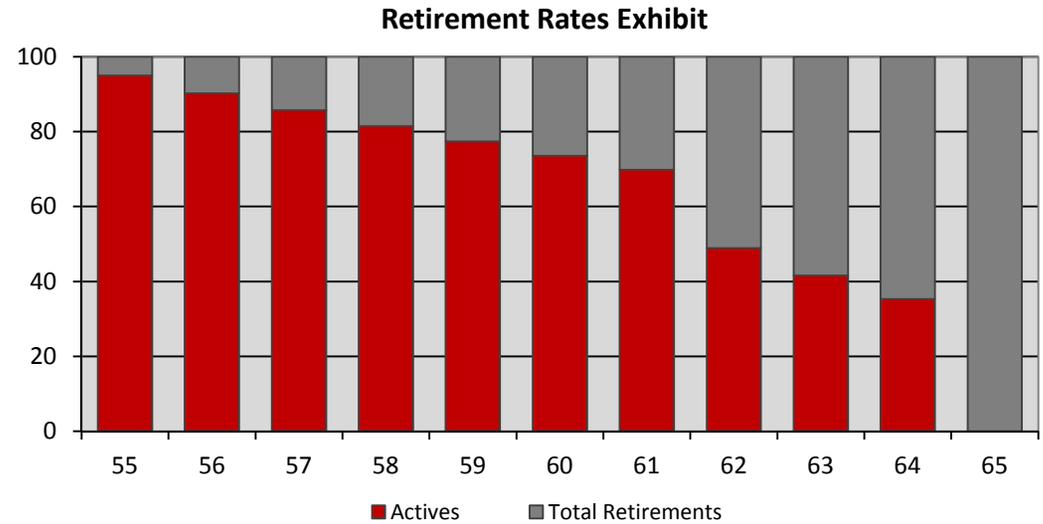


* The above rates are illustrative rates and are not used in our GASB calculations.

Retirement Rates Exhibit

The table below illustrates how actuarial assumptions can affect a long-term projection of future liabilities. The illustrated retirement rates show the number of employees who are assumed to retire annually based on 100 employees age 55 who are eligible for retiree health care coverage. The average age at retirement is 62.0.

Age	Active Employees BOY	Annual Retirement Rates*	# Retirements per Year	Active Employees EOY
55	100.000	5.0%	5.000	95.000
56	95.000	5.0%	4.750	90.250
57	90.250	5.0%	4.513	85.738
58	85.738	5.0%	4.287	81.451
59	81.451	5.0%	4.073	77.378
60	77.378	5.0%	3.869	73.509
61	73.509	5.0%	3.675	69.834
62	69.834	30.0%	20.950	48.884
63	48.884	15.0%	7.333	41.551
64	41.551	15.0%	6.233	35.318
65	35.318	100.0%	35.318	0.000



* The above rates are illustrative rates and are not used in our GASB calculations.

Illustration of GASB Calculations

The purpose of the illustration is to familiarize non-actuaries with the GASB 45 actuarial calculation process.

I. Facts

1. The employer provides subsidized retiree health coverage worth \$100,000 to employees retiring at age 55 with 25 years of service. The employer funds for retiree health coverage on a pay-as-you-go basis.
2. Employee X is age 50 and has worked 20 years with the employer.
3. Retiree health subsidies are paid from the general fund assets which are expected to earn 4.5% per year on a long-term basis.
4. Based on Employee X's age and sex he has a 98.0% probability of living to age 55 and a 95.0% probability of continuing to work to age 55.

II. Calculation of Present Value of Future Benefits

Present Value of Future Benefits represents the cost to finance benefits payable in the future to current and future retirees and beneficiaries, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment.

	Value	Description
A.	\$100,000	Projected benefit at retirement
B.	80.2%	Interest discount for five years = $(1 / 1.045)^5$
C.	98.0%	Probability of living to retirement age
D.	95.0%	Probability of continuing to work to retirement age
E.	\$74,666	Present value of projected retirement benefit measured at employee's current age = $A \times B \times C \times D$

Illustration of GASB Calculations (continued)

III. Calculation of Actuarial Accrued Liability

Actuarial Accrued Liability represents the portion of the Present Value of Future Benefits which has been accrued recognizing the employee's past service with the employer. The Actuarial Accrued Liability is a required disclosure in the Required Supplementary Information section of the employer's financial statement.

	Value	Description
A.	\$74,666	Present value of projected retirement benefit measured at employee's current age
B.	20	Current years of service with employer
C.	25	Projected years of service with employer at retirement
D.	\$59,733	Actuarial accrued liability measured at employee's current age = $A \times B / C$

IV. Calculation of Normal Cost

Normal Cost represents the portion of the Present Value of Future Benefits allocated to the current year.

	Value	Description
A.	\$74,666	Present value of projected retirement benefit measured at employee's current age
B.	25	Projected years of service with employer at retirement
C.	\$2,987	Normal cost measured at employee's current age = A / B

V. Calculation of Annual Required Contribution

Annual Required Contribution is the total expense for the current year to be shown in the employer's income statement.

	Value	Description
A.	\$2,987	Normal Cost for the current year
B.	\$3,509	30-year amortization (level dollar method) of Unfunded Actuarial Accrued Liability using a 4.5% interest rate discount factor
C.	\$292	Interest adjustment = $4.5\% \times (A + B)$
D.	\$6,788	Annual Required Contribution = $A + B + C$

Definitions

GASB 45 defines several unique terms not commonly employed in the funding of pension and retiree health plans. The definitions of the terms used in the GASB actuarial valuations are noted below.

1. **Actuarial Accrued Liability** – That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of plan benefits and expenses which is not provided for by the future Normal Costs.
2. **Actuarial Assumptions** – Assumptions as to the occurrence of future events affecting health care costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and Government provided health care benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; characteristics of future entrants for Open Group Actuarial Cost Methods; and other relevant items.
3. **Actuarial Cost Method** – A procedure for determining the Actuarial Present Value of future benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.
4. **Actuarial Present Value** – The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:
 - a) adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, Social Security, marital status, etc.);
 - b) multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned; and
 - c) discounted according to an assumed rate (or rates) of return to reflect the time value of money.
5. **Annual OPEB Cost** – An accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan.
6. **Annual Required Contribution (ARC)** – The employer's periodic required contributions to a defined benefit OPEB plan, calculated in accordance with the parameters.
7. **Explicit Subsidy** – The difference between (a) the amounts required to be contributed by the retirees based on the premium rates and (b) actual cash contribution made by the employer.
8. **Funded Ratio** – The actuarial value of assets expressed as a percentage of the actuarial accrued liability.
9. **Healthcare Cost Trend Rate** – The rate of change in the per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

Definitions (continued)

10. **Implicit Subsidy** – In an experience-rated healthcare plan that includes both active employees and retirees with blended premium rates for all plan members, the difference between (a) the age-adjusted premiums approximating claim costs for retirees in the group (which, because of the effect of age on claim costs, generally will be higher than the blended premium rates for all group members) and (b) the amounts required to be contributed by the retirees.
11. **Net OPEB Obligation** – The cumulative difference since the effective date of this Statement between annual OPEB cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt.
12. **Normal Cost** – The portion of the Actuarial Present Value of plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.
13. **Pay-as-you-go** – A method of financing a benefit plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.
14. **Per Capita Costs** – The current cost of providing postretirement health care benefits for one year at each age from the youngest age to the oldest age at which plan participants are expected to receive benefits under the plan.
15. **Present Value of Future Benefits** – Total projected benefits include all benefits estimated to be payable to plan members (retirees and beneficiaries, terminated employees entitled to benefits but not yet receiving them, and current active members) as a result of their service through the valuation date and their expected future service. The actuarial present value of total projected benefits as of the valuation date is the present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. Expressed another way, it is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay total projected benefits when due.
16. **Select and Ultimate Rates** – Actuarial assumptions that contemplate different rates for successive years. Instead of a single assumed rate with respect to, for example, the investment return assumption, the actuary may apply different rates for the early years of a projection and a single rate for all subsequent years. For example, if an actuary applies an assumed investment return of 8% for year 20W0, then 7.5% for 20W1, and 7% for 20W2 and thereafter, then 8% and 7.5% select rates, and 7% is the ultimate rate.
17. **Substantive Plan** – The terms of an OPEB plan as understood by the employer(s) and plan members.



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: June 12, 2014
SUBJECT: Investment Update

The *Statement of Investment Objectives and Policies*, adopted by the Board, states the following:

An annual performance report must be provided to the Board by the State Investment Officer at a regularly scheduled NDPERS Board meeting. The annual performance report must include asset returns and allocation data as well as information regarding all significant or material matters and changes pertaining to the investment of the Fund, including:

- *Changes in asset class portfolio structures, tactical approaches and market values;*
- *All pertinent legal or legislative proceedings affecting the SIB.*
- *Compliance with these investment goals, objectives and policies.*
- *A general market overview and market expectations.*
- *A Review of fund progress and its asset allocation strategy.*
- *A report on investment fees and the SIB's effort relating to Section 6. To measure investment cost PERS requires as part of the annual review information from CEM or other acceptable source showing the value added versus the cost.*

David Hunter and Darren Schultz will be at the next meeting to provide the annual report to the PERS Board. Attached please find a copy of the presentation.

NDPERS Annual Investment Review

June 19, 2014

David Hunter, Executive Director/Chief Investment Officer

Darren Schulz, Deputy Chief Investment Officer

ND Retirement & Investment Office (RIO)

State Investment Board (SIB)

Presentation Agenda

- ▷ PERS Funds summary
- ▷ Asset allocation
- ▷ PERS assets under management
- ▷ FYTD performance
- ▷ PERS peer rankings
- ▷ Economic and capital market highlights
- ▷ Investment performance and attribution
- ▷ Fiscal year activity

ND Public Employees Retirement System

<i>As of 3/31/14</i>	Market Value	Allocation	
		Actual	Policy
TOTAL NDPERS FUND	2,243,514,709	100.0%	100.0%
GLOBAL EQUITIES	1,323,036,983	59.0%	57.0%
Global Equities	374,051,837	16.7%	16.0%
Large Cap Domestic	386,085,425	17.2%	16.6%
Small Cap Domestic	117,537,426	5.1%	4.8%
Developed International	259,993,062	11.6%	11.1%
Emerging Markets	80,180,353	3.6%	3.5%
Private Equity	105,188,880	4.7%	5.0%
GLOBAL FIXED INCOME	505,584,906	22.5%	22.0%
Investment Grade Fixed Income	275,272,843	12.3%	12.0%
Below Investment Grade Fixed Income	117,911,080	5.3%	5.0%
Developed Investment Grade Int'l FI	112,400,983	5.0%	5.0%
GLOBAL REAL ASSETS	394,540,242	17.6%	20.0%
Global Real Estate	209,540,303	9.3%	10.0%
Timber	97,829,963	4.4%	5.0%
Infrastructure	87,169,976	3.9%	5.0%
Cash Equivalent s	20,352,578	0.9%	1.0%

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

ND Job Service Pension

<i>As of 3/31/14</i>	Market Value	Allocation	
		Actual	Policy
TOTAL ND JOB SERVICE PENSION FUND	95,949,225	100.0%	100.0%
GLOBAL EQUITIES	38,334,544	40.0%	40.0%
Global Equities	15,375,024	16.0%	16.0%
Large Cap Domestic	14,361,038	15.0%	15.0%
Small Cap Domestic	3,440,775	3.8%	3.6%
Developed International	5,157,707	5.4%	5.4%
GLOBAL FIXED INCOME	57,335,779	59.8%	60.0%
Investment Grade Fixed Income	45,052,492	47.0%	47.0%
Below Investment Grade Fixed Income	7,781,938	8.1%	8.0%
Developed Investment Grade Int'l FI	4,501,349	4.7%	5.0%
Cash Equivalents	278,902	0.3%	0.0%

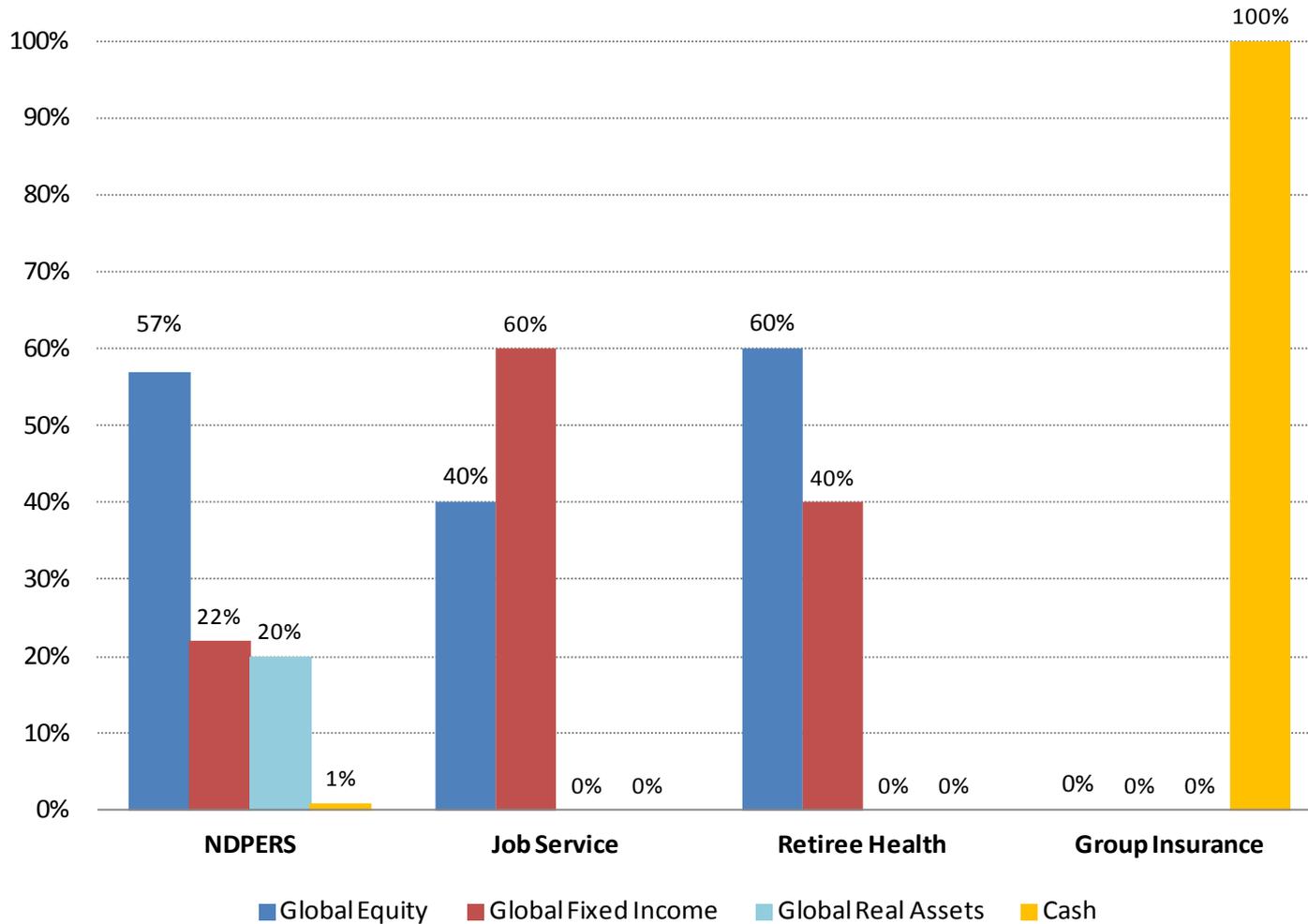
NOTE: Monthly market values are preliminary and subject to change.

ND PERS Retiree Health & Group Insurance

<i>As of 3/31/14</i>	Market Value	Allocation	
		Actual	Policy
TOTAL PERS RETIREE HEALTH	85,940,208	100.0%	100.0%
Large Cap Domestic Equity	31,907,563	37.1%	37.0%
Small Cap Domestic Equity	8,326,554	9.7%	9.0%
International Equity	11,790,988	13.7%	14.0%
Core Plus Fixed Income	33,859,850	39.4%	40.0%
Cash Equivalents	55,253	0.1%	0.0%
PERS GROUP INSURANCE			
TOTAL CASH EQUIVALENTS	39,225,538	100.0%	100.0%

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

PERS Funds Target Asset Allocation



State Investment Board – PERS Assets Under Management

Fund Name	Market Values as of 3/31/14 ⁽¹⁾	Market Values as of 12/31/13 ⁽¹⁾	Market Values as of 6/30/13 ⁽²⁾
Pension Trust Fund			
Public Employees Retirement System (PERS)	2,243,514,709	2,204,819,633	2,000,899,336
Job Service of North Dakota Pension	95,949,225	95,276,201	90,442,764
Subtotal Pension Trust Fund	<u>2,339,463,934</u>	<u>2,300,095,834</u>	<u>2,091,342,100</u>
Insurance Trust Fund			
PERS Group Insurance Account	39,225,538	39,626,348	42,792,878
Subtotal Insurance Trust Fund	<u>39,225,538</u>	<u>39,626,348</u>	<u>42,792,878</u>
PERS Retiree Insurance Credit Fund	<u>85,940,208</u>	<u>83,492,581</u>	<u>73,677,263</u>
Total PERS Assets Under SIB Management	<u><u>2,464,629,680</u></u>	<u><u>2,423,214,763</u></u>	<u><u>2,207,812,241</u></u>

⁽¹⁾ 3/31/14 and 12/31/14 market values are unaudited and subject to change.

⁽²⁾ 6/30/13 market values as stated in the Comprehensive Annual Financial Report.

Estimated Fiscal YTD Returns to June 10, 2014

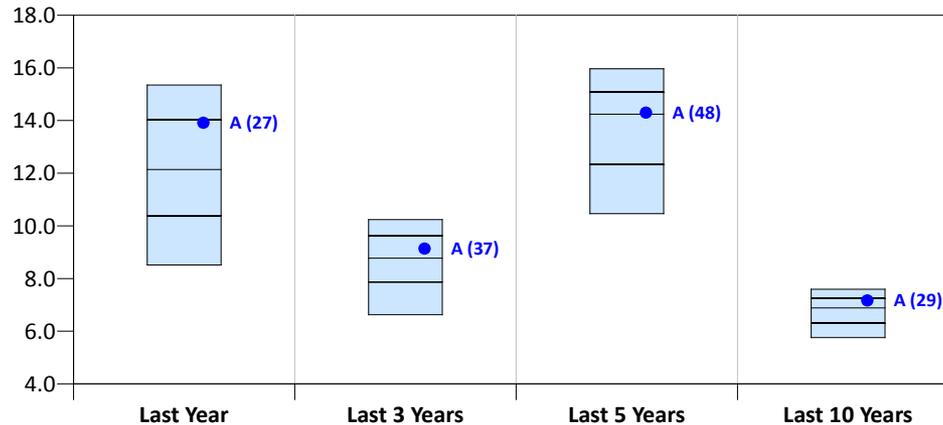
Estimated YTD Through 6/10/2014
(Actual returns are net of fees; estimates are gross indices)

		PERS	Job Service	PERS Retiree Health
Preliminary and unaudited estimates which are subject to change.				
Market Value	30-Apr	2,249,250,884	96,104,304	86,525,380
Total Fund Actual through	30-Apr	12.67%	10.62%	12.62%
Total Fund Policy through	30-Apr	12.43%	10.25%	12.82%
	31-May			
MSCI World	1.97%	16.0%	16.0%	0%
Russell 1000	2.30%	16.6%	15.0%	37.0%
Russell 2000	0.80%	4.8%	3.6%	9.0%
EAFE	1.62%	11.1%	5.4%	14.0%
Emerging Mkts	3.49%	3.5%	0.0%	0.0%
BC Agg	1.14%	12.0%	47.0%	40.0%
BC High Yield	0.92%	5.0%	8.0%	0.0%
BC Global Agg ex US	0.18%	5.0%	5.0%	0.0%
Real Estate	0.91%	20.0%	0.0%	0.0%
Private Equity	0.00%	5.0%	0.0%	0.0%
TIPS	1.04%	0.0%	0.0%	0.0%
ML 1-3Y Treasury	0.21%	0.0%	0.0%	0.0%
T-Bill	0.00%	1.0%	0.0%	0.0%
Est. MTD through	5/31/2014	1.41%	1.39%	1.60%
	10-Jun			
MSCI World	1.22%	16.0%	16.0%	0%
Russell 1000	1.53%	16.6%	15.0%	37.0%
Russell 2000	3.40%	4.8%	3.6%	9.0%
MSCI EAFE	0.90%	11.1%	5.4%	14.0%
MSCI Emerging Mkts	2.99%	3.5%	0.0%	0.0%
BC Aggregate	-0.68%	12.0%	47.0%	40.0%
High Yield	0.43%	5.0%	8.0%	0.0%
BC Global Agg ex US	-0.46%	5.0%	5.0%	0.0%
Real Estate	0.30%	20.0%	0.0%	0.0%
Private Equity	0.00%	5.0%	0.0%	0.0%
TIPS	-0.80%	0.0%	0.0%	0.0%
ML 1-3Y Treasury	-0.14%	0.0%	0.0%	0.0%
T-Bill	0.00%	1.0%	0.0%	0.0%
Est. MTD through	6/10/2014	0.79%	0.29%	0.73%
Estimated FYTD Return	6/10/2014	15.16%	12.49%	15.26%
Estimated FYTD Policy	6/10/2014	14.92%	12.10%	15.47%
Comparison to 8% return assumption pro-rated FYTD		7.55%		

Note:
Estimated FYTD
Returns > Policy
Benchmark

PERS Total Fund Peer Ranking - Returns

Returns
for Periods Ended March 31, 2014
Group: CAI Public Fund Sponsor Database



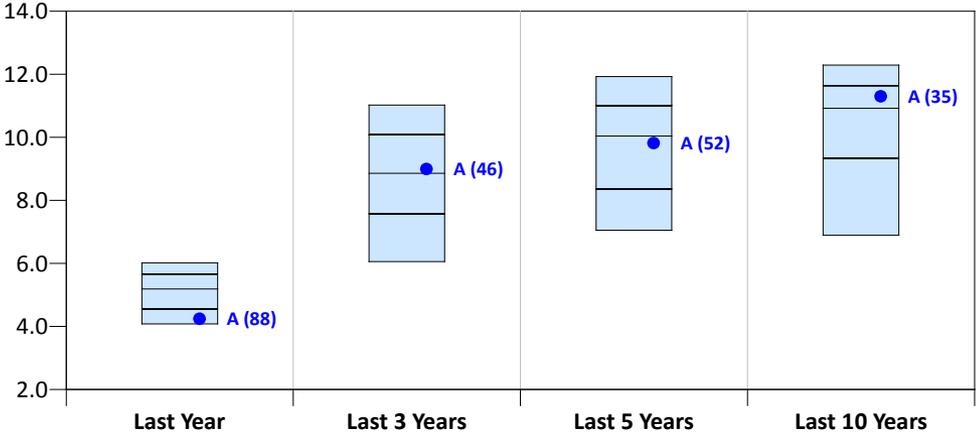
10th Percentile	15.4	10.2	16.0	7.6
25th Percentile	14.0	9.6	15.1	7.2
Median	12.1	8.8	14.2	6.9
75th Percentile	10.4	7.9	12.3	6.3
90th Percentile	8.5	6.6	10.5	5.8
Member Count	229	215	205	175
Total Fund PERS Gross ● A	13.9	9.1	14.3	7.2

Gross Returns: The PERS Fund generated 2nd quartile returns for the 1-, 3-, 5- and 10-year periods ended March 31, 2014. The 1-year performance ranked in the 27th percentile of the Callan Associates Public Fund Sponsor Database (unadjusted basis).

Note: PERS Fund and peer performance are based on gross returns. Source: Callan

PERS Total Fund Peer Ranking - Risk

Standard Deviation
for Periods Ended March 31, 2014
Group: CAI Public Fund Sponsor Database



10th Percentile	6.0	11.0	11.9	12.3
25th Percentile	5.7	10.1	11.0	11.6
Median	5.2	8.9	10.0	10.9
75th Percentile	4.6	7.6	8.4	9.3
90th Percentile	4.1	6.1	7.1	6.9
Member Count	229	215	205	175
Total Fund PERS Gross ● A	4.2	9.0	9.8	11.3

Investment Risk, as measured by Standard Deviation, has been reduced significantly in recent years and currently resides in the lowest risk quartile (at the 88th percentile).

Note: PERS Fund and peer performance are based on gross returns. Source: Callan

Investment Performance Summary Report

March 31, 2014

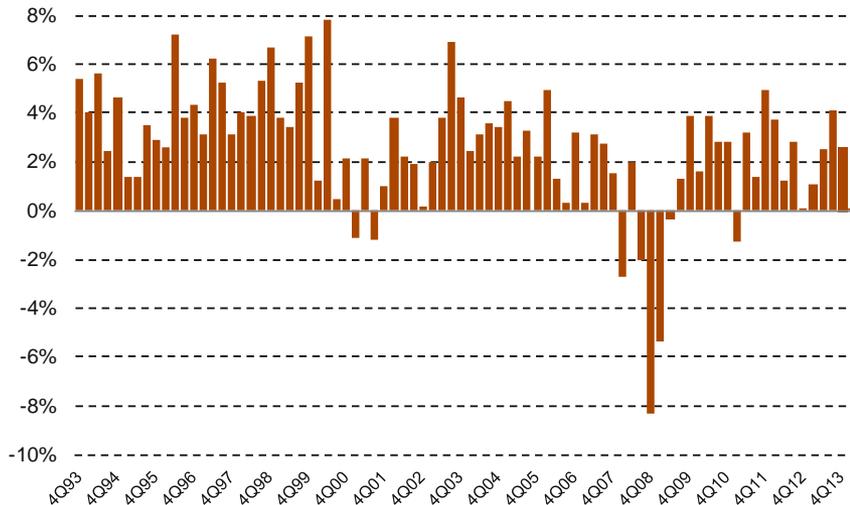
	Quarter Ended 3/31/2014	Current FYTD 3/31/2014	1 Yr Ended 3/31/2014	3 Yrs Ended 3/31/2014	5 Yrs Ended 3/31/2014	Risk 5 Yrs Ended 3/31/2014	Risk Adj Excess Return 5 Yrs Ended 3/31/2014
PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)							
Total Fund Return - Net	1.77%	12.67%	13.57%	8.79%	13.89%	9.80%	-0.23%
Policy Benchmark Return	1.79%	12.43%	12.36%	8.61%	14.08%	9.77%	
Attribution Analysis							
Asset Allocation	-0.06%	0.09%	0.11%	-0.16%			
Manager Selection	0.04%	0.14%	1.10%	0.34%			
Total Relative Return	-0.01%	0.23%	1.21%	0.19%	-0.18%		
JOB SERVICE PENSION PLAN							
Total Fund Return - Net	1.94%	10.62%	9.83%	8.48%	12.50%	7.65%	0.17%
Policy Benchmark Return	1.88%	10.25%	8.71%	7.71%	11.83%	7.34%	
Attribution Analysis							
Asset Allocation	-0.14%	0.00%	0.03%	-0.14%			
Manager Selection	0.20%	0.38%	1.09%	0.91%			
Total Relative Return	0.06%	0.38%	1.11%	0.77%	0.68%		
PERS RETIREE HEALTH							
Total Fund Return - Net	1.67%	12.62%	14.51%	10.09%	16.27%	11.04%	0.69%
Policy Benchmark Return	1.74%	12.82%	12.64%	9.37%	14.72%	10.45%	
Attribution Analysis							
Asset Allocation							
Manager Selection							
Total Relative Return	-0.07%	-0.21%	1.87%	0.72%	1.55%		
PERS GROUP INSURANCE							
Total Fund Return - Net	0.00%	0.01%	0.07%	0.20%	0.27%	0.06%	0.07%
Policy Benchmark Return	0.01%	0.05%	0.07%	0.08%	0.12%	0.03%	
Attribution Analysis							
Asset Allocation							
Manager Selection							
Total Relative Return	-0.01%	-0.04%	0.00%	0.12%	0.15%		

Note: Fund performance are net returns.

U.S. Economy

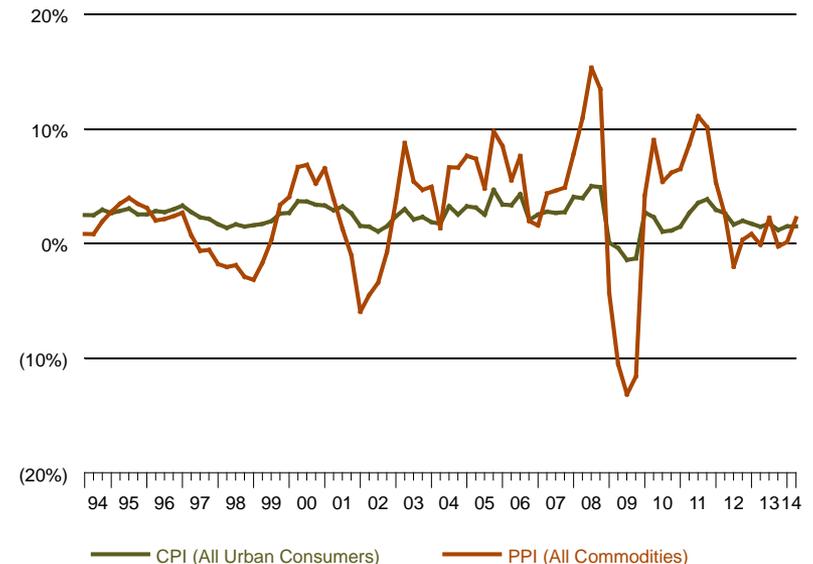
Quarter Ending March 31, 2014

Quarterly Real GDP Growth (20 Years)*



Source: Bureau of Economic Analysis

Inflation Year-Over-Year



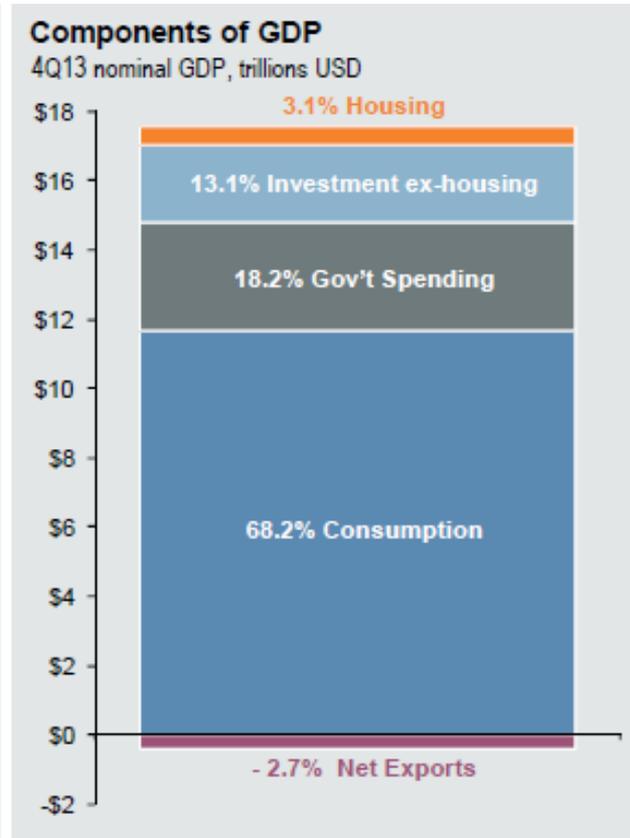
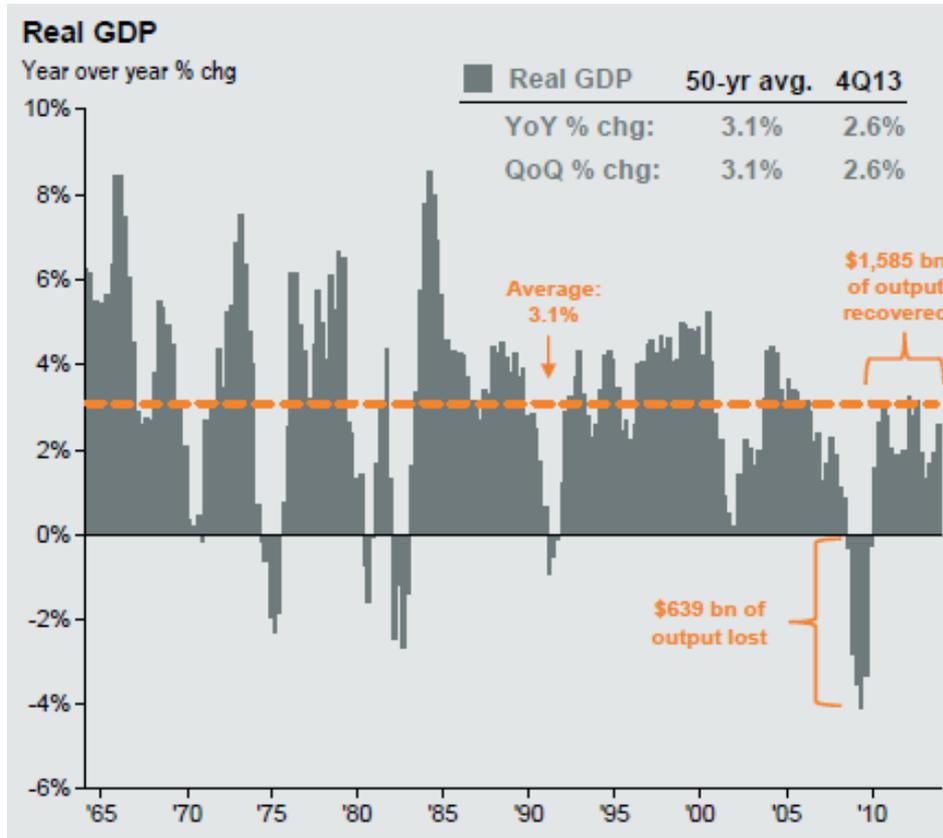
Source: Bureau of Economic Analysis

- ▶ The Federal Reserve scaled QE down to \$55B/month in April (from initial \$85B).
- ▶ 1st quarter GDP was 0.1% decreasing from the 4th quarter GDP of 2.6%.
- ▶ Inflation remains subdued: For the 12-months ending March, headline and core CPI (w/o food and energy) increased over the trailing year by 1.5% and 1.7%, respectively.
- ▶ The unemployment rate was static from last quarter holding steady at 6.7%.
- ▶ Private sector employment has added 8.9 million jobs since February 2010.

Source: Callan

The Economy: Real GDP

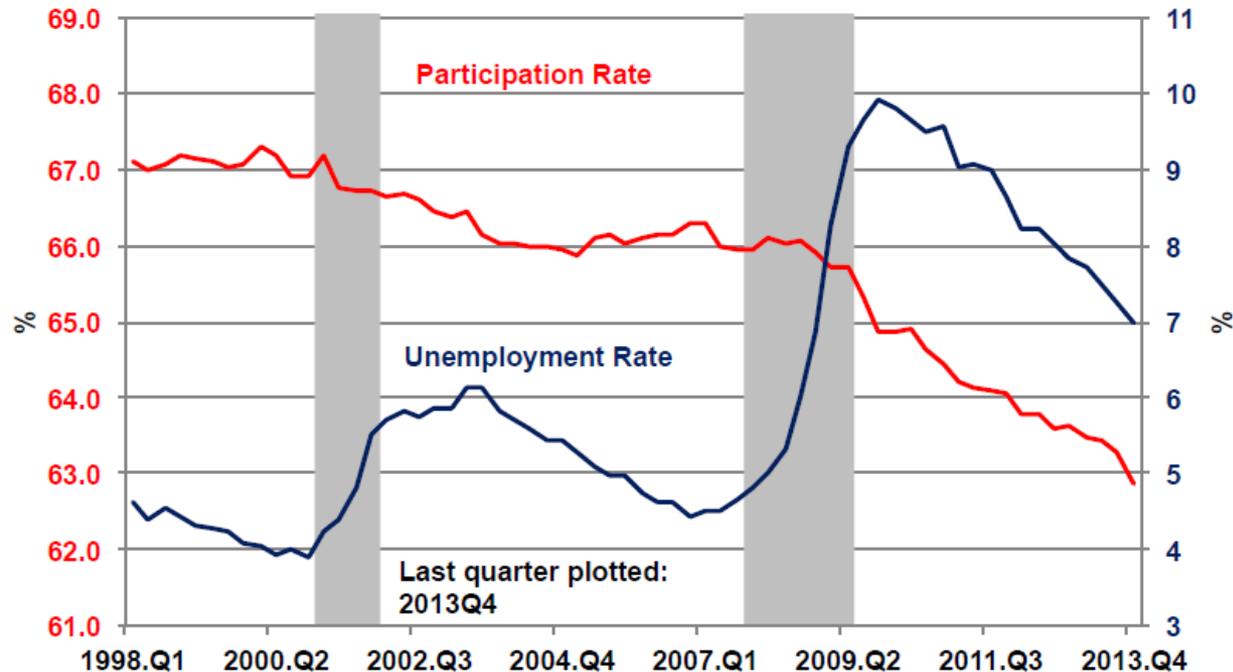
It's growing. Slowly. But it's growing.



Source: BEA, FactSet, JPMorgan Asset Management.

Fewer Participants in Labor Force

Retirements became a meaningful factor in 2010



Source: "On the Causes of Declines in the Labor Force Participation Rate," Shigeru Fujita, Federal Reserve Bank of Philadelphia, Feb., 2014

- ▶ Three reasons have been postulated for declines in the labor force participation rate:
 - ▶ Retirement
 - ▶ Disability
 - ▶ Returning to school

Asset Class Performance

Periods Ending March 31, 2014

Periodic Table of Investment Returns
for Periods Ended March 31, 2014

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
Barclays:Aggregate Index	Russell 2000	S&P 500	Russell 2000	MSCI Emerging Markets	
1.8%	24.9%	14.7%	24.3%	10.5%	
S&P 500	S&P 500	Russell 2000	S&P 500	Russell 2000	
1.8%	21.9%	13.2%	21.2%	8.5%	
Russell 2000	MSCI:EAFE US\$	MSCI:EAFE US\$	MSCI:EAFE US\$	S&P 500	
1.1%	17.6%	7.2%	16.0%	7.4%	
MSCI:EAFE US\$	3 Month T-Bill	Barclays:Aggregate Index	MSCI Emerging Markets	MSCI:EAFE US\$	
0.7%	0.1%	3.7%	14.8%	6.5%	
3 Month T-Bill	Barclays:Aggregate Index	3 Month T-Bill	Barclays:Aggregate Index	Barclays:Aggregate Index	
0.0%	(0.1%)	0.1%	4.8%	4.5%	
MSCI Emerging Markets	MSCI Emerging Markets	MSCI Emerging Markets	3 Month T-Bill	3 Month T-Bill	
(0.4%)	(1.1%)	(2.5%)	0.1%	1.7%	

At 4/16/14	MTD	YTD
S&P 500	-0.2%	2.1%
Russell 2K	-2.1%	-4.8%
EAFE	0.3%	2.4%
EM	3.8%	3.8%
BC Agg	0.8%	3.5%

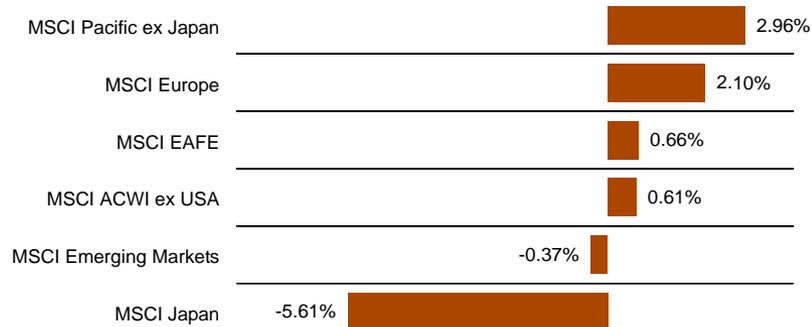
▶ Welcome back, emerging markets!

Source: Callan

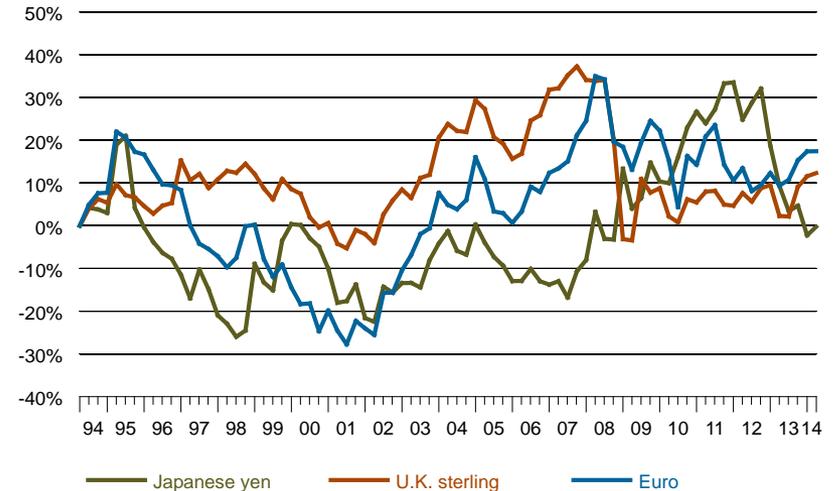
International Equity Returns

Quarter Ending March 31, 2014

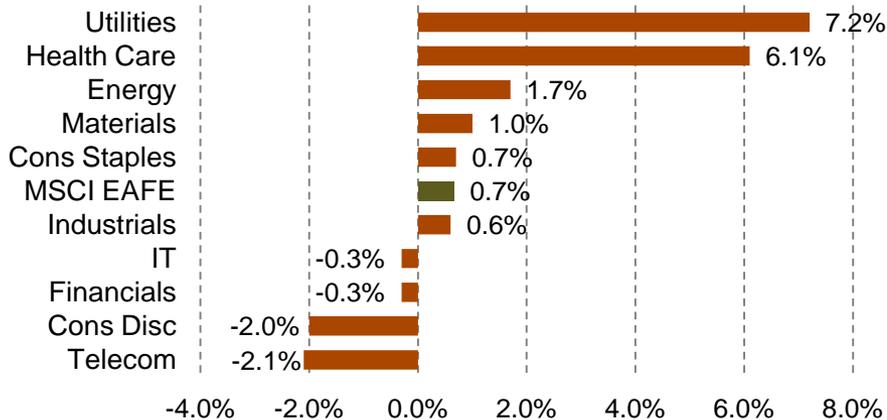
Regional Quarterly Performance (U.S. Dollar)



Major Currencies' Cumulative Returns (vs. U.S. Dollar)



MSCI EAFE Sector Returns



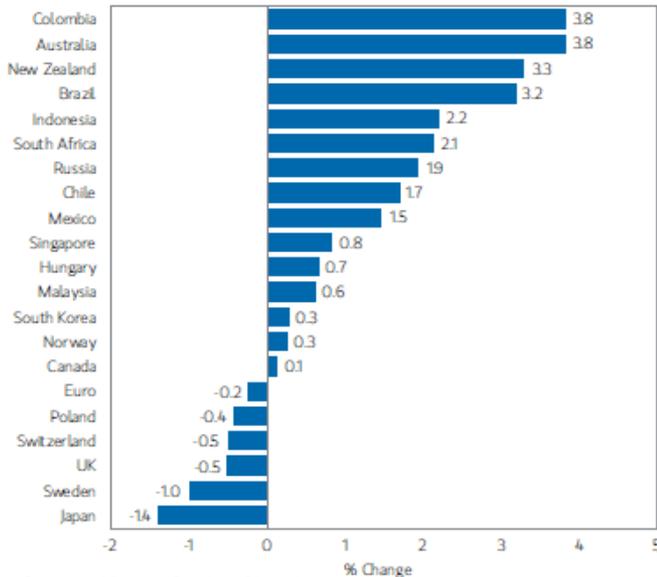
- ▶ Major non-U.S. equity indices rose in the quarter but trailed the U.S.; Japan lagged (-5.6%).
- ▶ Major currencies appreciated in value versus U.S. dollar.
- ▶ In the midst of strong overseas equity markets, emerging markets fell 1.1% over the trailing twelve-months.

Source: Callan

Domestic vs. Local Currency Returns

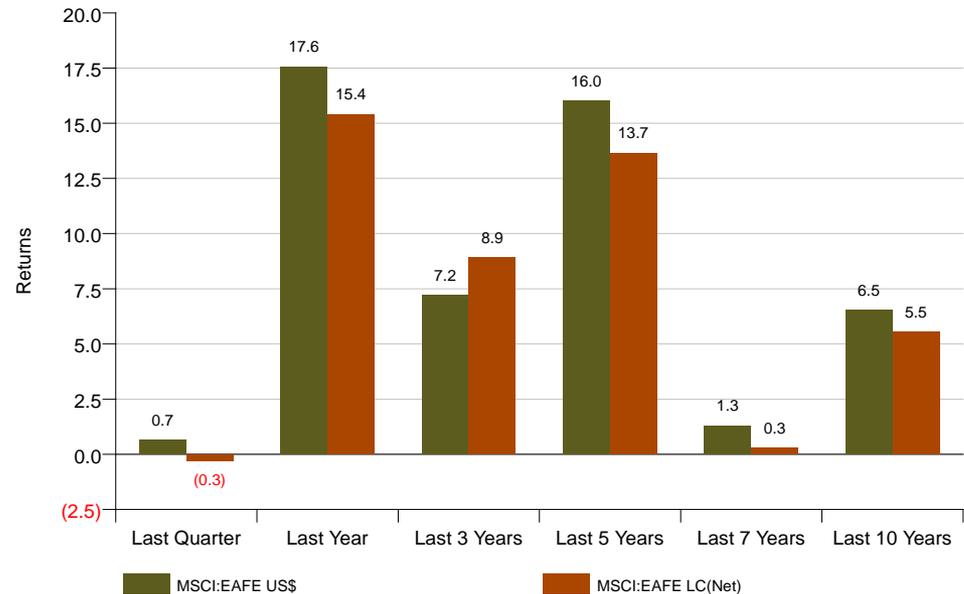
Currency Effect on U.S. Investors' International Equity Returns

Currency Monthly Change vs. USD (+ = appreciation)



Sources: Morgan Stanley, Bloomberg.
 Note: Positive change means the currency has appreciated against the dollar.

Returns for Various Time Periods
 Current Quarter Ending March 31, 2014



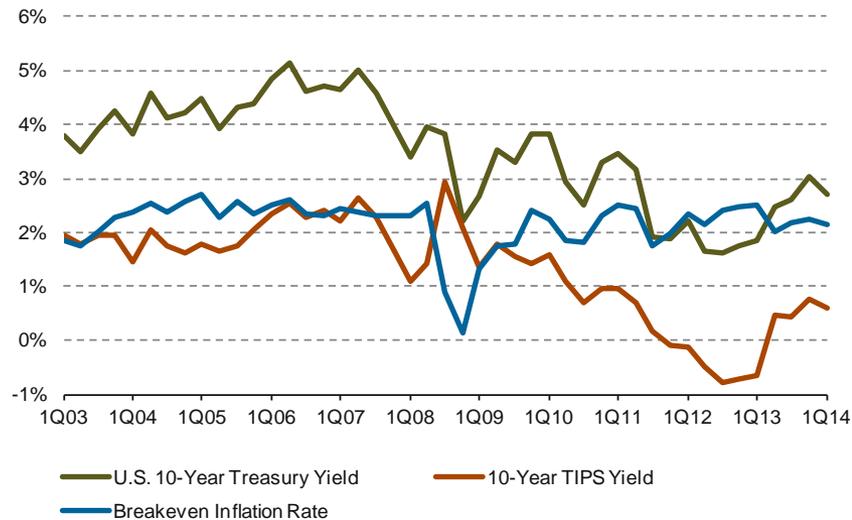
- ▶ For the quarter, U.S. investors' international equity returns were helped by the dollar's fall against most foreign currencies. The dollar strengthened vs the Yen, Swedish Krona, and Pound Sterling.
- ▶ For the last ten years, the U.S. dollar has depreciated against most foreign currencies.

Source: Callan

Yield Curve Changes

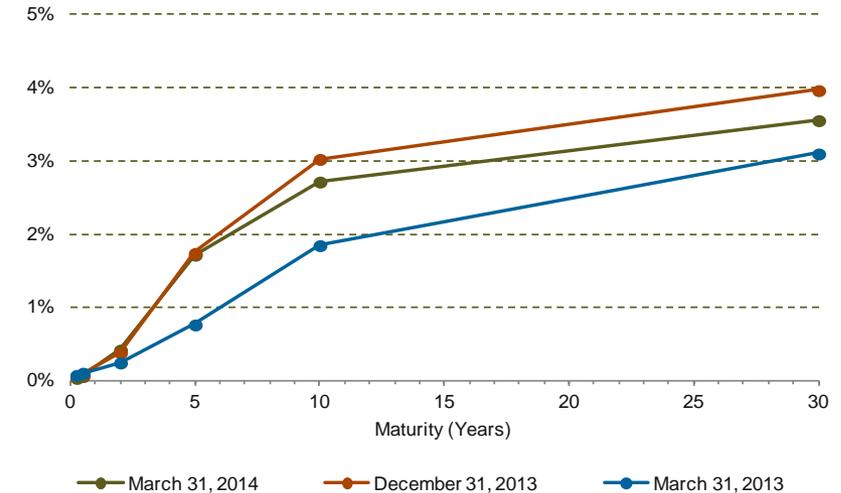
Periods Ending March 31, 2014

Historical 10-Year Yields



Source: Bloomberg.

U.S. Treasury Yield Curves



Source: Bloomberg.

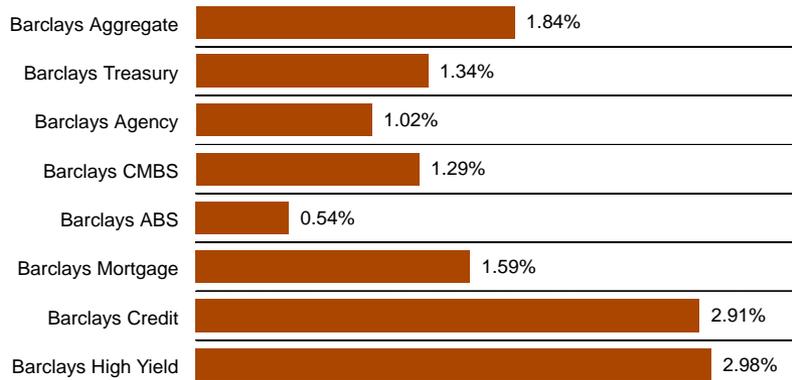
- ▶ The long-end of the yield curve fell which increases the Total Return of longer maturity Treasuries.
- ▶ Ten-year Treasury yields declined 31 basis points from last quarter ending at 2.73%.
- ▶ The breakeven inflation rate fell from last quarter ending at 2.1%
 - ▶ The “breakeven” rate is the market’s implied expectation for future inflation
- ▶ Rates fell post quarter end with the 10-year at 2.6% on May 1.

Source: Callan

Total Rates of Return by Bond Sector

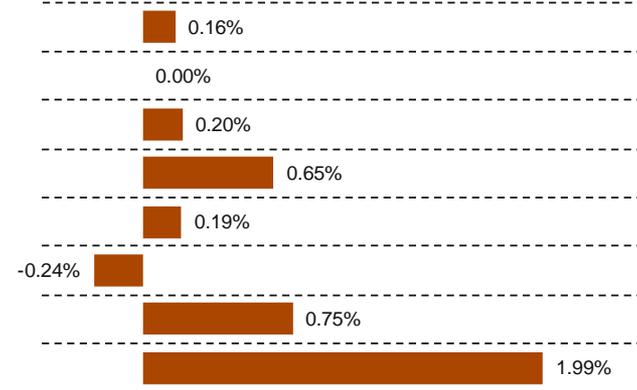
Quarter Ending March 31, 2014

Absolute Returns

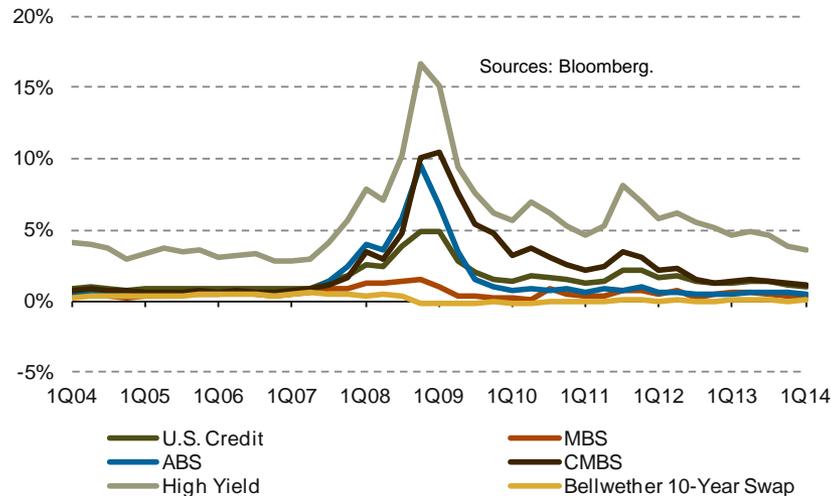


Sources: Barclays

Excess Return versus Like-Duration Treasuries

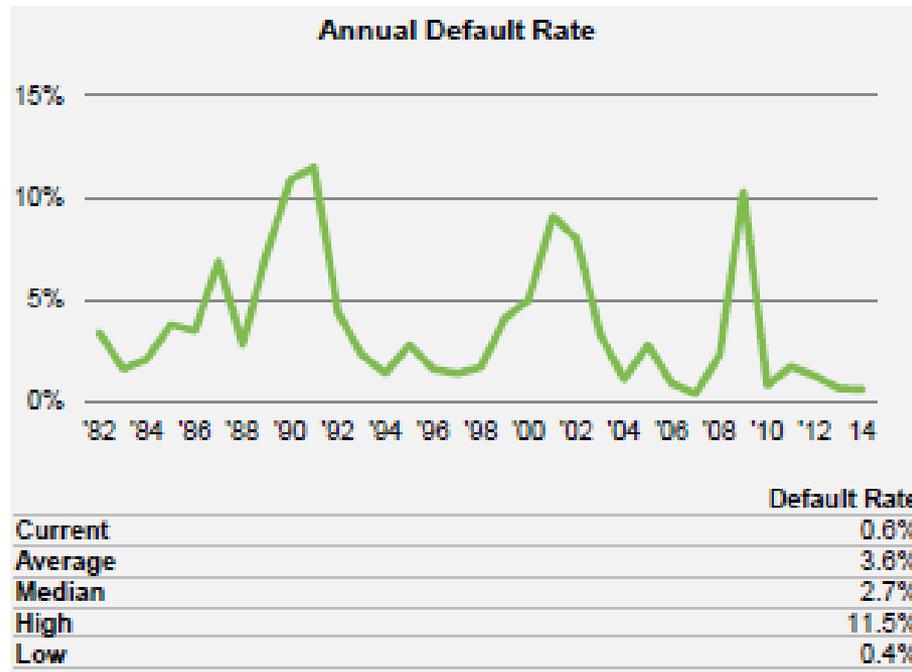


Effective Yield Over Treasuries



Source: Callan

Yield Curve Changes



Sources: Eaton Vance, JPMorgan

- ▶ Default rates as of March 31, 2014 were near historic lows.
- ▶ While some investors argue that low default rates make higher yielding assets an attractive opportunity, others see the past as prologue: defaults will come back into the cycle.

Source: Callan

Economic Highlights

Economic growth mixed globally

- ▶ *U.S.: Growth tepid, but strengthening*
 - ▶ Despite a weather-related setback in the first quarter, the U.S. economy continues its gradual recovery
 - ▶ Current inflation trend remains subdued and is predicted to approach the Fed's 2% policy target as economic momentum gathers steam
 - ▶ Asset purchases by the Fed to be completed by year-end, with labor markets and inflation driving the timing of tightening
- ▶ *Abroad: Mixed*
 - ▶ Eurozone as a whole edging toward recovery, but growth remains uneven across the region; Japan's monetary policy experiment has yet to bear fruit
 - ▶ Slowdown in China persists while changes in developed world monetary policy causing funding challenges for several emerging economies

Capital Market Highlights

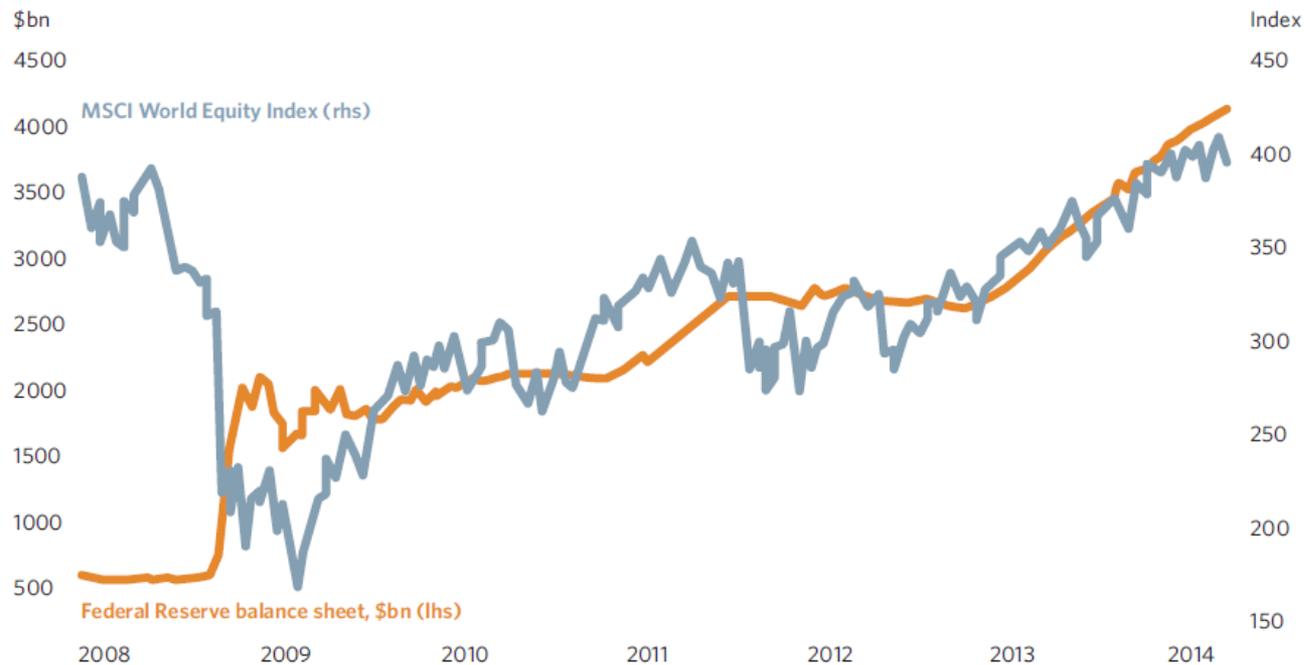
Most equity markets advanced steadily; bonds were “mixed”; real assets delivered positive returns

- ▶ Developed country equity market indices posted healthy gains for the year
- ▶ Emerging market equities fell 1.1% led by negative returns in China and within Latin America and Eastern Europe regional indices
- ▶ Fixed income markets volatile over the past year coincident with a steepening in the U.S. yield curve (higher long-term rates)
- ▶ Credit-related fixed income sectors outperformed Treasury equivalents, in particular high yield
- ▶ Real assets, such as private real estate and infrastructure, also delivered positive returns
- ▶ Unhedged non-U.S. returns aided by dollar weakness relative to other currencies

Federal Reserve Balance Sheet and Equity Markets

The fortunes of global equity markets have been strongly correlated with the growth of the Federal Reserve's balance sheet over the last four years. How straight the ride will be once the Fed removes the 'training wheels' from the investment 'bicycle' is uncertain.

Federal Reserve balance sheet and equity markets



Source: Thomson Reuters Datastream, March 2014.

Asset Class & Total Fund Investment Performance

Year Ended March 31, 2014

	Actual Return (Net)	Benchmark	Difference
<i>Global Equity</i>	20.30%	18.22%	2.08%
US Large Cap Equity	23.40%	22.41%	0.99%
US Small Cap Equity	27.74%	24.90%	2.84%
Developed International Equity	22.25%	17.56%	4.69%
Emerging Markets Equity	-1.91%	-1.43%	-0.48%
Global Equity	21.50%	19.07%	2.43%
Private Equity	7.72%	7.72%	0.00%
<i>Global Fixed Income</i>	2.53%	2.26%	0.27%
US Investment Grade Fixed Income	1.24%	-0.10%	1.34%
US High Yield	6.93%	7.53%	-0.60%
International Fixed Income	1.51%	3.24%	-1.73%
<i>Global Real Assets</i>	9.23%	8.36%	0.87%
Real Estate	13.78%	11.17%	2.61%
Timber	1.82%	9.78%	-7.96%
Infrastructure	7.63%	1.41%	6.22%
<i>Total Fund</i>			
PERS (net)	13.57%	12.36%	1.21%
Job Service (net)	9.83%	8.71%	1.12%

Performance Attribution

Periods Ending March 31, 2014

	1 Year	3 Year
Total Fund Excess Return	1.21%	0.19%
Asset Allocation	0.11%	-0.16%
Manager Selection	1.10%	0.35%
Global Equity	0.32%	0.06%
Domestic Equity	0.25%	0.05%
International Equity	0.45%	0.24%
Private Equity	0.00%	0.00%
Domestic Fixed Income	0.15%	0.08%
International Fixed Income	-0.12%	0.11%
Real Estate	0.21%	0.11%
Timber	-0.40%	-0.45%
Infrastructure	0.18%	0.14%
Cash Equivalents	0.00%	0.00%

- ▶ **One Year Manager Selection** within Public Equities, Real Estate, Infrastructure, and Domestic Fixed Income was a positive contributor to relative performance, while Timber and International Fixed Income were detractors.
- ▶ **Three Year Manager Selection** within International Equity, Infrastructure, Fixed Income and Real Estate was a positive contributor to relative performance, while Timber was a detractor.

Historical Market Returns - Asset Class & PERS Funds

Asset Class	Represented by	Periods Ended March 31, 2014						
		1 Year	3 Year	5 Years	10 Years	20 Years	25 Years	30 Years
Large Cap US Stocks	Russell 1000	22.41%	14.75%	21.73%	7.80%	9.71%	10.23%	11.34%
Small Cap US Stocks	Russell 2000	24.90%	13.18%	24.31%	8.53%	9.48%	9.92%	10.11%
Non-US Stocks (Developed)	MSCI EAFE	17.56%	7.21%	16.02%	6.53%	5.54%	4.95%	8.99%
Non-US Stocks (Emerging)	MSCI Emerging Mkts	-1.07%	-2.54%	14.83%	10.45%	6.18%		
US Bonds	BC Aggregate	-0.10%	3.75%	4.80%	4.46%	5.99%	6.85%	7.79%
High Yield Bonds	BC High Yield Credit	7.54%	9.00%	18.25%	8.68%	8.01%	8.77%	
Non-US Sovereign Debt	Citi World Gov't Bond ex US	2.43%	1.37%	4.15%	4.27%	5.47%	6.57%	
Inflation Protected	BC Global Inflation Linked	0.45%	4.57%	6.78%	5.20%			
Real Estate	NCREIF Property	11.17%	11.69%	7.89%	8.65%	9.42%	7.49%	7.88%
Timber	NCREIF Timberland	9.78%	6.59%	2.86%	8.33%	8.26%	11.39%	
Cash	3 Month T-Bill	0.07%	0.08%	0.12%	1.65%	2.99%	3.50%	4.15%
PERS Total Fund		13.57%	8.79%	13.89%	6.62%	7.99%	8.36%	9.13%
PERS Total Fund Policy		12.36%	8.60%	14.08%	7.08%	8.40%	8.59%	
Job Service Total Fund		9.83%	8.48%	12.50%	6.94%	9.07%		
Job Service Total Fund Policy		8.71%	7.71%	11.83%	6.27%			
Retiree Health Total Fund		14.51%	10.09%	16.27%	6.26%	7.93%		
Retiree Health Total Fund Policy		12.64%	9.37%	14.72%	6.55%	8.13%		
PERS Group Insurance		0.07%	0.20%	0.27%	1.82%			
PERS Group Insurance Policy		0.07%	0.08%	0.12%	1.65%			

Note: PERS Funds performance are net returns.

Source: Callan

Recent SIB Activity

- ▶ Investments made in global equity (LSV), residential and commercial mortgage credit opportunities (PIMCO BRAVO II), and U.S. and Asian private real estate (Invesco)
- ▶ Reduction in global equity manager mandates implemented, resulting in fee savings and efficiency
- ▶ Emerging market equity manager search within the pension trust near completion
- ▶ Custody review of Northern Trust by Callan Associates in progress
- ▶ Staff is undergoing a review of private market exposures: Private equity, timber, infrastructure and real estate
- ▶ Staff is reviewing fee schedules across existing manager relationships in an effort to drive fee savings



**North Dakota
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Executive Director
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Memorandum

TO: NDPERS Board

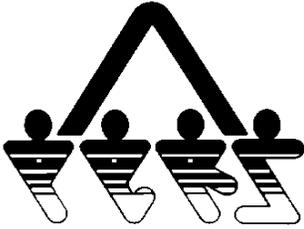
FROM: Election Committee:
Mike Sandal, Chair
Tom Trenbeath
Kim Wassim

DATE: June 11, 2014

SUBJECT: Board Election

The Election Committee will be meeting on Monday, June 16, 2014 at 9:00 a.m. in the NDPERS offices to canvass the ballots received for the election of a new active and retiree member to the Board.

A full report of the results will be provided for the Board's review at the meeting.



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Memorandum

TO: PERS Board
FROM: Sharon Schiermeister
DATE: June 13, 2014
SUBJECT: 2015-2017 Biennium Budget Request

Since the last Board meeting, we received further guidance from OMB regarding preparation of the 2015-17 biennium budget. The request by the Governor to develop a hold-even budget only applies to general funds and not special funds; therefore, PERS is not being asked to submit a restricted budget. However, we have been asked to examine our level of spending to ensure the most efficient operation and effective use of resources. Also, any additional positions must be requested in an optional change package.

At the Board planning meeting in January, several initiatives were discussed which would need to be submitted as optional packages. These initiatives are discussed below.

Base Budget Request

The budget being presented to you today is for \$7,903,876 which is a 2.14% increase over the hold even budget amount as shown below:

2013-15 appropriation	\$ 7,650,450
Cost to continue FY 2015 salary increase	<u>87,538</u>
Hold even budget	\$ 7,737,988
Increase for 2015-17	<u>165,888</u>
 2015-17 Budget request	 \$ 7,903,876

This budget provides funding to maintain the existing level of services provided by the agency at a staffing level of 33 FTEs. The increase is directly related to inflation – costs for office rent, licensing and support of PERSLink and OMB Indirect Cost Reimbursement are expected to go up.

Optional Budget Requests

At the May Board meeting, several initiatives were discussed and the Board directed staff to provide pricing for each of them. A copy of the memo with the background information on each of these initiatives is attached. Following is the cost information:

Initiative	FTE	Cost	% Increase Over Hold-Even Budget
Salary Equity Package		\$275,300	3.56%
PERSLink		\$147,000	1.90%
Electronic Devices for Board		\$2,042	0.03%
Website Redesign		\$73,880	0.95%
Secure Reception Area		\$27,500	0.36%
Accounting Position	1.0	\$216,054	2.79%
Benefits Position	0.5	\$51,462	0.67%
Temporary Salaries		\$122,064	1.58%
Retiree Health Insurance Credit Portability		\$43,099	0.56%
Self-Funding Health Insurance	2.0	\$406,272	5.25%
TOTAL	3.5	\$1,364,673	17.64%

Staff would recommend that all the initiatives be included in the agency's budget request for the 2015-17 biennium.

Board Action Requested:

1. Approve the 2015-17 base budget request to be submitted to OMB.
2. Determine what initiatives should be included in the agency's 2015-17 budget request and assign a priority.



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Memorandum

TO: PERS Board

FROM: Sharon & Sparb

DATE: May 8, 2014

SUBJECT: Budget Guidelines for 2015-17 Biennium

On May 7, 2014, the Governor and OMB met with agencies and released the budget guidelines for the 2015-17 biennium. The Governor is again requesting that agencies submit a hold-even budget for the upcoming biennium. Any budget increases or requests for additional staff must be submitted as an optional package.

BACKGROUND

At the Board planning meeting in January, several initiatives were discussed which could be submitted as optional packages. The Board asked staff to develop these concepts further for the Board's consideration. The following are the results of those staff discussions.

I - Salary equity package. We continue to face a serious salary compression issue with staff. Attachment 1 shows the C-Ratio and years of service for each of our staff positions. There are 18 positions in the first quartile and 6 in the second quartile. We have several positions with similar C-Ratios, but with a wide range of years of service. Staff identified the goal of establishing a salary equity package to move staff up in the pay grades, so their C-Ratio is comparable to the average C-Ratio for all State Employees in the same pay grade with similar years of service. We feel this is important for both employee retention and recruitment. We are currently working with HRMS to get the statewide averages to help estimate the amount needed for our equity package and should have this by the Board meeting. Last session, our requested equity package was \$350,532 and we are expecting it to be similar this session.

II - Website Redesign. At the April 29, 2014 Board meeting, a proposed action plan for modernizing and enhancing the PERS website was approved. The estimated budget for this project is \$63,090 for the initial development and \$11,340/year for maintenance.

Therefore, the total for this optional package would be \$86,000. We will also roll the action plan discussed at the last meeting about Long Term Care and ancillary benefits into this effort.

III - PERSLink. The estimate to complete the backlog of system refinements is \$323,000. The amount that would need to be included in the 2015-17 budget request will depend on whether this initiative is started in the current biennium. If the Board authorizes work up to \$200,000 to start in the current biennium, then the amount that would need to be included in the optional package would be approximately \$123,000. If work is delayed until the 2015-17 biennium, this would increase to the full \$323,000 plus an allowance for possible rate increases and additional refinements that may arise between now and July 2015. ITD will be at the May meeting to discuss this with the Board as requested at the last meeting.

IV - Staffing. Since the January Board meeting, staff has met to identify areas where we feel we are not performing to our expectations due to our existing resources being already fully allocated. The areas identified are:

1. Member Services - The number of walk in's to the office continues to increase (as reflected in the number of retirements in #5 below) and our call volume remains high.

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
2010	2010	1761	2063	1571	1326	1596	1560	2328	1826	3093	2630	2303	24,064
2011	2590	2638	2321	2056	2167	2120	1841	2274	2210	2503	2134	1943	26,797
2012	2779	2134	2033	1864	1658	1776	1848	2310	1735	2400	2349	1801	24,687
2013	2461	1873	1682	1921	1883	1759	1876	2161	1837	2573	2166	1738	23,930

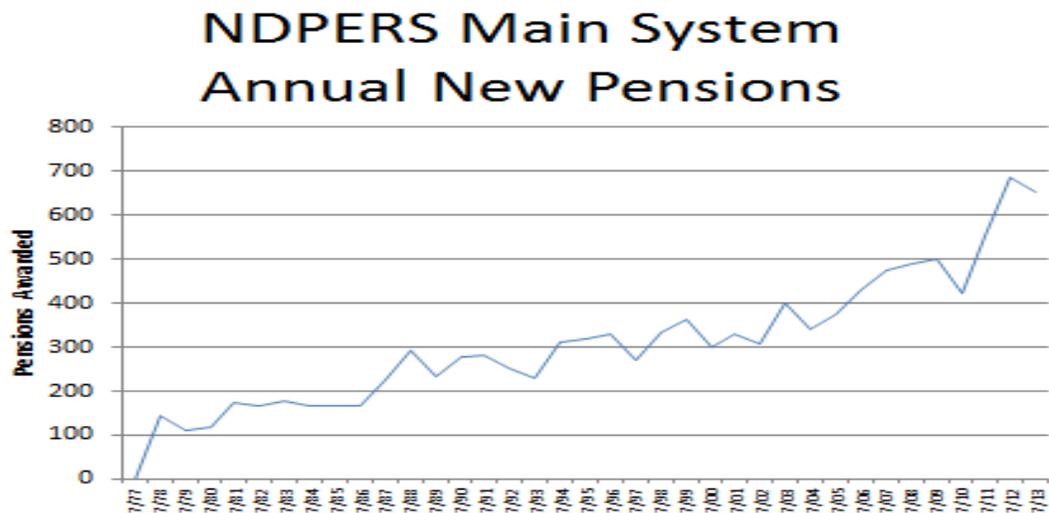
- > Summary does not include calls received by staff other than member services that have covered the front desk.
- > Calls connected to various service units are included in calls assisted tally.
- > Totals based upon contact tickets entered into PERSLink by 3 member service representatives.

Presently one of our call center employees greets walk in members and handles calls. We have two other call service employees in the call center in private offices away from the waiting area. The dilemma is that we now have more members sitting in the waiting area when our call center rep is on the phone. We have had to become more sensitive to what is discussed so confidential information is not inadvertently disclosed. One solution to this situation would be to hire a receptionist and move our call center rep into an office.

2. Content Management – PERS maintains thousands of pages of material in paper form, on our web site and other media. It has become increasingly difficult to keep all the material consistently current. We have noted that the solution for many other entities is to hire what is called a “content specialist”. This would be an individual that keeps all information up to date. This option would require a position to be dedicated between a quarter to half time to this endeavor.
3. PeopleSoft – When the PeopleSoft system went live, PERS was given the responsibility of maintaining the Benefits Module. Since no new staff was added, that work effort within our office has been divided between three staff. The result is that we are not meeting the expectations of OMB. When upgrades come, we do not have

the resources to complete adequate testing within the timeframes required. When something is not working as expected in the system, we are not able to adequately troubleshoot the underlying cause and correct it. We are not able to do things until the last minute for OMB. In addition, we are not always able to get back to employers quickly. OMB has been very understanding, but we know we do not meet expectations and do not want to damage our working relationship with OMB or other employers. The proposed solution would be to dedicate a quarter to half time level of effort to this area.

4. Compliance – Internal audit noted that with the number of federal and state statutes and rules we must now follow, having a central compliance specialist would be beneficial for the agency. This would potentially reduce the risk to the agency of non-compliance, reduce errors and improve consistency in our processes.
5. Retirements – The number of retirements processed by our agency continues to increase. The following table shows the change:



The number of members eligible is significant as well:

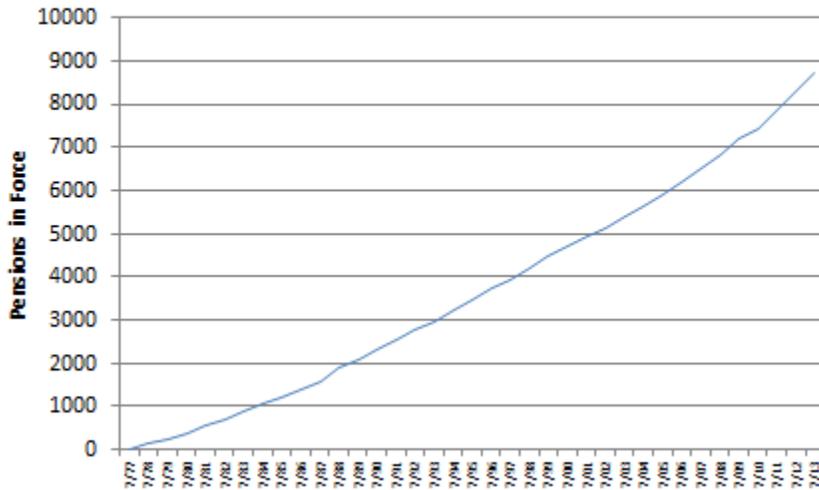
NDPERS Main System Active Members (Does not include deferred vested)

13-May-14

870	Age 65+
1,413	Rule of 85
523	Age 64 or Rule in 1 year
4,091	Age 55-63 Early Eligible
9,543	Vested
5,967	Non-Vested
<hr/>	
22,407	Actives
2,806	Eligible in the next year

In addition, the number of retirees continues to increase:

NDPERS Main System Receiving Retirees/Spouses



We presently have 2 benefits specialists and a Retirement Programs Administrator who work in this area. The Retirement Programs Administrator has broad responsibilities in this area and therefore is only able to devote a part-time effort to member services. We have had that number since 2001. We have been able to meet this additional workload over the past years due to the processes in PERSLink.

As we look to the future, we would expect the number of member retirements could increase even more due to a combination of factors: a) able to find better paying jobs in the private sector, and when combined with a retirement benefit, allows a member to substantially enhance their lifestyle and savings. b) With the implementation of HB 1058, members who are retired before July 1, 2015 will be able to maintain their eligibility for the Pre-Medicare Retiree plan. Those who retire after will not. c) If state employees have to pay part of their health insurance and a higher retirement contribution, it could substantially offset any average salary increase which may motivate more to retire, and d) If the PERS Hybrid/DB plan is closed and its continued viability becomes questionable, we know from our legal analysis (see following chart) that the only way a member who has met their normal retirement age can guarantee their accrued retirement is to be retired, which may also motivate more members to leave.



Legal Considerations?

MEMBER BENEFIT CHANGES

Red (clearly illegal)  Green (clearly legal)

RETIREES	ACTIVE AND INACTIVE EMPLOYEES					NEW EMPLOYEES
No Benefit Changes	Vested Retirement Eligible (Normal)	Vested Retirement Eligible (Early)	Vested Accrued Benefits	Vested Future Benefits	Nonvested Any Benefits	Any Benefits
6,466	1,056	1,068	7,667		1,698	700 per yr (est.)

The solution to handling the existing increase and future increases is to add more effort in this area, possibly a full time level of effort.

6. Agency Management – In recent years the Board has asked that we refine the agency administrative structure to allow more support for management if one of the team leaves or is out for an extended period. The agency structure was modified to add a Chief Operating Officer which is Sharon. However, in order to accomplish this without additional staffing, she maintained her existing role as Chief Financial Officer including oversight of IT. Consequently, with this transition, we have not allowed the COO functions to develop due to the requirements of the existing job. The solution would be to add a full time level of effort in the accounting area that would allow Sharon to give up some day to day duties and have someone else appointed CFO.
7. Retiree Health Credit – Beginning in July of 2015, the retiree health credit becomes portable as approved last session. This means that retirees will be able to apply for direct reimbursement of their credit. Presently, the credit is limited to PERS health insurance only and processed on the PERSLink system. With NDPERS getting out of the pre-Medicare health insurance business, we expect that all of those reimbursements will now need to be processed directly instead of on the PERSLink system, which will ultimately be 800 – 1,000 members. We also expect that of the existing retirees, up to several thousand of them may request direct reimbursements as well. In total, we could be processing 1,000-4,000 reimbursements a month in addition to existing workload. The solution would be to dedicate a half time level of effort to this area.

V - Electronic devices.

At the January planning meeting, the Board indicated a desire to move away from paper to electronic Board materials. To accomplish this, the agency would purchase a mobile device for each Board member that would be used to download the Board meeting materials and

bring to each Board meeting. Staff would make the Board materials available electronically for you to download, rather than sending out paper. The total cost to purchase a mobile device for each Board member would be approximately \$3,500. About 80% of this cost would be recovered over a 4 year period from the cost savings of not having to prepare and distribute paper materials. Since this investment represents only a small fraction of our operating budget, it is very possible this expenditure could be made during the current biennium within our current appropriation authority.

VI - Self-funded staffing.

If the PERS Health Insurance Plan was to become self funded, it would clearly add additional administrative efforts and PERS accountability for the plan would increase substantially. Today, most all of our administrative and financial/operational risk is transferred to BCBS. However, on a self-funded basis, that would become the Board's responsibility. Until all the proposals are in and a decision is made, it is difficult to estimate the additional level of effort, since we do not know what the offers are by the vendors.

STAFF ASSESSMENT

Like all agencies our needs are great. As staff reviewed the above, we concluded the following:

1. **Efforts to maintain the existing operation should have priority.** This includes maintaining our existing efforts, reducing turnover and making sure that when we have turnover, we are able to attract competent staff. With this in mind, we feel the salary equity package (#I above) and PERSLink (#III above) efforts should have top priority.
2. **One time efforts may be considered positively.**
 - a. Add electronic devices for Board & staff(#V above) – this will substantially reduce the paper necessary for Board books and other Board staff interactions.
 - b. The website redesign (#II above)would be a one time development effort with the exception of ongoing operations. Since this would be a limited effort and a great enhancement for our members, we think this should have a second priority
 - c. Concerning our call center rep and walk-ins (#IV.1 above), we could add to the budget one time funds to redesign our entry area to better insure any conversations are not overheard. This would eliminate the need to add staff. The second purpose would be to increase our office security. We could add doors to the two hallways leading from our entry way to secure the rest of the office. We could also add equipment to our small conference room off the waiting area to allow staff to meet with members there instead of always in their offices. This would secure the office areas further, since the small conference room could be outside the security doors. We think this should be a second priority effort as well.
3. **Agency management needs to be addressed (#IV.6 above).** Staff is suggesting that our third priority should be to add a lower level position in the Accounting area and increase the responsibilities of existing staff by having them assume some of the duties Sharon presently has and have someone else be the CFO. This would

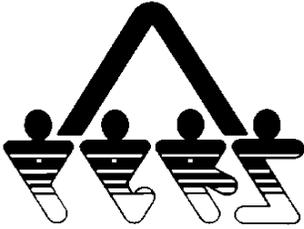
allow her to more fully develop the COO position. In addition, we would suggest workload adjustments for staff affected as a result of the shifting of duties.

4. **We need to meet future needs.** Staff would break this down into the following priorities.
 - a. We presently have a .5 FTE open. During this last biennium, we have added a temporary employee and not filled this as an FTE until we could determine the best way to go forward. This temporary position has been working almost full time assisting us in a variety of efforts in the agency, including helping the benefits specialists so they can spend more time assisting clients. We would suggest making our existing partial FTE full time and assume the duties of our existing temp employee. This position would continue to provide the support to the benefits specialist's that is currently being provided by the temporary position, as well as assist us in meeting the challenge in #IV.5 above.
 - b. PERSLink and Peoplesoft (#IV.3 & III above). As has been noted above, we have not been successful in meeting our responsibilities for PeopleSoft and staff time available for PERSLink has not met the need there as well. As we are able to integrate more of the system improvements and develop a higher level of understanding by our participating employers, the workload in this area may stabilize more. Therefore, we would suggest adding more funding for temporary salaries to bring in someone in this area.
 - c. Content Management (#IV.2 above). Similar to the above, we would suggest adding more funding for temporary salaries to allow us to hire someone on a limited basis.
 - d. Retiree health credit (#IV.7 above). We feel we are gaining efficiency within some existing positions as a result of PERSLink, so we will attempt to add this new effort to those positions going forward. Since this would be a new responsibility, it would be positive if we could add funding for a workload adjustment for them. Three staff would be affected.
 - e. Self-funding (#VI above). We include this as an option, but identify it as our last priority since we are uncertain of the outcome of the bidding process. However, due to the required timeframe for submitting budget requests and to acknowledge the potential staffing requirements, we would suggest requesting 2 FTE contingent upon whether we would need them. One would be for a high level professional and the other for someone with a medical background.
5. **We need to insure compliance** (IV.4 above). Concerning compliance, we would continue to monitor this. Internal audit would continue to be focused internally on the agency which would help. Allowing the COO position to more fully function within the agency should strengthen this area as well.

Staff is seeking the Board's guidance on the above concepts and suggestions. Based upon that guidance, we will develop a specific budget number for your final consideration at the June Board meeting.

Board Action

Provide direction on how to proceed with the budget. Based upon that direction staff will develop optional packages for your final consideration at the next board meeting.



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Memorandum

TO: PERS Board

FROM: Review Committee

DATE: June 10, 2014

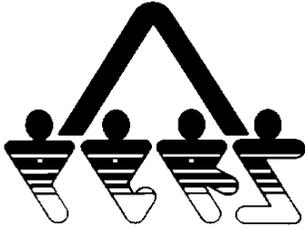
SUBJECT: ANNUAL EVALUATION OF EXECUTIVE DIRECTOR

Mr. Sandal, Ms. Smith, and Chairman Strinden were on the committee to conduct the performance review of the Executive Director.

Attached is the evaluation form with ratings. Five of six PERS Board members completed a performance review. The overall average rating was 2.6 on a scale of 3, with 3 being the highest rating.

The state legislative salary budget for regular non-classified state employees for the second year of the biennium (July 1, 2014) is to be in the range of 2-4%. Salary ranges are being increased by 3% and are budgeted at 3%.

Mr. Collins current salary is \$15,327 per month. The committee will discuss a salary increase with the full Board at the June meeting.



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: June 11, 2014
SUBJECT: Legislative Employee Benefits Committee (LEBC)

The LEBC met on June 5. A copy of the agenda is attached.

You will note that five bills are on the agenda relating to PERS. Bill # 136 & 137 are the PERS Board proposed bills. Bill # 139 is from the Adjutant General relating to the National Guard Retirement Plan (we discussed this at the Board retreat). Bills # 79 & 117 related to the PERS Health Plan.

In addition, another bill was submitted at the committee meeting relating to the Defined Contribution Plan. This proposed bill would provide an opportunity for DC plan members to rejoin the DB/Hybrid Plan.

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Tentative Agenda

EMPLOYEE BENEFITS PROGRAMS COMMITTEE

Thursday, June 5, 2014
Harvest Room, State Capitol
Bismarck, North Dakota

- 9:00 a.m. Call to order
Roll call
Consideration of the minutes of the November 6, 2013, meeting
Comments by the Chairman
- 9:05 a.m. Presentations by Mr. Sparb Collins, Executive Director, Public Employees Retirement System, regarding the federal Affordable Care Act grandfathered status of the Public Employees Retirement System (PERS) uniform group insurance plan and regarding The Segal Company's cashflow projections relating to the PERS retirement funds
Comments by interested persons
Committee discussion and directives
- 9:35 a.m. Committee review of bill drafts that may affect the PERS retirement programs and health and retiree health plans in accordance with North Dakota Century Code Section 54-35-02.4. In addition to any bill drafts brought to the committee by legislators, the committee will consider the following bill drafts:
- PUBLIC EMPLOYEES RETIREMENT SYSTEM**
- Bill Draft No. 136 updates references to the Internal Revenue Code and modifies the Highway Patrolmen's retirement plan's and the PERS retirement benefits, health insurance plans, life insurance benefits, and employee assistance benefits coverage
- Bill Draft No. 137 increases employer and employee contributions under the PERS defined benefit and defined contribution plans, decreases employee contributions under PERS for peace officers employed by the Bureau of Criminal Investigation, and provides benefit changes for employees first enrolled after December 31, 2015
- Bill Draft No. 79 provides a health insurance mandate to provide parity in reimbursement for telemedicine services and provides for a cost-benefit analysis report
- Bill Draft No. 117 provides a health insurance mandate to provide parity in coverage of cancer treatment medications
- STATE INVESTMENT BOARD**
- Bill Draft No. 135 modifies investment policies for and funds under the management of the State Investment Board
- TEACHERS' FUND FOR RETIREMENT**
- Bill Draft No. 140 updates references to the Internal Revenue Code
- ADJUTANT GENERAL**
- Bill Draft No. 139 revises the retirement contribution law for National Guard security officers and repeals the law relating to National Guard firefighters
Comments by interested persons
Committee discussion and directives
Adjourn

NOTE: The committee may take a 15-minute break during the meeting and if necessary will take a lunch break.

Committee Members

Senators: Dick Dever (Chairman), Spencer Berry, Ralph Kilzer, Karen K. Krebsbach, David O'Connell, Connie Triplett

Representatives: Randy Boehning, Roger Brabandt, Jason Dockter, Jessica Haak, Scott Louser, Kenton Onstad, Don Vigesaa

Staff Contact: Jennifer S. N. Clark, Counsel



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MEMORANDUM

TO: NDPERS Board
FROM: Jamie Kinsella *Jamie*
DATE: May 21, 2014
SUBJECT: February 19, 2014 PERS Audit Committee Minutes

Attached are the approved minutes from the February 19, 2014 meeting. Those who attended the meeting are available to answer any questions you may have.

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

The next audit committee meeting is tentatively scheduled for August 20, 2014 10:00 a.m., in the NDPERS Conference Room.

Attachment



MEMORANDUM

TO: Audit Committee
 Jon Strinden
 Arvy Smith
 Rebecca Dorwart

FROM: Jamie Kinsella, Internal Auditor *Jamie*

DATE: February 25, 2014

SUBJECT: February 19, 2014 Audit Committee Meeting

In Attendance:

Jon Strinden – via phone
 Jamie Kinsella
 Julie McCabe
 Sparb Collins
 Sharon Schiermeister

Absent:

Arvy Smith

The meeting was called to order at 10:03 a.m.

I. December 19, 2013 Audit Committee Minutes

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

II. Internal Audit Reports

- A. Quarterly Audit Plan Status Report – A summary of the internal audit staff time spent for the past quarter was included with the audit committee materials.
- B. Audit Recommendations Status Report – As stated in the Audit Policy #103, the Internal Audit Division is to report quarterly to management and the audit committee the status of the audit recommendations of the external auditors, as well as any found by the internal auditor. There were 17 items to follow up; no change on 12, minimal changes on three, and significant changes on two. Discussion followed. As there were annual reports to wrap up, and annual leave taken, not much progress was made during the last quarter. There will be more progress to report at the May meeting.
- C. Benefit/Premium Adjustments Report – The quarterly benefit adjustment report was provided to the audit committee. The report is in two sections, Retirement and Insurance. This report has four retirement and eight health adjustments.

- D. Internal Audit Report for Year 2013 – A copy of the Internal Audit Report for 2013 was given to the board for review.

III. Administrative

- A. Audit Committee Meeting Date & Time – The next audit committee meeting is scheduled for May 21, 2014 at 10:00 a.m.
- B. Audit Committee Charter Activity Review – The Audit Committee Charter states that it will “17. Confirm annually that all responsibilities outlined in this charter have been carried out. Report annually to the Board, members, retirees and beneficiaries, describing the committee’s composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.” The Audit Committee Charter activities was reviewed at the May meeting and a report will go to the board for their information.
- C. Job Service Update – At the December 2013 audit committee meeting an update was provided regarding Job Service COLA increases and the proration error found with the 1st year COLA calculations on 22% of the members reviewed for the paid up annuity error last October. It was asked of the audit committee whether Internal Audit should pursue looking at the remainder of the population to determine if there were any other retirees with a similar error. The audit committee deemed it prudent to investigate and make any corrections if any additional errors were found. The board was provided an update of the results on the project. There was discussion that followed.
- D. Confidential Meeting Between Internal Audit and Audit Committee - The annual confidential meeting between the Internal Audit and Audit Committee was held at the end of the February 19, 2014 Audit Committee Meeting.

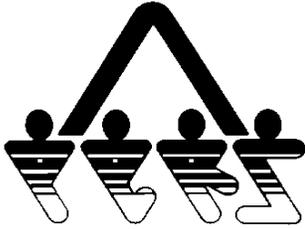
IV. Miscellaneous

- A. Travel Expenditures Update – There were no travel expenditures incurred by the Board and/or Executive Director for out-of-state travel submitted from November 1, 2013 through January 31, 2014.
- B. Risk Management Report – The Loss Control Committee will provide quarterly to the Audit Committee a copy of the Loss Control Committee’s agenda from their last meeting as well as the approved minutes. Copies of the September 18, 2013 meeting and the agenda for the December 3, 2013 meeting were provided to the audit committee.
- C. Report on Consultant Fees - According to the Audit Committee Charter, the audit committee should “Periodically review a report of all costs of and payments to the external financial statement auditor. The listing should separately disclose the costs of the financial statement audit, other attest projects, agreed-upon-procedures and any non-audit services provided.” A copy of the report showing the actuary/consulting audit, legal, investment and administrative fees paid during the quarter ended December 2013 is not available. It will be provided at

the next audit committee meeting.

- D. Publications – The December 2013 publications of the Tone at the Top were provided to the Audit Committee for their perusal.
- E. Webinars and CPE's – Ms. Kinsella and Ms. McCabe have been participating in the free Webinars that the Institute of Internal Auditors provides for their members. Each 1 hour webinar provides 1 hour of continuing professional education credits. The internal auditors have attended six webinars from November 1, 2013 through January 31, 2014. These webinars are held during the lunch hour so the internal auditors remain available to staff during normal business hours.

Meeting adjourned at 11:00 a.m.



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

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

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

Memorandum

TO: PERS Board
FROM: Sparb
DATE: June 11, 2014
SUBJECT: Job Service Update

At a recent meeting you reviewed the discrepancy in the manner used for calculating the Social Security coordination benefit for the Job Service Retirement plan. Based upon your decision at that meeting, letters have been sent to each member the week of June 9. Attached, for your information, is a copy of the letter.

June 5, 2014

Member ID: [REDACTED]

[REDACTED]

Dear [REDACTED]

During an internal audit of the Job Service plan, it was discovered that there was an inconsistency in the administration of the COLA increases related to the Uniform Income Option that you elected at the time you retired. Your retirement benefit calculation established a base benefit amount which was then increased by the estimated primary Social Security benefit. The administrative process Job Service followed when a COLA increase was authorized was to calculate the COLA increase separately on the base annuity benefit and primary Social Security benefit. When a member attained age 62, the benefit was then reduced by the Social Security benefit including the applicable COLA increase associated with that amount. Since NDPERS transitioned to the PERSLink system in 2010, it was found that the age 62 benefit is reduced by the primary Social Security benefit amount, but not the associated COLA increases. Due to this change in administration when reducing the benefit at age 62, you have been overpaid by the amount of the COLA increases attributed to the Social Security benefit since the transition to the new system.

At the April meeting, the NDPERS Board acknowledged the error and determined that the plan should have been administered using the procedures developed by Job Service wherein at age 62, the benefit is reduced by the Social Security benefit along with associated accumulated COLA increases. Since your transition at age 62 to the Social Security income reduction on June 1, 2012, the overpayment of benefits to you is \$[REDACTED]. The Board decided that NDPERS will not request reimbursement of the overpayment from you. However, it will be necessary to adjust your current monthly benefit, prospectively, by the overpayment attributed to the COLA increases. This will result in a reduction of \$[REDACTED] which will be made to your July 1, 2014 pension payment. This will change your ongoing monthly gross benefit amount from \$[REDACTED] per month to \$[REDACTED] per month.

Please accept our apologies for this error and any inconvenience as a result of this adjustment. If you have any questions, please call NDPERS at (701) 328-3900 or (800) 803-7377.

Sincerely,

MaryJo Steffes
Benefit Programs Administrator



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

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Memorandum

TO: PERS Board
FROM: Sparb
DATE: June 11, 2014
SUBJECT: DOMA – Windsor Decision

At the April meeting you approved moving forward on the recommendation from our attorney to seek outside legal expertise on the actions necessary to comply with the Windsor Decision by the United State Supreme Court. Also as discussed in April we are working together with TFFR since it will affect us similarly for our retirement plans. The TFFR Board gave its approval to move forward at their May meeting.

With the above approvals, we have:

1. Contacted our actuarial consulting firm to get the names of law firms that have expertise in this area. They indicated two firms and individuals: 1) Mary Beth Braitman with Ice Miller LLP and 2) David Powel with Groom Law Group.
2. Jan did a survey of other public pension fund attorneys to find out what law firms they were using if they were seeking outside council. Fourteen responses were received and 8 were using Ice Miller, 4 were using Groom, 1 was using another firm and 1 indicated they did it in house. It was also noted that one of the systems using Ice Miller had a similar situation to North Dakota where constitutional provision questions applied as well.
3. Based upon the above, Mary Beth Braitman was contacted. She will be sending us a scope of work letter for consideration. In preliminary discussions with her, she felt that to extent modifications are required by the legislature, it will need to be done this session.

Based upon the approval at the last meeting, I will proceed to get a contract executed with a firm in the next several weeks given that amendments may need to be drafted for our proposed legislation prior to the next meeting of the Legislative Employee Benefits Committee meeting in September. With the above review and assuming an acceptable work outline, it will be Ice Miller.



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: June 11, 2014
SUBJECT: GASB Update

Background

At the April meeting you approved moving forward with contracting with Eide Bailly based upon a proposal to provide training relating to the new pension reporting requirements. Specifically, In June 2012 the Governmental Accounting Standards Board (GASB) issued two new standards that will substantially change the accounting and financial reporting of public employee pension plans and the state and local governments that participate in such plans. GASB Statement No. 67, *Financial Reporting for Pension Plans*, revises existing guidance for the financial reports of most governmental pension plans. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. GASB Statement No. 67 is effective for financial statements for periods beginning after June 15, 2013. GASB Statement No. 68 is effective for financial statements for fiscal years beginning after June 15, 2014.

Also as we reviewed at that meeting, this effort is a joint effort with TFFR and the State Auditors Office. The cost for Eide Bailly will be shared with TFFR.

Attached please find:

1. A proposed contract for services
2. A draft of the training session PowerPoint for the conference on June 26. A similar one will be used for the statewide conference in November.

Board Action Request:

Approve the attached contract.

North Dakota Teachers' Fund for Retirement
North Dakota Public Employees Retirement System
North Dakota State Auditor's Office



GASB-68 Implementation Meeting
June 2014



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 Today's Agenda

- Overview and Setting Expectations
- The Basic Concepts of Defined Benefit Plans as They Apply to the TFFR / PERS
- The Basics of GASB-67, 68 and 71
- Decisions that are being made

These seminar materials are intended to provide the seminar participants with guidance in accounting and financial reporting matters. The materials do not constitute, and should not be treated as professional advice regarding the use of any particular accounting or financial reporting technique. Every effort has been made to assure the accuracy of these materials. Eide Bailly LLP and the author do not assume responsibility for any individual's reliance upon the written or oral information provided during the seminar. Seminar participants should independently verify all statements made before applying them to a particular fact situation, and should independently determine consequences of any particular technique before recommending the technique to a client or implementing it on the client's behalf.

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Overview and Setting Expectations for Today



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**1. CHECK OUR
MISCONCEPTIONS AND
MISINFORMATION AT THE
DOOR**

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2. EVERYONE PARTICIPATE

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3. NO QUESTION IS A "BAD" QUESTION

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**4. WE CAN SPEND AS LONG
AS YOU WANT ON ANY
ASPECT OF DEFINED BENEFIT
PENSIONS**

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5. NO DEBITS AND CREDITS!

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**6. TAKE AWAY AT LEAST ONE
THING THAT WILL HELP YOU (OR
SOMEONE YOU REPORT TO)
MAKE BETTER DECISIONS**

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**7. THERE MAY BE THINGS I /
WE DON'T KNOW**

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**8. UNDERSTAND THAT THERE
MAY BE MORE THAN ONE
ANSWER**

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**9. DETAILS EVEN FROM
GASB ARE STILL EVOLVING**

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**10. REALIZE THAT 4 HOURS
IS JUST SCRATCHING THE
SURFACE...**

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The Basic Concepts of Defined Benefit Plans



As they Apply to the North Dakota Teachers' Fund for Retirement
&
The North Dakota Public Employees Retirement System

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FINANCIAL SERVICES

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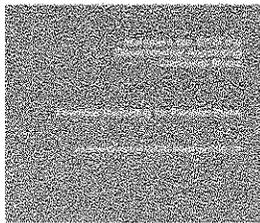
Some Basic Definitions of Defined Benefit Plans – just an introduction

- **Single Employer Plan**
 - A plan that is only open to one employer or multiple departments /functions within one employer
- **Agent Multiple – Employer Plan**
 - A plan that includes more than one employer
 - Assets pooled for investment purposes
 - Separate account exists for *each* employer
 - Employer's assets can *only be used to pay for that employer's benefits* (and no others)
- **Cost Sharing Multiple – Employer Plan – PERS Main / Law Enforcement / TFFR**
 - A plan that includes more than one employer
 - Assets and liabilities are pooled
 - All assets are available to pay for all benefits

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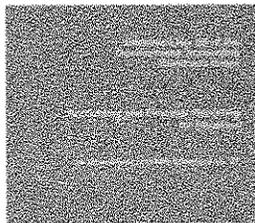


Governmental Accounting Standards Series



Statement 67
Financial Reporting for Pension Plans

Governmental Accounting Standards Series



Statement 68
Accounting and Financial Reporting for Pensions

Statement 71 (not pictured)
Pension transition for contributions made subsequent to the measurement date

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The New GASB Revolution

• Effective dates

- For plan reporting: plan years beginning after June 15, 2013
(2013/2014 for fiscal year plans or 2014 for calendar year)
- For employer reporting: fiscal years beginning after June 15, 2014
(2014/2015 for fiscal year employers or 2015 for calendar year)

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Overview of the New GASB Requirements

- GASB 67 provides for accounting with respect to Plans (replaces GASB 25)
 - “Plans” in this case are PERS and TFFR
 - Effective for fiscal years beginning after June 15, 2013
- GASB 68 provides for financial reporting by employers (replaces GASB 27)
 - “Employers” are the entities making the contributions (e.g., State, Cities, Counties, School Districts, etc.)
 - Effective for fiscal years beginning after June 15, 2014
- Net Pension Liability reported on each employer’s balance sheet and in each Plan’s notes to the financial statements
 - Entry age cost method
 - Market value of assets
 - Blended discount rate
- Accounting and financial reporting divorced from contribution requirements
- Annual pension expense (for employers) is essentially equal to change in Net Pension Liability during the year, with deferrals of certain items

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GASB Objectives and Goals

Focus on FINANCIAL REPORTING not operations

- GASB establishes accounting and financial reporting standards, not funding policies
- Focus on pension obligation, changes in obligation, and attribution of expense

• Therefore – converting from modified cash to accrual basis

Assume Governments Last Longer than 1 year Unlike Businesses

- Cost of services to long-term operation
- “Interperiod equity” matches current period resources and costs

Use Federal Guidance (US DOL / SSA) on Who is an Employee and Who they Work For

- Employer incurs an obligation to its employees for pension benefits
- Transaction is in context of a career-long relationship
- Therefore – EMPLOYER has reporting and not plan

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The GASB Revolution

- **FOUR Major Focus Areas** in the new standards
 1. Placing the Net Pension Liability on the Balance Sheet
 2. Decoupling Expense from Funding
 3. Accounting for Cost-Sharing Plans (n/a for single employer)
 4. Expanding Disclosure Information (Notes & RSI)
- Timing of Measurements, Effective Dates
- Implementation Guides and Audit Guidelines

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Major Focus Area #1 – EMPLOYERS Net Pension Liability Reported on Balance Sheet

- Net Pension Liability (NPL)
 - Total pension liability (TPL) minus plan assets at market value ("plan net position")
 - TPL uses new "blended" discount rate and "Entry age" cost method
 - Similar to Unfunded Actuarial Accrued Liability (UAAL) but using market assets, not "smoothed" assets
 - Note 5-year asset smoothing still allowed (in determining pension expense), but reported separately
 - NPL must be reported on the employer's "balance sheet"
 - Currently, UAAL is reported in the Required Supplementary Information (RSI)
 - Currently, only the Net Pension Obligation (NPO) is reported on the balance sheet, (not reported if \$0)
 - Cumulative difference between annual required contribution (ARC) and actual contributions

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Net Pension Liability Reported on Financials

- Discount rate is based on projected benefits, current assets, and projected assets for current members
 - Projected assets include contributions on behalf of current members and **exclude** contributions intended to fund the service cost for future employees
- For projected benefits that are covered by projected assets
 - Discount using the long-term expected rate of return on assets
 - PERS/TFPR long-term rate of return is 8%
- For projected benefits that are **not** covered by projected assets
 - Discount using yield on 20-year AA/Aa tax-exempt municipal bond index
 - As of June 30, 2013, rate was 3.92%
- Solve for a single rate that gives the same total present value
 - Use that single equivalent rate to calculate the Total Pension Liability (TPL)

Implications:

- Both PERS and TFPR can use the 8% long-term rate

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Net Pension Liability – June 30, 2013 Per Segal (in thousands) (estimated)

	PERS Main	TFFR
Total Pension Liability at 8.00%	\$2,633,572	\$2,997,139
Net Plan Position (i.e., MVA)	1,899,459	1,839,584
Net Pension Liability (NPL)	734,113	1,157,555
Sensitivity to changes in discount rate		
• 1% decrease (7.00%)	\$1,050,948	\$1,538,142
• Current discount rate (8.00%)	734,113	1,157,555
• 1% increase (9.00%)	522,938	833,648

➤ NPL is calculated for each Plan in total

➤ Each employer is assigned a share of the NPL

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Major Focus Area 2 – EMPLOYERS Decoupling Expense from Funding

- **No change will occur in contribution rates *solely* due to implementation of GASB-68**
- Currently, pension expense is based explicitly on an actuarially determined funding requirement
 - The ARC, which is the “annual required contribution”
 - Even though is not required to be contributed!
 - Based on established practices for managing contribution volatility
 - Asset smoothing and UAAL amortization
 - The ARC served as a de facto funding standard
- New GASB pension expense is the change in NPL each year, with deferred recognition of only certain elements
 - ARC Specifically not intended to be a funding target or standard

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New Pension Expense Components

- Changes in Total Pension Liability that are recognized (i.e., expensed) immediately—no deferrals allowed
 - Service cost – pensionable compensation x rate
 - + Annual interest on the TPL
 - - Projected investment returns over the year
 - + / - All plan amendments
- Immediate recognition of all plan amendments, whether for actives or retirees
 - Probably different from funding
- Changes in assumptions / demographics *may* be immediate expense *or* amortized over remaining service of covered employees

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Summary of New Pensions Expense Components – a great cheat sheet

- Changes in the employer's Net Pension Liability will be recognized in pension expense more quickly – could be confusing

Source of Change in the Net Pension Liability	Current Standards		New Standards	
	Expense	Deferral	Expense	Deferral
Service Cost	Immediate	None	Immediate	None
Interest on the TPL	Immediate	None	Immediate	None
Projected Investment Earnings	Immediate	None	Immediate	None
Changes in Benefit Terms			Immediate	None
Changes in Assumptions				
Differences between Assumed and Actual Economic and Demographic Factors	Initial period amount	Amortization over a period up to 30 years (closed or open)	Initial period amount	Expense over average remaining service period of actives and inactive
Differences between Projected and Actual Earnings				Expense over 5-year closed period
Other Changes in the NPL			Immediate	None

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22 What Does it All Mean?

- Fiscal folk in the room will have some explaining to do to decision – makers
 - Decision – makers are used to compensation x statutory rate OR rate per employee
 - Budget and funding only a component of expense
 - **Suggestion – use the following slide to insert a schedule in MD&As to translate from annual contributions to annual expense as follows...**

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23 A Possible Way to Translate for Decision-makers

Annual Contributions as determined by Actuary	\$x,xxx,xxx
Adjustments for annual amortizations of:	
Differences between actual and expected experience	
Changes in assumptions	
Differences between projected and actual earnings on plan investments	
(COST SHARING ONLY) Changes in proportion and differences between contributions and proportionate share of contributions	
Contributions subsequent to measurement date recognized as deferred outflows of resources (GASB-71)	
Other	
Pension Expense	\$x,xxx,xxx

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**Pension Expense for FYE June 30, 2013
per Segal (in thousands) (estimated)**

	PERS Main	TFFR
Service cost	\$80,446	\$60,724
Interest on the Total Pension Liability	191,120	222,712
Recognized portion of current-period difference between expected and actual experience	4,545	614
Member contributions	(49,371)	(53,825)
Projected earnings on plan investments	(134,311)	(132,578)
Recognized portion of current-period difference between projected and actual earnings on plan investments	(18,149)	(17,525)
Administrative expense	2,020	1,624
Recognition of deferred outflows of resources	0	0
Recognition of deferred inflows of resources	0	0
Pension expense for FYE 6/30/2013	\$76,300	\$81,746

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Major Focus Area 3 – EMPLOYERS

Accounting for Cost-Sharing – everyone will change in the room

- Current standards are simple
 - Pension expense is equal to the statutorily required contribution
 - No “ARC” on financial statements
 - Balance sheet only presents the sum of the difference (if any) since 1988 between the statutorily required contribution and the actual contribution – currently \$0
 - Unfunded actuarial accrued liability is not reported at all on employers’ statements

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Accounting for Cost-Sharing

- Recognize proportionate share of the plan's total
 - Net Pension Liability
 - Pension Expense
 - Deferred Positions
- NONE of these are to be reported on the plan financial statements due to employer : employee exchange of work for compensation**

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Example Schedule of Cost Sharing Proportion

EXAMPLE COST SHARING PENSION PLAN
 Schedule of Employer Allocations
 June 30, 2015

Employer/ Nonemployer (special funding situation)	2015 Actual Employer Contributions	Employer Allocation Percentage	
State of Example	\$ 2,143,842	38.9	%
Employer 1	268,425	4.9	
Employer 2	322,142	5.8	
Employer 3	483,255	8.8	
Employer 4	633,125	11.5	
Employer 5	144,288	2.6	
Employer 6	95,365	1.7	
Employer 7	94,238	1.7	
Employer 8	795,365	14.4	
Employer 9	267,468	4.9	
Employer 10	267,128	4.8	
Total	\$ 5,514,641	100.0	

Based on prior covered payroll

STAY TUNED FOR AUDIT
DETAILS OF THIS

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Impact on Employers - Summary

- Each employer must disclose their proportionate share of:
 - Net Pension Liability (Asset)
 - Pension expense
 - Deferred outflows of resources and deferred inflows of resources related to pensions
- For both PERS Main / LE Plan and TFFR, the proportionate share can be allocated based on covered payroll
- For this hypothetical exercise, we consider the following two employers for PERS Main:
 - Employer 1, a relatively large employer (approximately 2% of total payroll)
 - Employer 2, a small employer (approximately 0.03% of total payroll)
- In addition, the State's portion of the PERS Main System is 56%
- For TFFR, we consider two sample school districts:
 - District 1, a large employer (approximately 10% of total payroll)
 - District 2, a small employer (approximately 1% of total payroll)

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Proportionate Share of NPL – PERS Main System per Segal (in thousands) (estimated)

	Total	State Employees	LE Plan	Employer
Payroll	\$865,868	\$486,381	\$21,224	\$247
NPL/Proportionate Share	734,113	412,371	17,995	210
Sensitivity to changes in discount rate				
• 1% decrease (7.00%)	\$1,050,948	\$590,345	\$25,761	\$300
• Current discount rate (8.00%)	734,113	412,371	17,995	210
• 1% increase (9.00%)	522,938	293,748	12,818	143
Pension Expense/Proportionate Share	\$76,300	\$42,860	\$1,870	\$22
Deferred Outflows of Resources	21,771	12,230	534	6
Deferred Inflows of Resources	72,597	40,780	1,780	21

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Proportionate Share of NPL – TFFR per Segal (in thousands) (estimated)

	Total	District 1	District 2
Payroll	\$550,000	\$55,000	\$5,500
NPL/Proportionate Share	1,157,555	115,756	11,576
Sensitivity to changes in discount rate			
• 1% decrease (7.00%)	\$1,538,142	\$153,814	\$15,381
• Current discount rate (8.00%)	1,157,555	115,756	11,576
• 1% increase (9.00%)	833,648	83,365	8,336
Pension Expense/Proportionate Share	\$81,746	\$8,175	\$817
Deferred Outflows of Resources	3,686	369	37
Deferred Inflows of Resources	70,102	7,010	701

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Required Supplementary Information – PERS Main – Per Segal (in thousands) (estimated)

	State Employees	Employee 1	Employee 2
State/Employer proportion of NPL	56%	2%	0.03%
State/Employer proportionate share of the NPL	\$412,371	\$17,995	\$210
State/Employer covered employee payroll	\$486,381	\$21,224	\$247
State/Employer proportionate share of the NPL as a percentage of its covered employee payroll	84.8%	84.8%	84.8%
Plan fiduciary net position as a percentage of the total pension liability	72.1%	72.1%	72.1%
Statutory employer contribution	\$32,198	\$1,405	\$16
Contributions in relation to the statutory employer contribution	(32,198)	(1,405)	(16)
Contribution deficiency (excess)	\$0	\$0	\$0
State/Employer covered employee payroll	\$486,381	\$21,224	\$247
Statutory employer contributions as a percentage of covered employee payroll	6.62%	6.62%	6.62%

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Required Supplementary Information – TFFR (in thousands) (estimated)

	District 1	District 2
District's proportion of NPL	10.0%	1.0%
District's proportionate share of the NPL	\$115,756	\$11,576
District's covered employee payroll	\$55,000	\$5,500
District's proportionate share of the NPL as a percentage of its covered employee payroll	210.5%	210.5%
Plan fiduciary net position as a percentage of the total pension liability	61.4%	61.4%
Actuarially determined contribution	\$5,083	\$508
Contributions in relation to the actuarially determined contribution	(5,913)	(591)
Contribution deficiency (excess)	(\$830)	(\$83)
District's covered employee payroll	\$55,000	\$5,500
Contributions as a percentage of covered employee payroll	10.75%	10.75%

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Example Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan

EXAMPLE COST SHARING PENSION PLAN
Schedule of Pension Amounts
June 30, 2015

Employer/ Nonemployer (special funding arrangements)	Deferred Outflow of Resources					Deferred Inflow of Resources				Pension Expense	
	Net Pension Liability	Differences Between Expected and Actual Experience	Differences Between Projected and Actual Investment Earnings	Changes of Assumptions	Share of Pension Expense	Differences Between Expected and Actual Economic Experience	Differences Between Actual and Projected Earnings	Changes of Assumptions	Share of Pension Expense	Proportionate Share of Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportionate Share of Pension Expense
State of Tennessee	\$ 38,599,135	\$28,768	\$285,038	\$,500,659	\$62,343	\$93,371	(\$63,298)	\$84,165	1,878,717	12,175	
Employer 1	1,931,147	53,549	237,688	147,808	99,633	47,625	133,131	121,325	231,229	(1,793)	
Employer 2	5,708,531	64,428	309,254	225,499	113,974	57,156	199,724	245,386	282,510	(4,688)	
Employer 3	6,698,585	98,655	463,925	334,279	173,912	83,742	299,688	125,632	425,492	3,021	
Employer 4	11,186,244	126,624	607,800	441,186	227,925	112,312	314,812	368,325	554,324	(2,900)	
Employer 5	2,597,183	28,855	134,516	101,862	51,944	25,690	71,561	42,358	126,144	599	
Employer 6	1,716,569	19,671	91,559	66,754	34,331	16,920	47,298	24,325	43,271	625	
Employer 7	1,698,283	18,948	90,468	65,967	33,926	16,720	46,739	125,735	82,584	(1,712)	
Employer 8	14,348,562	139,673	763,259	556,756	286,486	141,118	394,478	352,695	609,984	3,405	
Employer 9	4,814,421	53,394	256,769	187,328	69,325	47,456	131,617	87,325	234,591	(1,180)	
Employer 10	4,888,381	51,426	256,443	183,990	67,528	47,395	132,488	41,815	234,691	1,656	
Total	\$ 92,261,283	1,102,928	5,294,753	3,869,249	1,939,496	978,415	2,715,945	1,995,486	4,833,655		

STAY TUNED FOR AUDIT DETAILS OF THIS

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Major Focus Area 4 - EMPLOYERS Expansion of Disclosure Information

- Includes both Notes and Required Supplementary Information (RSI)
- **Greatly** expanded plan and employer disclosures, including:
 - Description of the plan and assumptions
 - Policy for determining contributions
 - Sensitivity analysis of the impact on NPL of a one percentage point increase and decrease in the discount rate
 - Changes in the NPL for the past 10 years
 - Development of long-term earnings assumption

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Expansion of Disclosure Information

- More new disclosure information
 - "Actuarially determined (employer) contribution" (aka the ARC)
 - Basis and amount – if determined!
 - Comparison to amount actually contributed
 - May encourage review (or creation) of actuarial funding policy
- Expanded disclosures greatly increase the pension information needed for plan and employer's financial statements
 - New and challenging questions for employer's financials:
 - Which actuary/auditor develops this information?
 - Who pays for it?

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GASB 68 FOOTNOTE DISCLOSURES (ALL EMPLOYERS)

1. Plan Description and Related Information (census not necessary for cost sharing employers)
2. Changes in Net Pension Liability (NPL)
3. Significant Assumptions
4. Discount Rate and Key Discount Rate Assumptions
5. Pension Plan's Fiduciary Net Position
6. Measurement and Actuarial Valuation Date
7. Changes/New Assumptions made related to Benefit Terms
8. Changes made subsequent to Measurement Date
9. Current Period Pension Expense
10. Schedule of Deferred Outflows/Inflows of Resources

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GASB 68 Cost Sharing Employers



Footnotes, Disclosures and Required Supplementary Information



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COST SHARING EMPLOYERS FOOTNOTES TO THE FINANCIAL STATEMENTS

- **Information likely developed by the plan in a “template”**
- **Descriptive Plan Information**
 - Name of the Pension Plan
 - Identification as Single Employer/Agent Plan/Cost Sharing Plan and the Plan Administrator
 - Benefit Terms (classes of employees covered, types of benefits, key elements of the pension formula, automatic COLAs, authority under which benefit terms are established)
 - Brief description of Contribution Requirements
 - Whether the pension plan issues a standalone financial report or included part of another government entity.

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COST SHARING EMPLOYERS FOOTNOTES TO THE FINANCIAL STATEMENTS

- **Discount Rate Disclosures**
 - Discount Rate applied and change from last measurement date.
 - Assumptions about projected cash flows related to the pension plan including contributions from employers, non-employers and employees.
 - Long-term expected rate of return and how it was determined.
 - Municipal bond rate used and source of that rate.
 - Breakdown of how projected benefit payments are allocated between those applied to the long-term expected rate of return and municipal bond rate to arrive at the discount rate.
 - Assumed Asset Allocation and long-term expected rate of return applied to each asset class.
 - NPL calculated using a discount rate that is +/-1% than stated Discount Rate

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COST SHARING EMPLOYERS FOOTNOTES TO THE FINANCIAL STATEMENTS

Significant Assumptions

- Inflation
- Salary Changes
- Ad Hoc post-employment benefit changes (COLA)
- Mortality Assumptions/Source of Assumptions (i.e. published mortality table/experience study)
- Dates of the Experience Study

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REQUIRED SUPPLEMENTARY INFORMATION (RSI) FOR FINANCIAL STATEMENTS

- **Schedule 1:**
 - **10 Year** – Employer's Proportionate Share (%), Amount) of Collective NPL, Covered Employee Payroll, Net Pension Liability as a % of Employee Covered Payroll, Pension Plans Net Position as % of TPL
 - **10 Year** - FNP/TPL/Funded Status/Covered Payroll/NPL as % of Payroll
- **Schedule 2:**
 - **10 Year** - ADEC to Actual Contributions (If necessary)
 - **10 Year** - Statutory/Contractual Contributions to Actual Contributions and Payroll (If necessary)
- **Note disclosure to RSI**

10 Year Schedules not required in year of implementation other than the ADEC schedule which is presented in full.

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Required Supplementary Information – Cost Sharing Employer

	20X9	20X8	20X7	20X6	20X5
District's proportion of the net pension liability (asset)	0.20%	0.18%	0.19%	0.18%	0.20%
District's proportionate share of the net pension liability (asset)	\$ 14,910	\$ 11,738	\$ 12,972	\$ 13,485	\$ 14,892
District's covered-employee payroll	\$ 11,512	\$ 10,412	\$ 9,716	\$ 9,553	\$ 8,522
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	129.52%	112.74%	133.53%	141.28%	156.40%
Plan fiduciary net position as a percentage of the total pension liability	81.93%	83.29%	80.41%	79.63%	75.79%

Note: Only 5 years are presented here;
10 years of information would be required

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Required Supplementary Information – Cost Sharing Employer

	20X9	20X8	20X7	20X6	20X5
Contractually required contribution	\$ 2,085	\$ 2,057	\$ 1,869	\$ 1,649	\$ 1,176
Contributions in relation to the contractually required contribution	(2,095)	(2,057)	(1,909)	(1,649)	(1,176)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 12,087	\$ 10,952	\$ 10,063	\$ 8,634	\$ 9,536
Contributions as a percentage of covered-employee payroll	17.32%	18.76%	19.57%	17.11%	12.33%

Note: Only 5 years are presented here;
10 years of information would be required

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Note to Required Supplementary Information

- *Changes of benefit terms.* Amounts reported in 20X8 reflect an increase in disability benefits to be equivalent to retirement benefits
- *Changes of assumptions.* Amounts reported in 20X9 reflect an adjustment of the expectation of life after disability to more closely reflect actual experience. For amounts reported in 20X6 and later, the expectation of retired life mortality was based on RP-2000 Mortality Tables rather than on the 1983 Group Annuity Mortality Table, which was used to determine amounts reported prior to 20X6.

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Effective Date and Transition Issues

- **Plans** – Fiscal years *beginning after* June 15, 2013
- **Employers** – Fiscal years *beginning after* June 15, 2014
- Prior period adjustments will likely take place for a number of years as deferred positions become clarified
- RSI
 - If data is unknown at transition – must include a text box on each schedule explaining why – similar to GASB-54

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KEY DATES

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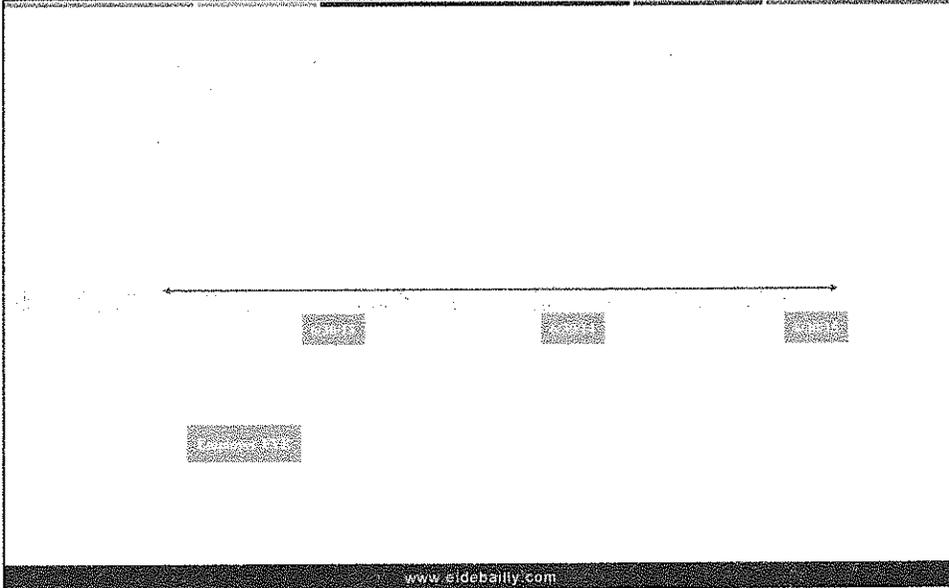


Key Dates

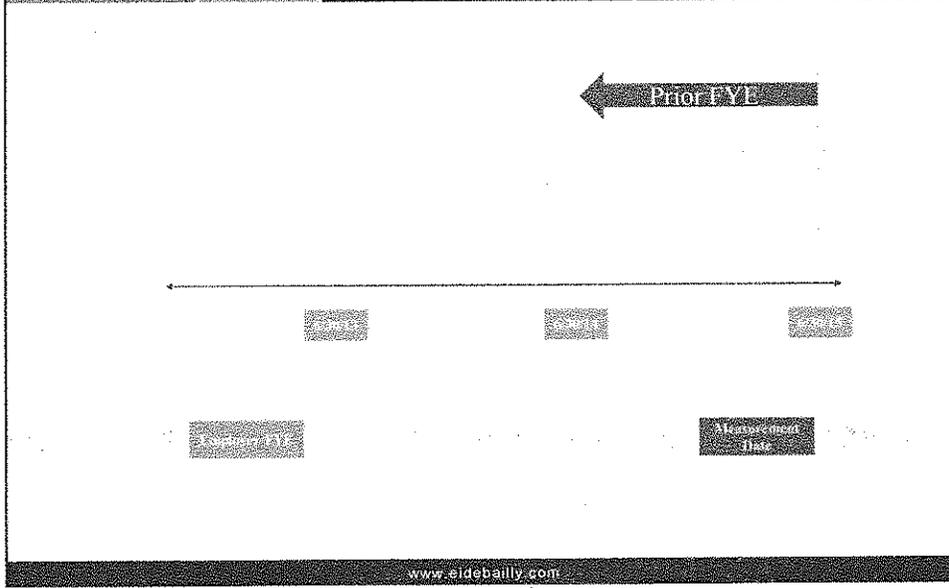
- Potentially 3 different dates we need to think about
 - Employer fiscal year-end
 - Measurement date (of NPL)
 - As of date no earlier than end of prior fiscal year
 - Both components (TPL/plan net position) as of the same date
 - Actuarial valuation date (of TPL)
 - If not measurement date, as of date no more than 30 months (+1 day) prior to FYE
 - Actuarial valuations at least every 2 years (more frequent valuations encouraged)
- Coordination with pension plan

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Timing - Example

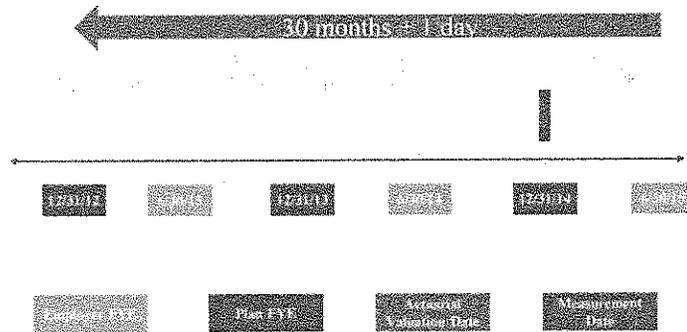


Timing - Example





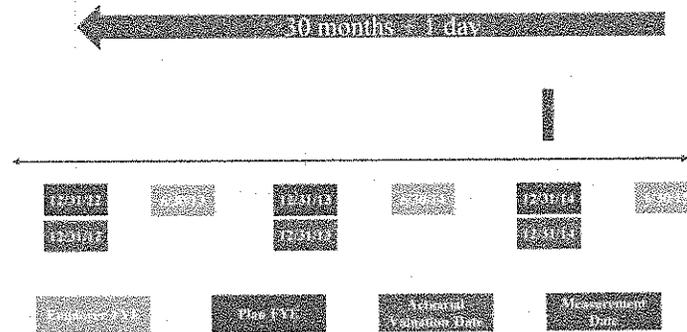
Timing - Example



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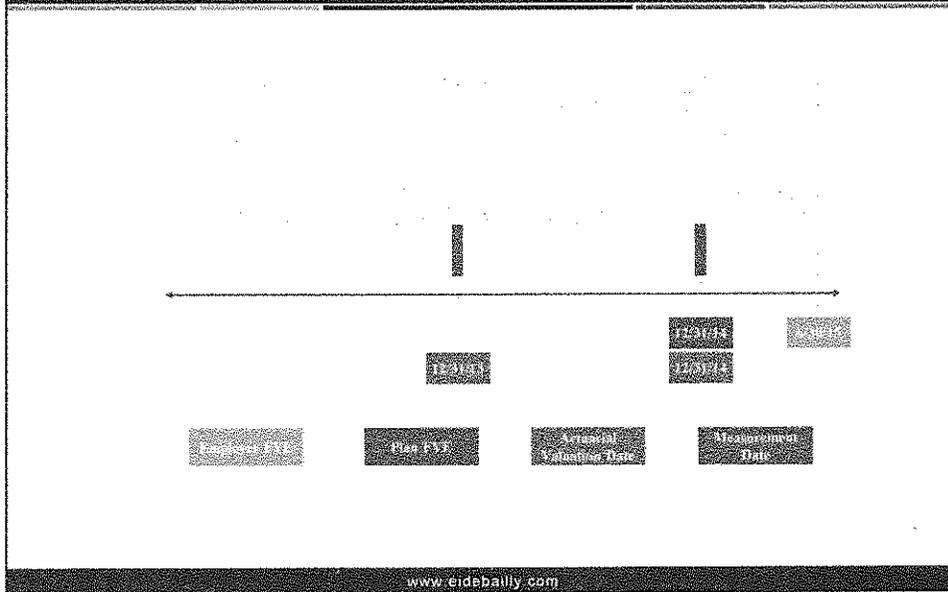


Timing - Example

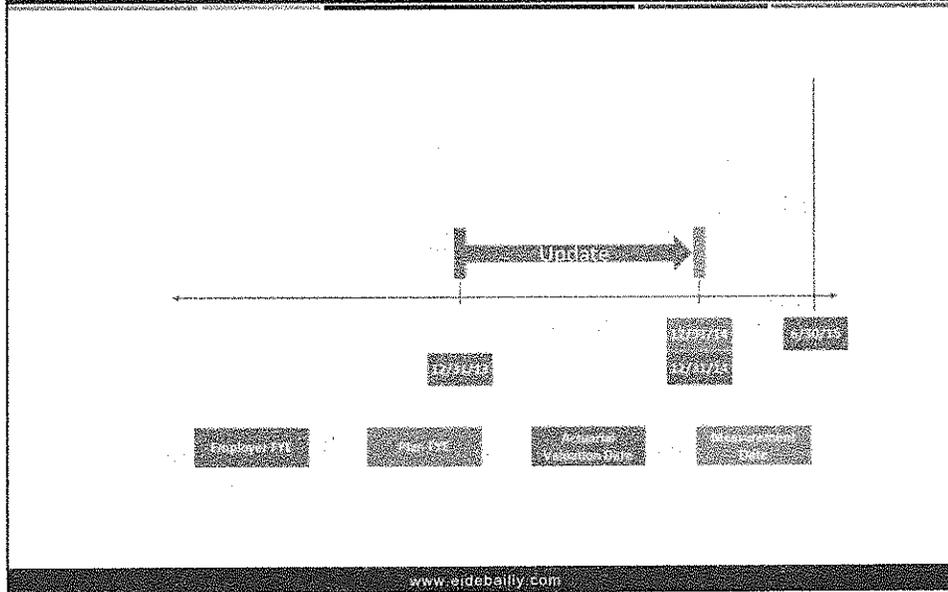


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Timing - Example

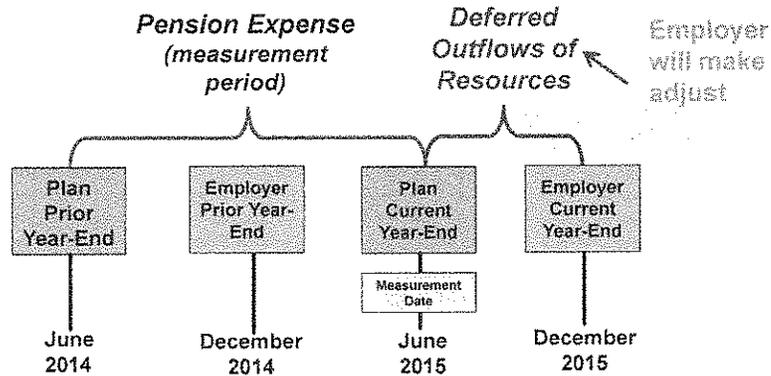


Timing - Example





Timing of Measurement of Total Pension Liability



Measurement date will most likely correspond to year-end of plan. Employer contributions made directly by the employer subsequent to the measurement date of the net pension liability and before the end of the employer's fiscal year should be recognized as a deferred outflow of resources.

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Prior Period Adjustments

- Example:
 - Employer – Net Pension Liability as of **June 30, 2015**
 - Measurement date – June 30, 2014 (annual valuation from 7/1/13 to 6/30/14)
 - No comparative financial statements
 - **Prior period adjustment would be as of 7/1/14** including
 - **Deferred outflows determined as of the beginning of the year**
 - Contributions from July 1, 2013 to June 30, 2014 would not be included as they are before the beginning of year
 - Contributions after June 30, 2014 not part of PPA
 - NPL
 - Deferred inflows / outflows as of the measurement date

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Prior Period Adjustments

- How to PPA:
 1. Remove any Net Pension Obligation – *might be \$0*
 2. Remove any payables to the plan – *might be \$0*
 3. Add the balance of any NPL or proportion *as of the beginning of the period*
 4. Add deferred outflows of resources for contributions *after the measurement date* – **see transition guidance**
 5. Add deferred outflows of resources / deferred inflows of resources *as of the beginning of the period*
 6. Add any payables to the plan as of the beginning of the period

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Prior Period Adjustments

- If employer can determine deferred outflows / inflows of resources from investments, contributions **but cannot determine all other deferrals**
 - Don't record deferred positions of investments at implementation, only contributions.
 - Prior period adjustments when all others known
 - If can't determine all remaining deferred positions for all historical periods, report none except for contributions
 - Again – PPAs when known

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● Again – the problem in Implementation

- GASB 68 requires employer to recognize NPL as of **the measurement date** no earlier than the prior fiscal year end
- Contributions made during the period *after measurement date but before reporting date* is required to be deferred
- Transition to new standards
 - If not practical to determine *all* deferred positions at transition, then start at zero.
 - BUT – contributions deferred!
 - Houston... we have a problem...

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● Updated transition guidance

- Recognize a deferred amount for pension contributions made after actuarial report but before fiscal year end
- Recognize no other beginning balance for deferred positions **unless known at transition**
- Effective date – same as GASB-68

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BREAKING NEWS

- New OPEB Exposure drafts contain amendments to GASB-67 and 68
 - Clarified note disclosure to RSI elements
 - What to do if there are one-time assessments to pay for a "separately financed specific liability"
 - One-time assessment resulting from an increase in TPL due to an individual employer joining a plan or a change in benefits due to an individual employer
 - For cost-sharing employers - pension expense and change in amortizations may occur due to change in proportions
- Comments due on exposure drafts August 29th – public hearings in September

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AUDIT CONSIDERATIONS

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Where to Start?

- Read statutes/plan document
 - Gain understanding of key provisions
- Obtain actuarial valuation report
 - Measurement date
 - Key assumptions
 - Plan provisions
- Obtain and test census data from actuary and payroll
- Obtain confirmation from actuary
- Evaluation of management's specialist
- Consider need for auditor specialist

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Census Data

- Key census data
 - Date of birth
 - Gender (male or female)
 - Date of hire or years of service
 - Date of termination or retirement
 - Marital status
 - Spouse date of birth
 - *Eligible* compensation (may NOT equal W-2s, especially in higher education)
 - Employment status
- Auditing census data
 - Active employees
 - Inactive/retired
- Resolving exceptions

The auditor must test the reliability and completeness of the census data provided to the actuary.

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Cost Sharing Employers

- 2 White Papers published by AICPA
 - Census data testing
 - Plan reporting to employers
- Census data testing would be **based on risk**
 - Testing coordinated by plan auditor
 - Employers > 20% of plan active employees tested annually
 - Likely State only?
 - Between 5% and 20% - tested every 5 years **Any?**
 - Less than 5% - tested every 10 years **but some tested annually to get comfort**
 - Very small employers may never get tested – immaterial
 - Report is an attestation report

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Cost-Sharing Plan Issues

- Audited plan financial statements don't give participating employers everything they need
- AICPA whitepapers at
<http://www.aicpa.org/INTERESTAREAS/GOVERNMENTALAUDITQUALITY/RESOURCES/GASBMATTERS/Pages/default.aspx>
Remember – these are “best practices”

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Cost-Sharing Plan Issues – Solutions provided by AICPA

- Plan provides supplemental “schedule of employer allocations” for which plan auditor is engaged to provide opinion
 - Use allocation method based on covered payroll or required (actual) contributions representative of future contributions and appropriate based on classes of benefits provided
 - Projected future contributions could be used if necessary (harder to audit)
 - **# of decimal places may become important for plans with large number of participating employers**

Note: Above not required by standard, but other alternatives create inconsistency and additional audit burden

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Reminder - Example Schedule of Employer Allocations

EXAMPLE COST SHARING PENSION PLAN
Schedule of Employer Allocations
June 30, 2015

Employer/ Nonemployer (special funding situation)	2015 Actual Employer Contributions	Employer Allocation Percentage	
State of Example	\$ 2,143,842	38.9	%
Employer 1	268,425	4.9	
Employer 2	322,142	5.8	
Employer 3	483,255	8.8	
Employer 4	633,125	11.5	
Employer 5	144,288	2.6	
Employer 6	95,365	1.7	
Employer 7	94,238	1.7	
Employer 8	795,365	14.4	
Employer 9	267,468	4.9	
Employer 10	267,128	4.8	
Total	\$ 5,514,641	100.0	

Allocation may be
historical or
actuarial

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Cost-Sharing Plan Issues – Solutions Provided by AICPA

- Plan provides supplemental “schedule of plan pension amounts by employer” for which plan auditor engaged to provide opinion
 - Supplemental schedule showing the following amounts by employer
 - Net pension liability
 - Deferred outflows (by category)
 - Deferred inflows (by category)
 - Pension expense

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Reminder - Example Schedule of Employer Pension Amounts

EXAMPLE COST-SHARING PENSION PLAN
Schedule of Pension Amounts
June 30, 2015

Employer/ Nonemployer Special Funding Amounts	Deferred Outflow of Resources				Deferred Inflow of Resources				Pension Expense		
	Net Pension Liabilities	Differences Between Expected and Actual Economic Resources	Differences Between Projected and Actual Investment Earnings	Changes of Assumptions	Changes in Employer Proportion and Differences Between Contributions and Proportionate Share of Pension Benefits	Differences Between Expected and Actual Economic Resources	Differences Between Actual and Projected Investment Earnings	Changes of Assumptions		Changes in Employer Proportion and Differences Between Contributions and Proportionate Share of Pension Benefits	
State of Montana	\$ 38,581,135	42,762	2,658,008	1,910,690	702,365	389,371	1,043,383	-	584,561	1,875,717	(2,375)
Employer 1	443,647	53,683	237,888	183,888	96,633	47,625	133,133	-	125,325	255,219	(1,793)
Employer 2	1,788,431	64,418	309,256	221,899	115,971	57,155	169,773	-	141,509	262,768	(8,983)
Employer 3	8,698,835	95,651	463,925	434,274	173,972	85,742	239,691	-	123,632	424,462	3,021
Employer 4	11,396,244	126,623	687,800	443,387	237,925	112,352	314,642	-	386,323	534,928	(8,940)
Employer 5	2,577,187	28,888	158,516	101,002	51,644	25,689	71,563	-	42,338	126,444	599
Employer 6	1,516,589	12,025	91,589	68,756	34,331	16,929	47,268	-	24,325	83,371	625
Employer 7	1,696,282	18,848	90,348	68,367	33,026	16,729	46,759	-	125,725	126,384	(5,712)
Employer 8	14,316,562	159,073	763,550	556,756	258,486	146,118	384,478	-	157,005	697,945	8,425
Employer 9	4,314,421	53,494	256,790	197,234	88,325	47,456	152,657	-	87,325	214,391	(1,188)
Employer 10	4,918,261	53,426	285,475	185,993	67,528	27,792	132,888	-	41,635	214,093	1,659
Total	\$ 96,265,495	1,102,078	4,284,660	3,660,242	1,870,492	978,435	2,751,106	-	1,029,408	4,812,655	-

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Cost-Sharing Plan - Employer Auditor Considerations

- Evaluate plan auditor's report on supplemental schedules (AU-C 805)
 - If plan auditor doesn't report on, evaluate necessary audit procedures
- Test amounts in schedules relating to employer
- Test census data?
- Additional procedures as considered necessary
- Objective - sufficient appropriate audit evidence

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Key Concerns and Decision Points



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So – Key Questions

- Timing of information
- Who will be responsible for information
- What's the basis of allocation and to how many decimal places?
- Will Plan prepare “templates” for employers with basic financial statement information / note disclosure / RSI?
- Who / When will auditing of census data take place?
- Who / When will auditing of “templates” take place?

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Key Concerns & Decision Points - Employers

- For all plans
 - Relationship between measurement date and plan year-end
 - Actuarial valuation - precision v. timeliness
 - Involvement in establishing assumptions
 - Reliance on plan actuary as management specialist
 - Qualifications of plan auditor
 - Will plan engage auditors to provide assurance on employer information?
 - Implementation concerns (timing, resources)
- Single-employer plans
 - Impact of stand-alone departmental or component unit reporting

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Key Concerns & Decision Points - Employers

- Special funding situations (do we have them?)
(unlikely in ND)
 - Identification
 - Handling differences of opinion
- Cost-sharing multiple-employer plans
 - Obtain amounts and disclosures for the financials
 - Evaluating accuracy of information
 - What work will my auditors need to do?

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Key Concerns & Decision Points - Auditors

- For all plans
 - Timing of information needed for audit
 - Role in evaluating actuarial assumptions
 - Need to engage auditor's specialist?
 - Will plan engage auditors to provide assurance on employer information?
 - Did plan auditors engage a specialist?
 - Qualifications of plan auditor
 - Implementation concerns (timing, resources)
 - Sufficient appropriate audit evidence for unmodified opinion?
- Single-employer plans
 - Impact of stand-alone departmental or component unit reporting

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Key Concerns & Decision Points - Auditors

- Special funding situations (unlikely in ND)
 - Identification
 - Handling differences of opinion
- Cost-sharing multiple-employer plans
 - Who will audit collective amounts and allocation of amounts to participating employers?
 - Obtaining sufficient audit evidence on actuarial information
 - Who will test census data at participating employers?

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Talking Points to Your Decision Makers / Media

- Remember the 3 C's
 - **Consistent** messaging
 - **Concise** information (not data)
 - **Calm** not chaos
- **Talking points**
 - GASB Pension standards are for financial reporting, not overall decision-making or funding
 - But may drive changes in decisions in the future
 - Transparency in financials are increasing due to new standards
 - New financial statements reflect economic reality rather than historical cash flow
 - The plan is NOT changing solely due to new standards
 - Coordination and administration are being done very conservatively at the state level

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Town Hall Discussion



CPA & BUSINESS ADVISORS

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Questions!



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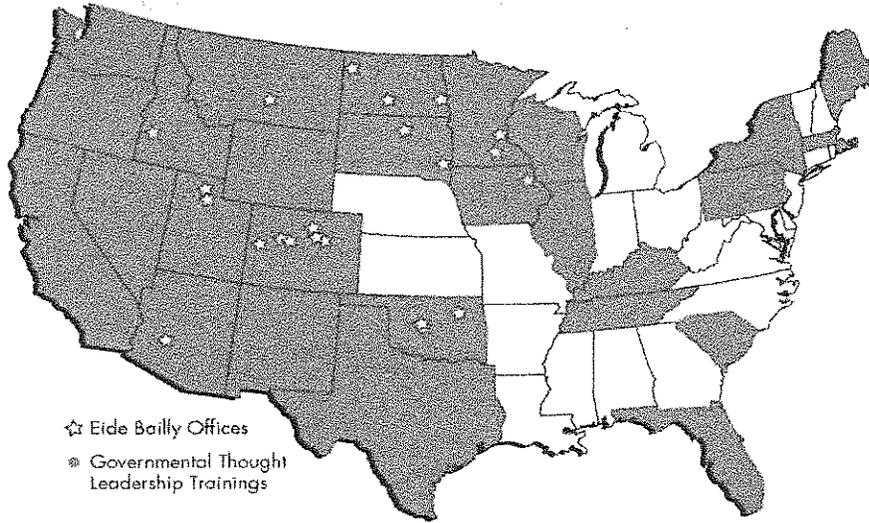
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Where is Eide Bailly?



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Appendices

Illustrative Notes for Pensions



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What a District's Notes Will Look Like for a DB Plan



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Sample District Notes to the Financial Statements for the Year Ended June 30, 20X9 (Dollar amounts in thousands)

Summary of Significant Accounting Policies

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers Pension Plan (TPP) and additions to/deductions from TPP's fiduciary net position have been determined on the same basis as they are reported by TPP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note X

General Information about the Pension Plan

Plan description. The District's defined benefit pension plan, Political Subdivision Pension Plan (PSPP), provides pensions for all participating political subdivisions employees of the State. PSPP is a agent-employer defined benefit pension plan administered by the State Consolidated Retirement System (SCRS). Article 2 of the *Constitution of the State* grants the authority to establish and amend the benefit terms to the SCRS Board of Trustees (SCRS Board). SCRS issues a publicly available financial report that can be obtained at <http://www.treasury.xx.gov/SCRS.pub.html>.

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Sample District
Notes to the Financial Statements
for the Year Ended June 30, 20X9
(Dollar amounts in thousands)

Benefits provided. PSPP provides retirement, disability, and death benefits. Retirement benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at age 60 with 5 years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in performance of duty. Members joining the plan prior to July 1, 1979, are vested upon completion of 10 years of service, unless five years vesting is authorized by resolution of the chief governing body. Cost of living adjustments (COLA) are the same as provided by SCRS, except that the local government may elect (a) to provide no COLA benefits or (b) to provide COLA benefits under a noncompounding basis rather than the compounded basis applicable under SCRS.

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Sample District
Notes to the Financial Statements
for the Year Ended June 30, 20X9
(Dollar amounts in thousands)

Contributions. Per Article 33 of the State Statutes, contribution requirements of the active employees and the participating school districts are established and may be amended by the TRS Board. Employees are required to contribute 6.20 percent of their annual pay. The school districts' contractually required contribution rate for the year ended June 30, 20X9, was 17.32 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$2,095 for the year ended June 30, 20X9.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 20X9, the District reported a liability of \$14,910 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 20X8, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At December 31, 20X8, the District's proportion was 0.20 percent, which was an increase of 0.01 from its proportion measured as of December 31, 20X7.

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Sample District
Notes to the Financial Statements
for the Year Ended June 30, 20X9
(Dollar amounts in thousands)

For the year ended June 30, 20X9, the District recognized pension expense of \$2,394. At June 30, 20X9, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,657	\$ 142
Changes of assumptions	1,714	130
Net difference between projected and actual earnings on pension plan investments	-	2,194
Changes in proportion and differences between District contributions and proportionate share of contributions	753	156
District contributions subsequent to the measurement date	1,065	-
Total	<u>\$ 6,189</u>	<u>\$ 2,622</u>

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Sample District
Notes to the Financial Statements
for the Year Ended June 30, 20X9
(Dollar amounts in thousands)

\$1,065 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 20Y0. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:		<i>Note – optional presentation of this table – separate columns of positives and negatives and total column by year</i>
20Y0	\$(272)	
20Y1	159	
20Y2	220	
20Y3	543	
20Y4	553	
Thereafter	1,299	

Payable to the Pension Plan

At June 30, 20X9, the District reported a payable of \$xx for the outstanding amount of contributions to the pension plan required for the year ended June 30, 20X9.

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Sample District
Notes to the Financial Statements
for the Year Ended June 30, 20X9
(Dollar amounts in thousands)

Actuarial assumptions. The total pension liability in the December 31, 20X8 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5%
Salary Increases	4.5% average, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. The actuarial assumptions used in the December 31, 20X8 valuation were based on the results of an actuarial experience study for the period January 1, 20X6–October 31, 20X8. As a result of the 20X8 actuarial experience study, the expectation of life after disability was adjusted in the December 31, 20X8 actuarial valuation to more closely reflect actual experience.

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Sample District
Notes to the Financial Statements
for the Year Ended June 30, 20X9
(Dollar amounts in thousands)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Rate of Return
Domestic Equity	31%	5.4%
International Equity	21	5.6%
Fixed Income	28	1.3%
Real Estate	10	5.0%
Cash and Other	11	0.1%
Total	100%	

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Sample District
Notes to the Financial Statements
for the Year Ended June 30, 20X9
(Dollar amounts in thousands)

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate 7.75%	1% Increase (8.75%)
District's proportionate share of the Net Pension Liability	\$23,320	\$14,910	\$5,141

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Sample District
Notes to the Financial Statements
for the Year Ended June 30, 20X9
(Dollar amounts in thousands)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued SCRS financial report.

Additional items would be added as follows:

- Additional plans (also defined contribution plans)
- Terms and conditions of benefit changes
- Closed or open status of plan(s)
- Changes in the plan between the measurement date and reporting date (subsequent events)
- Ad Hoc COLAs (if any)
- Change in discount rate

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AGREEMENT FOR SERVICES

This Contract is between the State of North Dakota, acting through the North Dakota Public Employees Retirement System and the North Dakota Teachers' Fund for Retirement (STATE) and Eide Bailly, LLP (Contractor).

Contractor's proposal constitutes a formal offer to provide services to STATE. The terms of this Contract and the proposal dated April 24, 2014 shall constitute the consulting services agreement ("Agreement").

Contractor and STATE agree to the following:

1) **SCOPE OF SERVICES:** Contractor agrees to provide the above accepted services as specified in the proposal. The terms and conditions of the proposal are hereby incorporated as part of the Contract.

2) **TERM:** The term of this contract shall commence on May 16, 2014 and continue until the completion of the services identified, with an expected date of completion of all services by May 15, 2015.

3) **FEES:** STATE shall only pay pursuant to the terms in the proposal.

4) **BILLINGS:** The Contractor shall receive payment from STATE upon the completion of the services identified under this Agreement. After services are completed the Contractor may submit billings.

5) **TERMINATION:**

a. Either party may terminate this agreement with respect to tasks yet to be performed with thirty (30) days written notice mailed to the other party.

b. Termination for lack of funding or authority. STATE by written notice of default to CONTRACTOR, may terminate the whole or any part of this contract, under any of the following conditions:

(1) 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.

(2) If federal or state laws or rules are modified or interpreted in a way that the services are no longer allowable or appropriate for purchase under this contract or are no longer eligible for the funding proposed for payments authorized by this contract.

(3) If any license, permit, or certificate required by law or rule, or by the terms of this contract, is for any reason denied, revoked, suspended, or not renewed.

Termination of this contract under this subsection is without prejudice to any obligations or liabilities of either party already accrued prior to termination.

c. Termination for cause. STATE may terminate this contract effective upon delivery of written notice to CONTRACTOR, or any later date stated in the notice:

(1) If CONTRACTOR fails to provide services required by this contract within the time specified or any extension agreed to by STATE; or

(2) If CONTRACTOR fails to perform any of the other provisions of this contract, or so fails to pursue the work as to endanger performance of this contract in accordance with its terms.

6) **EMPLOYMENT STATUS:** CONTRACTOR is an independent entity under this contract and is not a STATE employee for any purpose, including the application of the Social Security Act, the Fair Labor Standards Act, the Federal Insurance Contribution Act, the North Dakota Unemployment Compensation Law and the North Dakota Workforce Safety and Insurance Act. CONTRACTOR retains sole and absolute discretion in the manner and means of carrying out CONTRACTOR'S activities and responsibilities under this contract, except to the extent specified in this contract.

7) **SUBCONTRACTS:** CONTRACTOR may not assign or otherwise transfer or delegate any right or duty without STATE'S express written consent. However, CONTRACTOR may enter into subcontracts provided that any subcontract acknowledges the binding nature of this contract and incorporates this contract, including any attachments. CONTRACTOR is solely responsible for the performance of any subcontractor. CONTRACTOR does not have authority to contract for or incur obligations on behalf of STATE.

8) **ACCESS TO RECORDS:** All participation by STATE members and their dependents in programs hereunder is confidential under North Dakota state law. The Contractor shall not disclose any individual employee or dependent information to the covered agency or its' representatives without the prior written consent of the employee or family member. The Contractor will have exclusive control over the direction and guidance of the persons rendering services under this agreement. The Contractor agrees to keep confidential all STATE information obtained in the course of delivering services. CONTRACTOR shall not use or disclose any information it receives from STATE under this contract that STATE has previously identified as confidential or exempt from mandatory public disclosure except as necessary to carry out the purposes of this contract or as authorized in advance by STATE or specified under this contract. STATE shall not disclose any information it receives from CONTRACTOR that CONTRACTOR has previously identified as confidential and that STATE determines in its sole discretion is protected from mandatory public disclosure under a specific exception to the North Dakota open records law, N.D.C.C. ch. 44-04. The duty of STATE and CONTRACTOR to maintain confidentiality of information under this section continues beyond the term of this contract.

CONTRACTOR understands that, except for disclosures prohibited in this contract, STATE must disclose to the public upon request any records it receives from CONTRACTOR. CONTRACTOR further understands that any records that are obtained or generated by CONTRACTOR under this contract, except for records that are confidential under this contract, may, under certain circumstances, be open to the public upon request under the North Dakota open records law. STATE retains ownership of all work product, equipment or materials created or purchased under this contract. CONTRACTOR agrees to contact STATE immediately upon receiving a request for information under the open records law and to comply with STATE'S instructions on how to respond to the request.

9) **OWNERSHIP OF WORK PRODUCT:** All work product, equipment or materials created or purchased under this contract belong to STATE and must be delivered to STATE at

STATE'S request upon termination of this contract. CONTRACTOR agrees that all materials prepared under this contract are "works for hire" within the meaning of the copyright laws of the United States and assigns to STATE all rights and interests CONTRACTOR may have in the materials it prepares under this contract, including any right to derivative use of the material. CONTRACTOR shall execute all necessary documents to enable STATE to protect its rights under this section.

10) **APPLICABLE LAW AND VENUE:** This agreement shall be governed by and construed in accordance with the laws of the State of North Dakota. Any action to enforce this contract must be brought in the District Court of Burleigh County, North Dakota.

11) **MERGER AND MODIFICATION:** This contract and the proposal shall constitute the entire agreement between the parties. In the event of any inconsistency or conflict among the documents making up this agreement, the documents must control in this order of precedence: First – the terms of this Contract, as may be amended and Second - – Contractor's Proposal. No waiver, consent, modification or change of terms of this agreement shall bind either party unless in writing and signed by both parties. Such waiver, consent, modification or change, if made, shall be effective only in the specific instances and for the specific purpose given. There are no understandings, agreements, or representations, oral or written, not specified herein regarding this agreement.

12) **INDEMNITY:** Contractor agrees to defend, indemnify, and hold harmless the state of North Dakota, its agencies, officers and employees (State), from and against claims based on the vicarious liability of the State or its agents, but not against claims based on the State's contributory negligence, comparative and/or contributory negligence or fault, sole negligence, or intentional misconduct. This obligation to defend, indemnify, and hold harmless does not extend to professional liability claims arising from professional errors and omissions. The legal defense provided by Contractor to the State under this provision must be free of any conflicts of interest, even if retention of separate legal counsel for the State is necessary. Any attorney appointed to represent the State must first qualify as and be appointed by the North Dakota Attorney General as a Special Assistant Attorney General as required under N.D.C.C. § 54-12-08. Contractor also agrees to defend, indemnify, and hold the State harmless for all costs, expenses and attorneys' fees incurred if the State prevails in an action against Contractor in establishing and litigating the indemnification coverage provided herein. This obligation shall continue after the termination of this agreement.

13) **INSURANCE:** Contractor shall secure and keep in force during the term of this agreement, and Contractor shall require all subcontractors, prior to commencement of an agreement between Contractor and the subcontractor, to secure and keep in force during the term of this agreement, from insurance companies, government self-

insurance pools or government self-retention funds, authorized to do business in North Dakota, the following insurance coverages:

- 1) Commercial general liability, including premises or operations, contractual, and products or completed operations coverages (if applicable), with minimum liability limits of \$250,000 per person and \$1,000,000 per occurrence.
- 2) Professional errors and omissions with minimum limits of \$1,000,000 per occurrence and in the aggregate, Contractor shall continuously maintain such coverage during the contact period and for three years thereafter. In the event of a change or cancellation of coverage, Contractor shall purchase an extended reporting period to meet the time periods required in this section.
- 3) Automobile liability, including Owned (if any), Hired, and Non-Owned automobiles, with minimum liability limits of \$250,000 per person and \$1,000,000 per occurrence.
- 4) Workers compensation coverage meeting all statutory requirements. The policy shall provide coverage for all states of operation that apply to the performance of this contract.
- 5) Employer's liability or "stop gap" insurance of not less than \$1,000,000 as an endorsement on the workers compensation or commercial general liability insurance. The insurance coverages listed above must meet the following additional requirements:
 - 1) Any deductible or self-insured retention amount or other similar obligation under the policies shall be the sole responsibility of the Contractor.
 - 2) This insurance may be in policy or policies of insurance, primary and excess, including the so-called umbrella or catastrophe form and must be placed with insurers rated "A-" or better by A.M. Best Company, Inc., provided any excess policy follows form for coverage. Less than an "A-" rating must be approved by the State. The policies shall be in form and terms approved by the State.
 - 3) The duty to defend, indemnify, and hold harmless the State under this agreement shall not be limited by the insurance required in this agreement.
 - 4) The state of North Dakota and its agencies, officers, and employees (State) shall be endorsed on the commercial general liability policy, including any excess policies (to the extent applicable), as additional insured. The State shall have all the benefits, rights and coverages of an additional insured under these policies that shall not be limited to the minimum limits of insurance required by this agreement or by the contractual indemnity obligations of the Contractor.
 - 5) The insurance required in this agreement, through a policy or endorsement, shall include:
 - a) "Waiver of Subrogation" waiving any right to recovery the insurance company may have against the State;
 - b) a provision that Contractor's insurance coverage shall be primary (i.e. pay first) as respects any insurance, self-insurance or self-retention maintained by the State and that any insurance, self-insurance or self-retention maintained by the State shall be in excess of the Contractor's insurance and shall not contribute with it;
 - c) cross liability/severability of interest for all policies and endorsements;

- d) The legal defense provided to the State under the policy and any endorsements must be free of any conflicts of interest, even if retention of separate legal counsel for the State is necessary;
- e) The insolvency or bankruptcy of the insured Contractor shall not release the insurer from payment under the policy, even when such insolvency or bankruptcy prevents the insured Contractor from meeting the retention limit under the policy.
- 6) Contractor shall provide at least 30 day notice of any cancellation or material change to the policies or endorsements.
- 7) The Contractor shall furnish a certificate of insurance to the undersigned State representative prior to commencement of this agreement.
- 8) Failure to provide insurance as required in this agreement is a material breach of contract entitling State to terminate this agreement immediately.

14) **SEVERABILITY:** If any term in this contract is declared by a court having jurisdiction to be illegal or unenforceable, the validity of the remaining terms must not be affected, and, if possible, the rights and obligations of the parties are to be construed and enforced as if the contract did not contain that term.

15) FORCE MAJEURE

CONTRACTOR shall not be held responsible for delay or default caused by fire, flood, riot, acts of God or war if the event is beyond CONTRACTOR'S reasonable control and CONTRACTOR gives notice to STATE immediately upon occurrence of the event causing the delay or default or that is reasonably expected to cause a delay or default.

16) NOTICE

All notices or other communications required under this contract must be given by registered or certified mail and are complete on the date mailed when addressed to the parties at the following addresses:

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

Fay Kopp, Deputy Executive Director – Chief Retirement Officer
ND Retirement and Investment Office – ND Teachers' Fund for Retirement
1930 Burnt Boat Drive
P.O. Box 7100
Bismarck, ND 58507-7100

Notice provided under this provision does not meet the notice requirements for monetary claims against the State found at N.D.C.C. § 32-12.2-04.

17) ATTORNEY FEES

In the event a lawsuit is instituted by STATE to obtain performance due under this contract, and STATE is the prevailing party, CONTRACTOR shall, except when prohibited by

N.D.C.C. § 28-26-04, pay STATE'S reasonable attorney fees and costs in connection with the lawsuit.

18) NONDISCRIMINATION AND COMPLIANCE WITH LAWS

CONTRACTOR agrees to comply with all laws, rules, and policies, including those relating to nondiscrimination, accessibility and civil rights. CONTRACTOR agrees to timely file all required reports, make required payroll deductions, and timely pay all taxes and premiums owed, including sales and use taxes and unemployment compensation and workers' compensation premiums. CONTRACTOR shall have and keep current at all times during the term of this contract all licenses and permits required by law.

19) STATE AUDIT

All records, regardless of physical form, and the accounting practices and procedures of CONTRACTOR relevant to this contract are subject to examination by the North Dakota State Auditor or the Auditor's designee. CONTRACTOR shall maintain all such records for at least three years following completion of this contract.

20) TAXPAYER ID

CONTRACTOR'S federal employer ID number is: 45-250958.

21) PAYMENT OF TAXES BY STATE

State is not responsible for and will not pay local, state, or federal taxes. State sales tax exemption number is E-2001, and certificates will be furnished upon request by the purchasing agency.

22) EFFECTIVENESS OF CONTRACT

This contract is not effective until fully executed by both parties.

IN WITNESS WHEREOF, Contractor and STATE have executed this Agreement as of the date first written above.

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

By: _____
Sparb Collins, Executive Director

Date: _____

NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT

By: _____
Fay Kopp, Chief Retirement Officer

Date: _____

EIDE BAILLY LLP

By:  _____
Title: Partner

Date: June 3, 2014



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

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

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

Memorandum

TO: PERS Board

FROM: Bryan

DATE: June 11, 2014

SUBJECT: Defined Contribution Plan Reporting

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

The first table shows that 414 members have elected the DC plan since it started in 2000. Of these, the second table shows that 219 are still active (53%). With the DC plan now open to all new employees, the graph shows a big increase in the number eligible for the plan. The bottom table shows only 11 members (out of 713 since 10/2013) have elected the DC 401(a) plan through May 2014.

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

Defined Contribution Reporting - May 2014

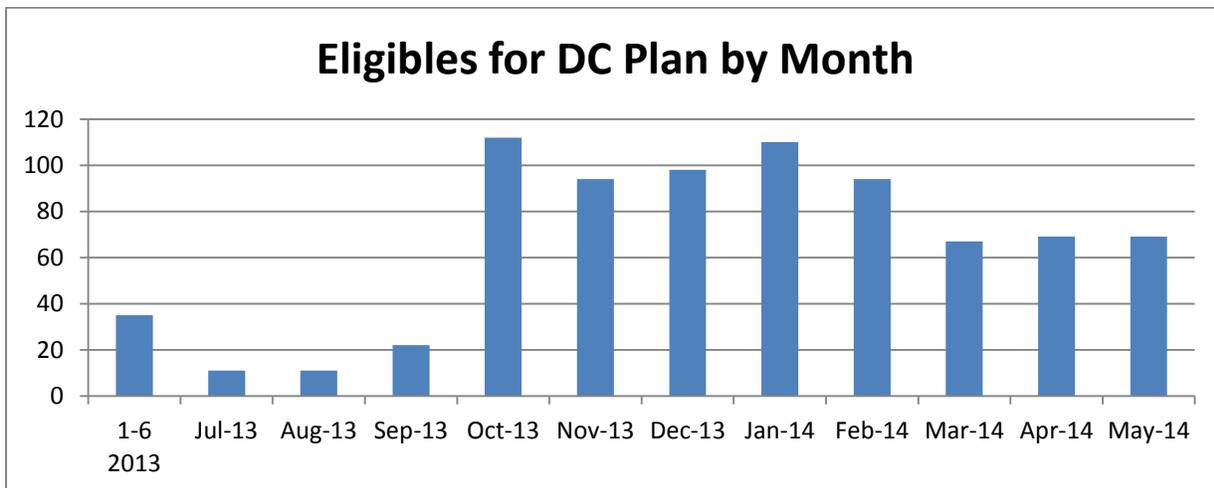
DC Enrollment		Frequency	Percent
Start Date			
Before 2013/07		399	97.55
2013/08		1	0.24
2013/09		2	0.48
2013/10		2	0.48
2013/11		1	0.24
2014/01		1	0.24
2014/02		1	0.24
2014/03		2	0.48
2014/05		5	1.21
Total		414	100

Current Status	Frequency	Percent	Cumulative Frequency	Cumulative Percent
Enrolled	219	52.90	219	52.90
Retired	14	3.38	233	56.28
Suspended	58	14.01	291	70.29
Withdrawn	123	29.71	414	100.00

52.90% of those electing the DC 401(a) plan are still active.

NDPERS DC 401(a) Active MEMBERS - May 2014

Agency	Frequency	Percent	Cumulative Frequency	Cumulative Percent
Workforce Safety & Insurance	83	37.90	83	37.90
Adjutant General ND National Guard	18	8.22	101	46.12
Legislative Council	12	5.48	113	51.60
Department Of Commerce	9	4.11	122	55.71
Information Technology Dept	9	4.11	131	59.82
Others (42 agencies)	88	40.18	219	100.00



New employee DB/DC estimates sent out	Eligible	Elections to Date (180 days to elect)
2013 October - 110	112	1
2013 November - 75	94	6
2013 December - 53	98	0
2014 January - 84	110	1
2014 February - 81	94	1
2014 March - 53	67	1
2014 April - 57	69	1
2014 May - 67	69	0



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

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

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

Memorandum

TO: PERS Board

FROM: Sparb

DATE: June 16, 2014

SUBJECT: DC Plans in the Public Sector

Attached is an article relating to the defined contribution plans in the public sector.
This is provided for information only.



DEFINED CONTRIBUTION PLANS IN THE PUBLIC SECTOR: AN UPDATE

By Alicia H. Munnell, Jean-Pierre Aubry, and Mark Cafarelli*

INTRODUCTION

The financial crisis and its aftermath generated two types of responses from sponsors of state and local government pensions. The first was to cut back on existing defined benefit plan commitments by raising employee contributions, reducing benefits for new employees and, in some cases, suspending the cost-of-living adjustments for existing retirees. The second response was to initiate proposals to shift some or all of the pension system from a defined benefit to a defined contribution plan. This *brief* describes this flurry of defined contribution activity, identifies the factors that led to the changes occurring in the states where they did, and presents data on participation and assets to put the flurry into perspective. The data

show that, while the introduction of defined contribution plans by some states has received considerable attention, activity to date has been modest.

DEFINED CONTRIBUTION ACTIVITY

Most state and local workers are covered by a traditional defined benefit plan. In addition, these workers often have a supplementary 457 defined contribution plan that allows them to put aside a portion of their pay on a tax-deferred basis. These supplementary plans are not the topic of this *brief*.¹ Rather the focus is on changes at the primary plan level. For discussion purposes, it is useful to look at the pre-crisis and post-crisis periods separately.

* Alicia H. Munnell is director of the Center for Retirement Research at Boston College (CRR) and the Peter F. Drucker Professor of Management Sciences at Boston College's Carroll School of Management. Jean-Pierre Aubry is assistant director of state and local research at the CRR. Mark Cafarelli is a research associate at the CRR. The authors would like to thank Keith Brainard, Steven Kreisberg, Ian Lanoff, and Nathan Scovronick for helpful comments.

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BEFORE THE 2008 FINANCIAL CRISIS

Before the financial crisis, a number of states had introduced a defined contribution plan to their structure. Most of these plans took the form of an optional defined contribution plan. That is, the sponsor retained its defined benefit plan and simply offered employees the alternative of participating in a defined contribution plan instead. Only two states, Michigan and Alaska, introduced plans that require all new hires to participate solely in a defined contribution plan.² The Alaska reform applied to both general state and local workers and teachers, while the Michigan reform was limited to general state workers. Three states, California, Indiana, and Oregon, adopted hybrid plans, where employees are required to participate in both a defined benefit and a defined contribution plan.³ The timeline of the introduction of these defined contribution plans is interesting; much of the activity occurred in the wake of the fantastic performance of the stock market during the 1990s (see Figure 1).

SINCE THE FINANCIAL CRISIS

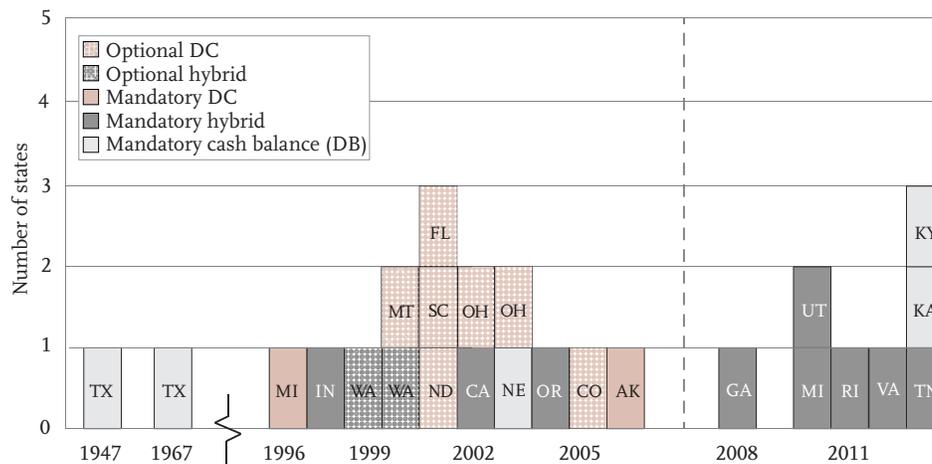
In the wake of the financial crisis, sponsors have once again shown interest in defined contribution plans. This second wave of initiatives is quite different than the pre-crisis changes. First, all the new plans are mandatory, as opposed to mainly voluntary in the pre-crisis period. Second, being mandatory, they apply

only to new employees. Third, none of the sponsors has followed the earlier Alaska-Michigan model of forcing employees to rely solely on a defined contribution plan where the employee bears all the risks. Rather, the post-crisis plans consist of either a hybrid plan or a cash balance plan, which is a defined benefit plan that maintains notional individual accounts but provides some guaranteed base return.

Hybrid Plans. Since the financial crisis, six states have replaced their traditional defined benefit plan with a mandatory hybrid plan. The following provides a thumb-nail sketch of these new initiatives.

Georgia. According to system administrators, the shift was driven mainly by the preference of young workers, who make up over 60 percent of the state's workforce, for wages over benefits.⁵ In response, the state raised wages and introduced a hybrid pension plan with a smaller defined benefit plan and a 401(k) component for young mobile workers.⁶ New hires are automatically enrolled in the 401(k) plan at 1 percent of salary with contributions up to 5 percent eligible for an employer match. The match is 100 percent of the automatic contribution and 50 percent of optional contributions, for a maximum match of 3 percent of salary. The defined benefit plan will pay 1 percent for each year of service on the annual average of the highest 24 months of earnings.⁷ Members contribute 1.25 percent of salary to the defined benefit plan, and the state contributes the rest.

FIGURE 1. INTRODUCTION OF STATE DEFINED CONTRIBUTION PLANS, BY YEAR, 1947-2013⁴



Sources: Actuarial reports; state websites; National Association of State Retirement Administrators (2013); and Munnell (2012).

Michigan. Press reports suggest that containing future employer costs (including required contributions for retiree health insurance) was a major motivation for the new plan.⁸ Despite the fact that Michigan general state employees have been enrolled in a defined contribution plan, the state decided to adopt a hybrid for public school employees. New employees automatically contribute 2 percent of salary to the defined contribution plan, with optional contributions up to the IRS limit. The sponsor matches 50 percent of the employee's first 2 percent of contributions.⁹ The defined benefit plan pays 1.5 percent for each year of service on the annual average of the highest 60 months of earnings.¹⁰ Employees will contribute 6.4 percent of salary to the defined benefit plan.

Rhode Island. The impetus for reform was the prospect of the system running out of money within ten years. Suspending the cost-of-living-adjustment (COLA) until the trust fund was 80 percent funded provided immediate relief. Current employees saw their defined benefit plan replaced by a hybrid plan and their expected worklife lengthened as the retirement age gradually rises to mirror that of Social Security. The reforms have been challenged in court. Through mediation, the parties agreed in February 2014 to adopt the reforms with only modest changes; but, in April 2014, the mediation agreement was rejected by police union members so the parties are headed back to court.

Utah. The motivation in this case was the state's desire to reduce its risk exposure. (The Utah plans are fairly well funded.) New employees have the option of participating in either a defined contribution plan or a hybrid. In the case of a defined contribution plan, the employer will automatically contribute 10 percent of an employee's compensation for most public employees and 12 percent for public safety and firefighter members.¹¹ Under the hybrid plan, the employer will pay up to 10 percent toward the defined benefit component; employees will contribute any additional amount to make the required contribution.¹² When the cost of the defined benefit plan is less than 10 percent, the difference is deposited into the employee's defined contribution account.

Tennessee. This hybrid plan is mandatory for all public employees, except local government workers. The defined benefit portion will provide 1 percent of final salary, financed by an employee contribution of 5 per-

cent and a target employer contribution of 4 percent. The defined benefit portion includes a COLA based on the Consumer Price Index, capped at 3 percent. In the defined contribution portion, the employee is automatically enrolled at 2 percent while the employer contributes 5 percent.

Virginia. Under the hybrid plan, the defined benefit component will provide 1 percent of final salary (average of the last 60 months) for each year of service, financed by an employee contribution of 4 percent and an actuarially determined employer contribution. The defined benefit plan includes a COLA, capped at 3 percent. On the defined contribution side, the employee is required to contribute 1 percent, but the employer will match contributions up to 5 percent – 100 percent on the first 2 percent and 50 percent on the next 3 percent.

Cash Balance Plans. Three states have recently passed legislation to introduce cash balance plans. Cash balance plans are defined benefit plans where each member has a notional account to which the employer and, in the public sector, the employee each make contributions, and the employer credits a return annually. These plans differ in two important ways from traditional defined benefit plans. First, they enhance the likelihood of making required contributions, thereby preventing the future buildup of large unfunded liabilities. Second, they allocate benefits more evenly between short- and long-term employees than the traditional back-loaded defined benefit plans. Four public sector systems – Nebraska (for state and county workers), the Texas Municipal Retirement System, the Texas County and District Retirement System, and the California State Teachers' Retirement System for part-time instructors at community colleges – have had cash balance plans for some time. Kansas, Kentucky, and Louisiana have just recently introduced cash balance plans. The Louisiana plan was ruled unconstitutional, so the discussion focuses on Kansas and Kentucky.

Kansas. The employee contributes 6 percent and the employer contributes 3-6 percent (depending on the employee's years of service). The guaranteed interest credit is 5.25 percent with possible additional dividends if investment returns warrant. At retirement, all balances will be annuitized, except that members may withdraw up to 30 percent of their balances in a lump sum.

Kentucky. The employee contributes 5 percent and the employer contributes 4 percent. The guaranteed interest credit is 4 percent plus 75 percent of any net investment return in excess of 4 percent. At retirement, members may choose either annuity payments or a lump-sum payment of the accumulated account balance.

Figure 2 shows *where* the changes have occurred by type of plan. With a few exceptions, the activity has occurred in states with smaller populations. California is clearly not a small state, but it has since withdrawn from the defined contribution business.¹³ It is one thing to know where change has occurred; the other question is *why*?

WHY DID SOME STATES INTRODUCE DEFINED CONTRIBUTION PLANS?

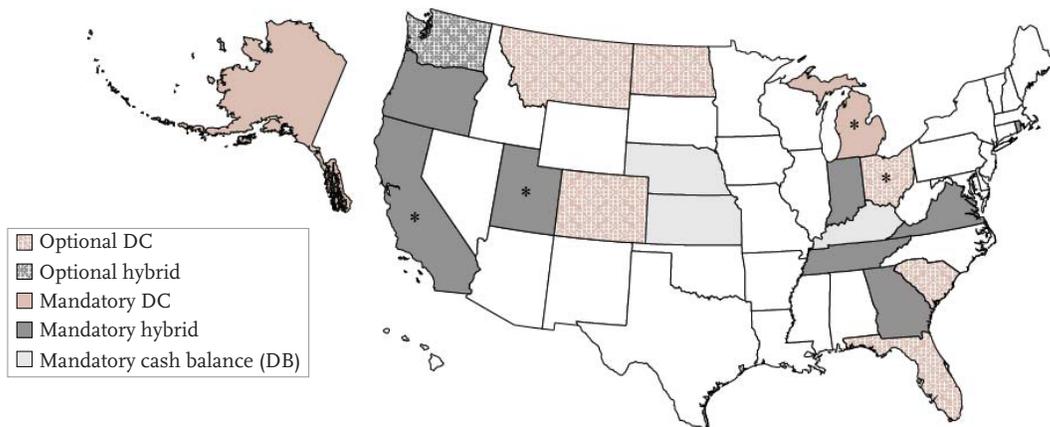
The motivation for introducing a defined contribution type plan seems to differ before and after the financial crisis. Before 2008, the motivation appears to have been offering employees an opportunity to manage their own money and participate directly in a rapidly rising stock market. After the financial crisis, the motivation appears to be more defensive – to avoid the high costs associated with large unfunded liabilities; to unload some of the investment and mortality risk associated with traditional defined benefit plans; and to have a less back-loaded benefit structure to increase

the amount that short-term employees can take with them when they leave.

We undertook an empirical analysis in two time periods – before the financial crisis and after the financial crisis – to test the extent to which the motivating factors were related to the probability that a plan sponsor would introduce a defined contribution component, including the introduction of a cash balance plan. The analysis included data on each state-administered plan from 1992 through 2013. The dependent variable was set equal to zero if no action was taken and 1 if the state introduced some form of defined contribution plan. The plan was removed from the sample once an action was taken. The independent variables included:

- Average benefits/average salary: This proxy for the costliness of the defined benefit plan would be expected to encourage a shift to a defined contribution plan.
- Unfunded liability/payroll: Plans with large unfunded liabilities relative to payroll are more susceptible to risk and therefore would be more likely to adopt a defined contribution approach to unload some of their investment and mortality risk.
- Teachers in plan: Teachers' representatives are generally more interested in benefits for career employees than for those with short tenure. Thus, teacher plans or plans with a significant number of teachers would be less likely to introduce a defined contribution plan in an effort to reward short-tenure workers.

FIGURE 2. LOCATION OF DEFINED CONTRIBUTION INITIATIVES¹⁴



Sources: Actuarial reports; state websites; National Association of State Retirement Administrators (2013); and Munnell (2012).

- **Republican control:** Republicans are more likely to support employees’ ability to control their own investments and match their assets to their tolerance for risk. Introducing a defined contribution plan when Republicans control the state governorship and legislature would be consistent with their political philosophy.
- **Social Security coverage:** Between 25 and 30 percent of state and local employees are not covered by Social Security. The hypothesis is that states where workers do not have this basic protection would be less likely to introduce a defined contribution plan, where employees would bear all the risks associated with retirement planning.

Colorado, Ohio, and Alaska, three states with a very high proportion of non-covered workers. In Colorado and Ohio, the defined contribution plans are optional and the take-up has been modest. Thus, most of these workers will continue to have the protection against investment risk and the promise of an annuity that comes with a defined benefit plan. In Alaska, however, the story is quite different. Despite the fact that nearly three quarters of Alaska’s public employees are not covered by Social Security, all new hires are required to join a defined contribution plan. Therefore, state workers and teachers in Alaska hired since July 2006 do not have any form of defined benefit protection.

The results are shown in Figure 3 (with more details in Appendix A). The bars show the effect on the probability of introducing a defined contribution plan in a single year. The effects are quite large given that only 20 percent of sponsors introduced some form of defined contribution plan before the financial crisis, and only 15 percent did so after the crisis.

CURRENT LEVEL OF ‘DC’ ACTIVITY

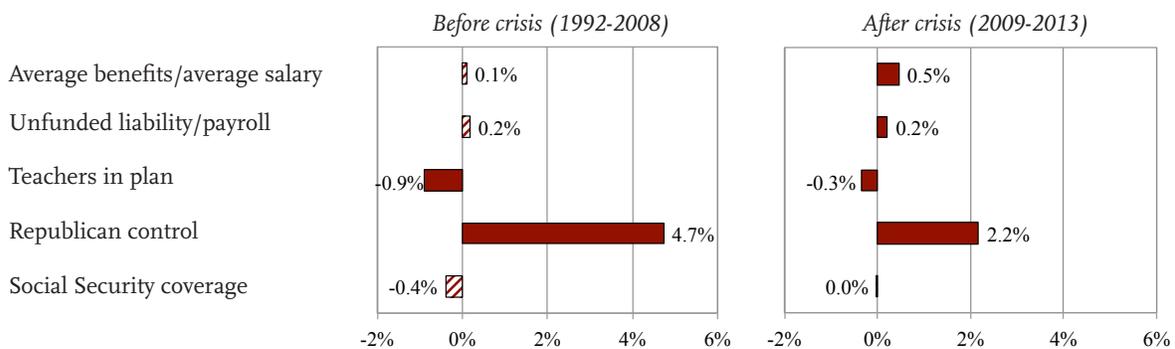
While the number of initiatives and the map make it look like a lot is happening on the defined contribution front, the amount of money in these plans is very small (see Figure 4 on the next page and Appendix B). Again the focus here is on primary plans; the amount in supplementary 457 plans is provided as a benchmark.

Before the financial crisis, the probability of introducing a defined contribution plan appears to be positively affected only by political philosophy; neither the cost nor risk factors play a role. After the crisis, political philosophy is less important, while cost and risk factors play a significant role. Both before and after, the presence of teachers is associated with a lower probability of shifting away from a traditional defined benefit plan.

The small amount of money is the result of a number of factors. First, at a slight risk of overstatement, the introduction of an optional defined contribution plan has almost no effect. Virtually no one puts their money in the plan. Florida is a slight exception in that it has \$7 billion, mainly because participants are allowed one opportunity to switch between the defined benefit and defined contribution plans after their initial choice. Second, only two states have a mandatory defined contribution plan: Alaska

The fact that Social Security coverage did not have any effect on the outcome in either time period is surprising. The results are clearly driven by events in

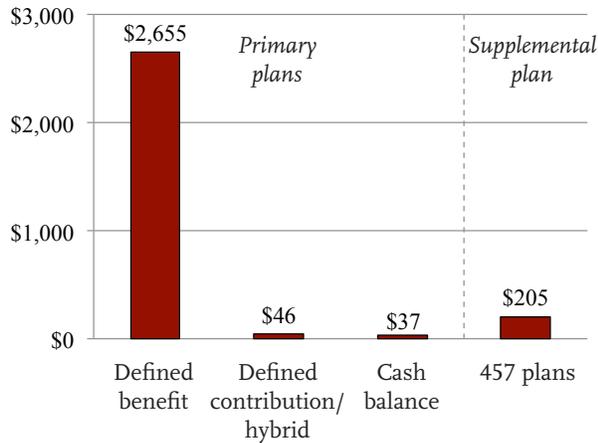
FIGURE 3. IMPACT ON THE PROBABILITY OF INTRODUCING A DEFINED CONTRIBUTION PLAN



Note: Changes are one standard deviation for continuous variables and 0/1 for dichotomous variables. The striped bars indicate that the coefficients are not statistically significant. The solid bars indicate statistical significance at least at the 10-percent level.

Source: Authors’ calculations.

FIGURE 4. ASSETS IN STATE AND LOCAL PENSION PLANS, IN BILLIONS OF DOLLARS, 2012

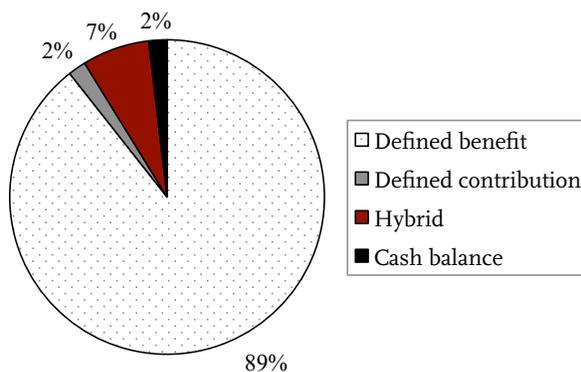


Sources: Actuarial and financial reports; and *Public Plans Database* (2012).

and Michigan. Third, the mandatory hybrid plans ultimately will have an impact on asset allocation between defined benefit and defined contribution, but they are too new for the effect to be visible. And the recent trend is toward cash balance plans, which are technically defined benefit plans.

In terms of participants, the numbers look somewhat more substantial even though all the mandatory provisions apply only to new employees. About 11 percent of public sector workers are currently covered by something other than a traditional defined benefit plan (see Figure 5).

FIGURE 5. DISTRIBUTION OF STATE AND LOCAL PARTICIPANTS BY PLAN TYPE, 2012



Sources: Actuarial and financial reports; and *Public Plans Database* (2012).

An interesting question is what the public pension landscape will look like in 30 years. Today, new employees are a tiny fraction of the workforce. In the future, they will constitute the entire workforce. Our rough estimates, *based on the changes made to date*, are that defined contribution participants will account for 19 percent of the public sector workforce in 2042 and, at that time, defined contribution assets will account for 10 percent of total assets (see Table 1). The discrepancy is due to two factors. First, even in 2042, a sizable share of the assets belongs to retirees who were covered by the old defined benefit plan. Second, and somewhat less important, is that most of the mandatory changes have been to hybrid plans where roughly half the money goes to a defined benefit plan and half to a defined contribution plan.

TABLE 1. PROJECTED DISTRIBUTION OF STATE AND LOCAL EMPLOYEES AND ASSETS BY PLAN TYPE, 2042

Plan type	Employees	Pension assets
Defined benefit	81%	90%
Defined contribution	2	1
Hybrid	13	4
Cash balance	4	5
Total	100	100

Source: Authors' calculations.

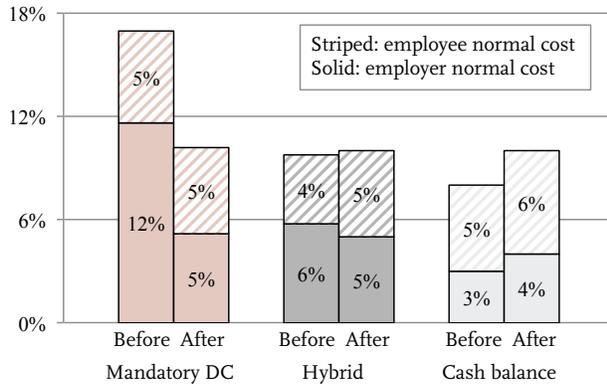
THE IMPACT OF THE SHIFT TO DCs ON BENEFITS

The remaining question is what happens to benefit levels generally as plan sponsors move away from pure defined benefit plans. Critics argue that sponsors are not only changing the form of the benefit, but also the level.

One measure of the benefit is the normal cost – that is, the amount that employers must put aside each year to cover the cost of accruing benefits. On that front – with the exception of the mandatory defined contribution plans in Alaska and Michigan – plan sponsors appear to be maintaining their previous level of contributions (see Figure 6 on the next page).

The initial contribution, however, does not tell the whole story. Under the traditional defined benefit plan, participants are promised a return of about 8 percent. Under any defined contribution arrangement, workers will receive whatever returns the market offers, which could well be less than 8 percent. Under the cash balance plans introduced

FIGURE 6. NORMAL COST FOR MANDATORY PLANS BEFORE AND AFTER LEGISLATIVE ACTION



Sources: Authors' calculations based on actuarial and financial reports; National Association of State Retirement Administrators (2013); and Munnell (2012).

in Kansas and Kentucky, participants are guaranteed 5.25 and 4 percent, respectively, with the potential of some upside. So benefits have been reduced with the introduction of defined contribution arrangements.

CONCLUSION

Although the introduction of defined contribution plans by some states has received a lot of press attention, activity to date has been modest. Moreover, most of the recent efforts have been a move to either hybrid plans, with a mandatory defined contribution and defined benefit component, or to cash balance plans, where participants are guaranteed a return of 4 or 5 percent.

Sponsors' shifts from complete reliance on traditional defined benefit plans appear to be driven by a desire to avoid future unfunded liabilities, to reduce investment and mortality risk, and to provide some benefits to short-tenure workers. Of course, moving away from defined benefit plans means that individuals must face the risk of poor investment returns, the risk that they might outlive their assets, and the risk that inflation will erode the value of their income in retirement – on at least a portion of their retirement savings in hybrid plans. Participants in cash balance plans do receive a guaranteed return but, among the plans adopted to date, it is less than the typical 8-percent guarantee in traditional defined benefit plans. But if some defined contribution component or cash balance arrangement enhances the likelihood of responsible funding, public sector employees may enjoy some increased security.

ENDNOTES

- 1 Forty-eight states provide access to a supplementary defined contribution plan (Ferrara 2002).
- 2 The District of Columbia also requires its general government employees to join a primary defined contribution plan, but the analysis here is limited to states. Other states have considered moving to a primary defined contribution plan. For example, California's governor proposed such a switch in 2004, but this plan generated substantial opposition from public employee unions and the proposal was dropped in 2005. For more details on other attempts to move into defined contribution plans, see American Federation of State, County and Municipal Employees (2007).
- 3 In addition, Washington state introduced a hybrid option for two of its plans.
- 4 Utah, which offers employees a choice between a hybrid and a defined contribution plan, is classified as mandatory hybrid, because employees are required to have some defined contribution plan. Ohio PERS and STRS, which offer a choice of defined contribution, hybrid, or defined benefit, are classified as optional defined contribution since employees are not required to have any defined contribution plan.
- 5 Teacher Retirement System of Texas (2012).
- 6 In the public sector, the only defined contribution plans that are technically 401(k)s are grandfathered plans that were established by May 6, 1986; Georgia's plan was originally created before 1986 as an optional supplement to its primary defined benefit plan. See U.S. Government Accountability Office (2012).
- 7 The Board of Trustees can increase the benefit factor in the future to up to 2 percent if funds are available.
- 8 *GovMonitor* (2010); and Michigan Association of School Boards (2010).
- 9 Michigan House Fiscal Agency (2009).
- 10 While the accrual rate is the same as it was under the two existing defined benefit plans for school employees, the age and service requirements for this plan have been increased and the COLA eliminated.
- 11 Liljenquist (2010).
- 12 Employers are also required to pay 5 percent of payroll to the Utah Retirement System to amortize legacy unfunded pension liabilities.
- 13 CalSTRS defined benefit plan included a mandatory cash balance component from 2001-2010; this component is now discontinued and the contributions instead go into the defined benefit plan. California still has a small (400-person) optional cash balance plan for part-time employees at public schools.
- 14 Michigan SERS is a mandatory defined contribution plan, while Michigan MPSERS is a mandatory hybrid plan. CalSTRS' defined benefit plan included a mandatory cash balance component from 2001-2010, which was discontinued in 2011. Utah, which offers employees a choice between a hybrid and a defined contribution plan, is classified as mandatory hybrid, because employees are required to have some defined contribution plan. Ohio PERS and STRS, which offer a choice of defined contribution, hybrid, or defined benefit, are classified as optional defined contribution since employees are not required to have any defined contribution plan.

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APPENDICES

APPENDIX A

TABLE A1. SUMMARY STATISTICS FOR REGRESSION ON PROBABILITY OF INTRODUCING A DEFINED CONTRIBUTION PLAN, PRE-CRISIS

Variables	Number of observations	Mean	Standard deviation	Minimum	Maximum
Average benefits/average salary	1,024	0.45	0.17	0	1
Unfunded liability/payroll	1,024	50.54	48.14	0	289
Teachers in plan	1,024	0.53	0.50	0	1
Republican control	1,024	0.19	0.39	0	1
Social Security coverage	1,024	0.77	0.42	0	1

Source: Authors' calculations.

TABLE A2. SUMMARY STATISTICS FOR REGRESSION ON PROBABILITY OF INTRODUCING A DEFINED CONTRIBUTION PLAN, POST-CRISIS

Variables	Number of observations	Mean	Standard deviation	Minimum	Maximum
Average benefits/average salary	1,177	0.45	0.16	0	1
Unfunded liability/payroll	1,177	61.94	52.51	0	289
Teachers in plan	1,177	0.51	0.50	0	1
Republican control	1,177	0.20	0.40	0	1
Social Security coverage	1,177	0.80	0.40	0	1

Source: Authors' calculations.

TABLE A3. REGRESSION RESULTS FOR PROBABILITY OF INTRODUCING A DEFINED CONTRIBUTION PLAN

Variables	Pre-crisis	Post-crisis
Average benefits/average salary	0.006 (0.012)	0.010 * (0.007)
Unfunded liability/payroll	0.000 (0.000)	0.000 ** (0.000)
Teachers in plan	-0.009 ** (0.005)	-0.003 ** (0.003)
Republican control	0.047 * (0.017)	0.022 *** (0.011)
Social Security coverage	-0.004 (0.006)	0.000 (0.002)
Pseudo R ²	0.197	0.222
Number of observations	1,024	1,177

Note: Robust standard errors for state-level clustering are in parentheses. The coefficients are significant at the 10-percent level (*), 5-percent level (**), or 1-percent level (***).

Source: Authors' calculations.

APPENDIX B

TABLE B1. CHARACTERISTICS OF PRIMARY DEFINED CONTRIBUTION PLANS

Plan name	Participants						Assets (millions)				
	Year enacted	2007	2009	2010	2011	2012	2007	2009	2010	2011	2012
<i>Optional defined contribution plans</i>											
Colorado PERA – PERAChoice	2004	489	3,039	3,479	4,029	4,362	\$3	\$37	\$53	\$64	\$83
Florida FRS Investment Fund	2000	98,070	121,522	127,940	137,900	148,837	3,687	4,075	5,050	6,738	7,100
Montana PERS – DCRP	1999	1,563	1,949	2,019	2,026	2,035	41	44	58	77	85
North Dakota PERS – DCRP	2000	301	300	293	287	283	18	14	17	21	23
Ohio PERS – Member-Directed Plan	2002	8,579	9,824	11,010	12,215	12,815	124	201	279	317	410
Ohio STRS – Member-Directed & Combined Plans	2001	4,268	4,500	4,503	4,614	4,671	283	297	384	519	568
South Carolina SCRS – State ORP	2000	16,081	19,902	19,574	19,681	20,021	502	561	696	830	965
Utah – Tier II Defined Contribution Plan	2010	0	0	0	0	524	0	0	0	0	19
<i>Optional hybrid plans</i>											
Ohio PERS – Combined Plan	2000	6,905	7,354	7,627	8,024	8,418	157	223	301	334	420
Washington PERS – Plan 3	1999	25,290	30,367	31,126	32,175	32,656	1,348	1,188	1,374	1,689	1,724
Washington SERS – Plan 3	1998	36,564	38,138	38,585	38,996	39,541	1,052	918	1,053	1,269	1,278
Washington TRS – Plan 3	1988	58,349	58,952	60,146	60,309	61,312	3,971	3,419	4,025	5,032	5,171
<i>Mandatory defined contribution plans</i>											
Alaska PERS – DCR Plan	2005	2,862	7,516	9,716	11,736	13,643	9	56	104	184	246
Alaska TRS – DCR Plan	2005	646	1,997	2,663	3,240	3,762	6	27	48	84	110
Michigan SERS	1996	24,043	25,540	266,335 ^a	27,155 ^a	28,000 ^a	2,547	2,750	1,481	1,909	2,461 ^a
<i>Mandatory hybrid plans</i>											
California CalSTRS – DB Supplement Program	2001	455,453	458,243	440,824	417,262	403,117	3,951	5,636	6,412	8,054	8,042
Georgia GSEPS	2008	0	2,105	6,835	11,093	15,246	0	310	361	440	450
Indiana PERF – ASA	1997	138,863	147,792	149,877	147,933	145,519	2,694	2,669	2,780	2,805	2,749
Indiana TRF – ASA	1997	39,307	45,046	46,433	46,633	47,885	2,715	2,920	3,423	3,665	3,936
Michigan MPSERS	2010	0	0	1,800	18,803	24,340	0	0	64	79	308

Plan name	Participants						Assets (millions)				
	Year enacted	2007	2009	2010	2011	2012	2007	2009	2010	2011	2012
Oregon PERS – IAP	2003	43,541	58,097	69,227	80,753	76,002	1,877	2,109	2,928	4,037	4,392
Rhode Island ERSRI	2011	0	0	0	22,504	25,723 ^a	0	0	0	7,489	7,284
Tennessee – TCRS State and Teachers	2013 ^b										
Utah – Tier II Contributory Hybrid	2010	0	0	0	4,429	9,949	0	0	0	3	18
Virginia VRS Hybrid	2012 ^b										
<i>Mandatory cash balance</i>											
Kansas KPERS	2013 ^c										
Kentucky RS	2013 ^b										
Louisiana SERS	2013	Ruled unconstitutional									
Louisiana TRS	2013	Ruled unconstitutional									
Nebraska County ERS	2002	4,156	5,446	5,645	5,639	5,796	\$116	\$130	\$166	\$200	\$209
Nebraska State ERS	2002	9,051	11,323	11,739	11,200	11,263	421	470	594	689	702
Texas Municipal TMRS	1947	98,440	102,419	101,240	101,151	100,517 ^a	14,203	16,306	17,992	18,571	
Texas County & District TCDRS	1967	116,858	123,446	122,889	121,919	121,963	16,910	15,556	17,730	17,626	19,885

^a Authors' estimates.

^b Effective for new hires Jan. 1, 2014.

^c Effective for new hires Jan. 1, 2015.

Sources: *Public Plans Database* (2007 and 2009); and various financial and actuarial reports.

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

Memorandum

TO: PERS Board

FROM: Sparb

DATE: June 12, 2014

SUBJECT: Legislative/Gallagher Contract & Data Request Update

At our special Board meeting on May 29 you approved our contract with the Legislature/Gallagher relating to sharing of PERS data for a study on the retirement plan. With that approval I signed the contract that day and it was fully signed by all parties on May 30. On June 2 I hosted a conference call with Gallagher, Segal and us to get everyone introduced and to discuss the requested information and the transfer process. By June 4 all data from PERS and Segal had been uploaded to secure sites for transfer. I confirmed with Gallagher that the information had been received.



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: June 13, 2014
SUBJECT: RFP – Fully insured

Attached please find the first draft of the fully insured RFP from Deloitte. In July you will get the self insured RFP. Staff is starting its review of the RFP. At the Board meeting we will be seeking your observations and suggestions. Please note that with this bid we will be returning to our process of awarding for 6 years on a fully insured basis. The next step will be to incorporate Board and staff comments the week of June 23. Once that is completed, we will send the RFP and advertise it in local papers. The return date will be eight weeks from the sent date.

Questions

1. Our process for sending the notification of the RFP has been to send it to those who have expressed an interest, companies that do business in the health insurance market and public notice in North Dakota papers. It has been suggested to us that our direct notification of firms puts brokers at a disadvantage and therefore we should not do any direct solicitation. NDCC 54-52.1-04 states "Bids must be solicited by advertisement in a manner selected by the board that will provide reasonable notice to prospective bidders". Should we consider changing our process?
2. Last time it was suggested that it may be helpful for us to have a bidder's conference? However, it was noted that the meetings we had with finalist were equally as helpful. Do we want to add a bidder's conference to our schedule?

RFP Issuance Process

As noted above after today's review, we will update the draft RFP with staff's and your comments. At this point the Board could:

1. Authorize staff to issue the RFP once all comments are incorporated.
2. Ask staff to send the final RFP to the Board for review and have a special meeting to approve it.

July PERS Board Meeting

Last, the next PERS Board meeting is scheduled for July 17. That may be too tight of a timeframe for preparation of the draft self insured RFP. Do we want to have a special meeting toward the end of July to review and approve the RFP or would you like to consider moving the regular meeting date to the last week of July (28-31)?

Board Action Requested

1. Provide direction on the above questions
2. Determine how to proceed with issuing the fully insured RFP
3. Determine if we should move our regular July meeting date or have a special Board meeting.



North Dakota Public Employees Retirement System

Request for Proposal

Fully Insured Group Medical and Prescription Drug Coverage

July 8, 2014

**Proposals Due:
By 5:00 p.m. CT
September 2, 2014**

Key Information

Objective

North Dakota Public Employees Retirement System (“NDPERS”) is soliciting proposals for the insurance and administration of its employee/retiree medical and prescription drug insurance plan, with a July 1, 2015 effective date. Medical insurance responses are required for the fully-insured financial arrangement as described in this RFP. Proposals will be accepted for insurance companies that are capable of offering a statewide provider network, utilization management, disease management and pharmacy benefit manager services along with other related services.

In this first RFP, NDPERS is requesting a bid replicating the existing fully-insured program for employee and retiree coverage, as well as the Medicare retiree prescription drug plan. A second RFP requesting proposals for self-insured administration will be distributed in August. For this first bid The North Dakota Public Employees Retirement System is governed by North Dakota State statutes, which includes a requirement to solicit bids for medical benefits coverage for a specified term for a fully-insured arrangement and every other biennium for an Administrative Services arrangement. NDPERS has determined that the specified term for providing such hospital and medical benefits under a fully insured arrangement shall be six years to include three biennium periods: July 1, 2015 to June 30, 2017, July 1, 2017 to June 30, 2019, and July 1, 2019 to June 30, 2021.

If awarded on a fully insured basis NDPERS and the successful proposer(s) may renegotiate the existing contract during the interim of each biennium without resorting to a formal bidding process. If the NDPERS and the successful proposer(s) are unable to reach an agreement during renegotiations, a formal bidding process will be initiated. Negotiations will begin in August and end in September in the final fixed year of the biennium. NDPERS also reserves the right to terminate any contract awarded pursuant to this bidding process within thirty (30) days notice.

The contract will be for a two year term beginning July 1, 2015 through June 30, 2017. The Prescription Drug Plan (“PDP”), however, will have a contract date beginning January 1, 2016 to December 31, 2018.

The PERS Board will determine which funding approach it will implement based on the results of both RFPs.

Background

NDPERS is responsible for the administration of the State of North Dakota’s Retirement, Health, Life, Deferred Compensation, FlexComp, and Retiree Health Credit programs. In addition, political subdivisions of the state participate. NDPERS also administers three voluntary insurance programs: a group dental, vision, and long-term care program. Approximately 23,000 active employees and 7,000 retirees are eligible to participate in these plans.

NDPERS reserves the right to select the health plan proposals that best fit its needs and the needs of its eligible employees/retirees. NDPERS has retained Deloitte Consulting LLP (“Deloitte Consulting”) to assist with the RFP process.

Currently Blue Cross Blue Shield of North Dakota (“BCBSND”) insures the medical and prescription drug plan under a fully-insured arrangement with some risk sharing provisions.

In determining which bid, if any, will best serve the interests of eligible employees/retirees and the state, the NDPERS and its Board shall give adequate consideration to the following factors:

1. The economy to be affected.
2. The ease of administration.
3. The adequacy of the coverages.
4. The financial position of the carrier, with special emphasis as to its solvency.
5. The reputation of the carrier and any other information that is available tending to show past experience with the carrier in matters of claim settlement, underwriting, and services.

Proposed Timetable

The timeline is provided below for informational purposes. NDPERS reserves the right to change the dates. Every effort will be made to notify vendors of changes to the proposed timeline.

Activity	Date/Time (All Times in CT)
NDPERS publishes Request for Proposal (RFP)	July 8, 2014
Vendor questions (in writing) due	July 22, 2014 (5 pm)
NDPERS distributes answers to vendors' questions	July 29, 2014
Proposals due	September 2, 2014 (5 pm)
Finalist presentations (if requested)	TBD
NDPERS notifies finalist of intent to negotiate	TBD December 2014
Contractor and NDPERS complete negotiations	TBD Jan 2015
Contractor and NDPERS begin implementation	Jan 2015
Contractor(s) begins providing services	July 1, 2015

RFP Coordinator Contact

Josh Johnson

Deloitte Consulting LLP

50 South 6th Street

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Minneapolis, MN 55402

jkjohnson@deloitte.com

Note:

From the date of issuance until the announcement of the finalist(s), vendors may contact only the RFP Coordinator. All correspondence and questions must be submitted in writing via e-mail to the RFP Coordinator in accordance with the timeline set forth in this RFP. NDPERS personnel are not authorized to discuss this RFP with vendors; doing so may result in disqualification. Vendors may continue to communicate with NDPERS staff regarding other relevant business matters.

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I. Overview of the NDPERS Program

NDPERS

North Dakota Public Employees Retirement System (NDPERS) is a separate agency created under North Dakota state statute, and while subject to state budgetary controls and procedures, as are all state agencies, is not a state agency subject to direct executive control. NDPERS is managed by a Board comprised of seven members:

- Chairman – appointed by the Governor
- Member – appointed by the Attorney General
- Member – elected by retirees
- Members (3) – elected by active employees
- State Health Officer or Designee

Dakota Plan

Currently, NDPERS contracts with Blue Cross/Blue Shield of North Dakota (“BCBSND”) to provide fully-insured health care coverage with a risk sharing agreement. If incurred claims plus expenses are more than premiums during the biennium, 50% of the first \$6,000,000 is refunded to BCBSND. If incurred claims plus expenses are less than premiums plus interest during the biennium, BCBSND retains 50% of the first \$3,000,000 of surplus and any remaining funds are returned to NDPERS. Prior to July 1, 1989, the program was self-insured. The plans provided pursuant to this arrangement are:

- PPO/basic – Grandfathered plan
- PPO/Basic – Non grandfather plan
- HDHP/HSA Plan – Non Grandfathered
- Dakota Retiree Plan including PDP

PPO

PPO stands for “Preferred Provider Organization” and is a group of hospitals, clinics, and physicians who have agreed to discount their services to members of NDPERS. Members have “freedom of choice” in selecting which physician or medical facility to use for services. Because PPO health care providers charge less for medical care services, cost savings are passed on to the members by way of reduced cost sharing amounts. The PPO discount NDPERS receives is in addition to the BCBSND negotiated reimbursement schedule with participating professional service providers in North Dakota.

Basic Plan

If a PPO health care provider is not available in the member’s area, or if the member chooses or is referred to a health care provider not participating in the Preferred Provider Organization, the member will receive the Basic Plan benefits.

High Deductible Health Plan (HDHP)

In addition to the PPO / Basic Plans, NDPERS offers eligible participants the option to enroll in a high-deductible health plan (HDHP) from BCBSND, with a Health Savings Account (HSA) from Discovery Benefits. The HDHP/HSA option has a higher annual deductible and larger out-of-pocket cost for medical services. However, the higher out-of-pocket costs are partially offset by an employer contribution to the HSA. For the 7/1/13-6/30/14 plan year the NDPERS annual HSA contributions are: \$728.88 for singles and \$1,764.00 for families. NDPERS members enrolled in the HDHP/HSA options are eligible to participate in BCBSND's HealthyBlue and Health Club Credit wellness programs, and may earn the same rewards available to NDPERS members enrolled in the Dakota PPO/Basic plan.

Coverage Rules: When Coverage Begins & Eligibility

An eligible employee is entitled to coverage the first of the month following the month of employment, provided the employee submits an application for coverage within the first 31 days of employment. Each eligible employee may elect to enroll his/her eligible dependents.

Eligible employees include:

- State employees or employees of participating Political Subdivisions who are at least eighteen (18) years of age and whose services are not limited in duration, who are filling an approved and regularly funded position, and who are employed at least 17 and one-half hours per week and at least five months each year;
- State employees first employed after August 1, 2003, who are employed at least twenty (20) hours per week and at least twenty weeks each year of employment are eligible to receive benefits; and
- Temporary employees who work a minimum of 20 hours per week and at least 20 weeks each year are eligible to receive benefits.

An eligible dependent includes the eligible employee's spouse under a legally existing marriage between persons of the opposite sex, the employee's or the employee's living, covered spouse's children under the age of 26 years. Children are considered under age 26 until the end of the month in which the child becomes 26 years of age. The term child or children includes:

1. Children physically placed with the employee for adoption or whom the employee or the employee's living, covered spouse has legally adopted.
2. Children living with the employee for whom the employee or the employee's living, covered spouse has been appointed legal guardian by court order.
3. The employee's grandchildren or those of the employee's living, covered spouse if: (a) the parent of the grandchild is unmarried, (b) the parent of the grandchild is covered under this Benefit Plan and (c) both the parent and the grandchild are primarily dependent on the employee for support. If a lapse in coverage occurs due to ineligibility of the parent under this Benefit Plan, the grandchild cannot be reenrolled unless the employee has been appointed legal guardian.

4. Children for whom the employee or the employee's living, covered spouse are required by court order to provide health benefits.
5. Children beyond the age of 26 who are incapable of self-support because of mental retardation or physical handicap that began before the child attained age 26 and who are primarily dependent on the employee or the employee's spouse for support. Coverage for such a disabled child will continue for as long as the child remains unmarried, disabled and the employee's dependent for federal income tax purposes. The employee may be asked periodically to provide evidence satisfactory to BCBSND of these disabilities.

- **Retiree Eligibility**

Retirees or surviving spouses who are under age 65 and are receiving a retirement allowance from the Public Employees Retirement System, the Highway Patrol Retirement System, the Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF), the Job Service Retirement Plan, the Teachers' Fund for Retirement (TFFR), or retirees who have accepted a retirement allowance from a participating political subdivision's retirement plan are eligible for benefits.

The Non-Medicare retiree single rate is 150% of the active member single rate; the rate for a non-Medicare retiree plus one is twice the non-Medicare single rate, and the rate for a non-Medicare retiree plus two or more dependents is two and one-half times the non-Medicare retiree single rate.

Detailed information regarding current eligibility for dependents for the Dakota Plan can be found in the 2013-2014 Summary of Benefits at <http://www.nd.gov/ndpers/forms-and-publications/publications/grp-hlth-spd-actives.pdf>.

Dakota Retiree Plan

Employees who retire have the option to continue insurance coverage through NDPERS. The Dakota Retiree Plan provides health care coverage as a secondary payer to Medicare. The plan of coverage for Medicare retirees is different than the plan for non-Medicare retirees. The PERS Medicare retiree plan is identical to a Medicare supplement Plan F. Each eligible retiree may elect to enroll his/her eligible dependents as described in the *Eligibility* section above. The prescription drug benefit for retirees is provided through a group Prescription Drug Program (PDP) on a calendar year basis.

Pharmacy Benefit Manager

Currently, the prescription drug plan coverage for active and non-Medicare retirees is bundled with the medical plan provided by BCBSND who provides the core pharmacy benefit functions and services including claims processing, pharmacy network development/maintenance, drug formulary design, clinical program management, mail service, and specialty pharmacy except the Rx plan for Medicare eligible members. The plan for Medicare eligible members is identical in terms of plan provisions (out of pocket expenses) except this coverage is provided separately through a qualified PDP.

Consequently differences do exist in terms of the formulary and other such items. The PDP contract is on a calendar year basis.

Data Warehouse

NDPERS maintains a health care data warehouse. The medical records and related data of the employees, retirees, and dependents, obtained as the result of enrollment in the uniform group insurance program, are the property of the Public Employees Retirement System (Century Code Statute 54-52.1-12). Currently the health plan provides raw data, including detailed claims and enrollment data sets, based on a mutually agreed upon format no less than monthly for the data warehouse repository. All administrators are expected to submit claims and enrollment data, in an agreed upon format.

Reporting Requirements

NDPERS requires vendors to provide reporting which includes, but is not limited to the following. All monthly reports should be done for each plan offered (e.g. Grandfathered PPO, Non-Grandfathered PPO, HDHP, etc.) and should also roll up to an annual, aggregate report.

1. Monthly claim reports broken down by plan, by category, split medical vs. prescription drugs.
2. Monthly enrollment counts by plan.
3. Monthly information, by plan, regarding large claims in excess of \$100,000.
4. Monthly premium vs. claim ratio report by plan with a year to date roll up.
5. Monthly and year to date breakdown of medical claims by type of services by plan.
6. Quarterly and year to date breakdown, by plan of medical charges submitted, ineligible charges, provider discounts, COB savings, deductibles and coinsurance paid by participants and final paid claims.
7. Annual policy accounting statement including claim reserves.
8. Annual medical claim lag study.

Each vendor must:

1. 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.
2. Carry over any deductible and or coinsurance amounts incurred from January 1 to June 30, of the prior contract period.
3. Provide annual accounting of HSA accounts, including the following information:
 - a. Year end balances
 - b. Number (and value) of eligible expense withdrawals
 - c. Number (and value) of non-eligible expense withdrawals

In addition to the above plan wide reporting, the successful vendor will provide plan specific reporting as requested for the following:

- PPO/basic – grandfathered plan
- PPO/Basic – Non grandfather plan
- HDHP/HSA Plan – Non Grandfathered
- Dakota Retiree Plan including PDP

Also please note NDCC 54-52.1-12 which applies to all information the vendors acquires relating to NDPERS

Funding

Currently NDPERS contracts with BCBSND to provide its health care coverage on a fully-insured basis with a risk sharing arrangement. BCBSND maintains full liability for incurred claims in excess of paid premium (no deficit carryover) subject to a risk corridor.

Risk Sharing Arrangements

A risk sharing arrangement is currently in place with BCBSND. If incurred claims plus expenses are more than premiums during the biennium, 50% of the first \$6,000,000 is refunded to BCBSND. If incurred claims plus expenses are less than premiums plus interest during the biennium, BCBSND retains 50% of the first \$3,000,000 of surplus. Any additional surplus is returned to NDPERS with interest. The interest rate shall be based on the US Treasury Notes quoted by the Wall Street Journal. NDPERS is requesting a similar or enhanced risk share arrangement for all quotes.

Performance Standards and Guarantees

The current health plan administrators agree to adhere to agreed-upon performance standards and guarantees with a financial incentive/forfeiture component that is negotiated each biennium as part of the renewal process. The settlement (payment) for such incentive/forfeiture is included in the annual settlement process.

Current Annual Settlement and Reconciliation

Within 31 days of 12 months after the end of the biennium BCBSND provides an accounting summary which will result in an initial settlement of the biennium agreement. Within 31 days of 24 months after the end of the biennium BCBSND provides an accounting summary which will result in a final settlement of the biennium agreement.

Current and Desired Plan Designs

In addition to replicating the current coverage provision, as noted below, the successful vendor shall include adding any federally required coverage provisions on or after July 1, 2015. For details, the following links:

Dakota Plan:

<http://www.nd.gov/ndpers/insurance-plans/group-health.html>

PPO/Basic – Grandfathered Plan -

PPO/Basic – Non Grandfathered Plan

HDHP/HSA – Non Grandfathered Plan

Please note NDPERS is requesting that the proposer also provide a HSA product as part of this proposal for the HDHP product

Dakota Retiree Plan - <http://www.nd.gov/ndpers/forms-and-publications/publications/grp-hlth-spd-retirees.pdf>

PDP coverage for retirees - <http://www.nd.gov/ndpers/forms-and-publications/publications/medicare-benefits-summary-current.pdf>

Member Access

Members have “freedom of choice” in selecting which physician or medical facility to use for services. PPO benefits are currently available in the state of North Dakota, unless the medical facility provides services at a satellite location in another state. If a PPO health care provider is not available in the member’s area, or if the member chooses or is referred to a health care provider not participating in the PPO, the member will receive the Basic Plan benefits. The copayments, annual deductibles and coinsurance amounts vary between the PPO Plan and Basic Plan.

Directory

The current provider directory is available through the BCBSND website at <https://www.bcbsnd.com/cgi-bin/ntwksearch.cgi>. Health plan vendors must be able to reasonably match the existing provider networks to provide appropriate access on a statewide basis.

Disease and Other Population Health Management Programs

Currently, BCBSND provides disease management and health improvement programs for eligible members. The list below includes most of the programs currently offered:

- Coronary Heart Disease
- Diabetes
- Hypertension
- Immunizations
- ADHD
- Colorectal Cancer
- Asthma

BCBSND and most major Health Systems collaborate to offer a program called the Advanced Medical Home Program or MediQHome. .

Vendors are expected to offer comprehensive, high quality case/disease management programs, including rare and chronic diseases, for the all plans offered to both actives and retirees.

Wellness Programs

Partnering with BCBSND, NDPERS participates in and offers a variety of wellness programs for eligible members. The list below includes most of the programs currently offered:

- Health Risk Assessment
- Health Club Credit
- Walking Works
- Tobacco Cessation
- Customized Wellness Plans, Resources, Services and Wellness Website
- Prenatal Management
- Diabetes Management

Detailed information regarding the current benefits can be found on the NDPERS HealthyBlue website by clicking on the following link:

<https://ndpers.healthybluend.com/dt/v2/bcbsndindex.asp?Aff=NDPERS>

Participants in the HDHP are also eligible for these programs (as described in the HDHP section).

Other Administrative Services

The successful vendor will also need to perform the following administrative services:

1. Make payments for the PERS Tobacco Cessation Program (see PERS web site)
2. Make payment for the PERS Diabetes Program (see PERS web site)
3. Make payments for the NDPERS Wellness Funding Program.

NDPERS will submit enrollment, billing and premium remittance via a centralized electronic system. NDPERS will collect enrollment/eligibility information which will be provided to the successful contractor on a data file that follows the HIPAA 834 file specifications. Premium payment information will be provided on a data file that follows the HIPAA 820 file specifications. Files will be transmitted using a secure file transmission process. The successful contractor must be able to receive this data in that format and media. Premiums will be eligible for salary reduction on a pre-tax basis, through IRC Section 125.

Employee Assistance Program (EAP)

The mission of the Employee Assistance Program (EAP) is to provide confidential, accessible counseling and referral services to individual employees in order to restore and strengthen the health and productivity of employees and the workplace. The EAP is available to employees and their immediate family members. For more information regarding the current EAP, refer to the website: <http://www.nd.gov/ndpers/eap/index.html>

The selected vendor(s) are expected to cooperate as needed to ensure seamless administration and member service. NDPERS is not seeking proposals for this service as part of this RFP.

Workers' Compensation Program

If benefits or compensation are available, in whole or in part, under provisions of a state workers' compensation act, laws of the United States or any state or political subdivision thereof, the benefits under the Dakota Plan will be reduced by and coordinated with such benefits or compensation available.

Conversion

BCBSND offers individual health insurance conversion contracts to eligible NDPERS individuals following the termination of their coverage under the Dakota Plan. Conversion coverage shall comply with any applicable federal or state law or regulation. The vendor is expected to administer all notices and transactions, including billing, with respect to conversion coverage.

Out of Area Coverage

If a member receives care from a non-participating health care provider within the state of North Dakota, benefit payments are reduced by a certain percentage and the member is responsible for the payment reduction. If a member receives care from a non-participating health care provider outside the state of North Dakota, the allowance for covered services will be an amount within a general range of payments made and judged to be reasonable by BCBSND. The benefits available under the Dakota Plan and Dakota Retiree Plan are also available to members traveling or living outside of the United States (subject to certain requirements such as preauthorization and prior approval). Detailed information regarding eligibility and out of area benefit levels can be found in the 2013-2014 Summary of Benefits at <http://www.nd.gov/ndpers/forms-and-publications/publications/grp-hlth-spd-actives.pdf>.

Open Enrollment

Dakota Plan annual open enrollment typically takes place in October/November of each year. Employees may enroll in coverage or make changes in coverage during this period.

Current and Historical Monthly Rates and Employee Contributions

The contributions for single or family coverage for state employees are currently paid at 100% by the State. Please note that for the state a single composite rate is used instead of the single/family rate. The contributions for employees of participating political subdivisions are at the discretion of the subdivision and subject to the minimum contribution requirements of BCBSND. The contributions for temporary employees are either at their own expense or their employer may pay the premium subject to its budget authority.

The chart below shows the current total monthly rates for NDPERS members:

Dakota Plan		Single	Family	Single	Family
Enrolled Prior to July 1, 2011					
State Program	Grandfathered Plan			High Deductible Health Plan	
July 1, 2011 – June 30, 2013	Active	\$886.62		Active	
July 1, 2011 – June 30, 2013	COBRA/Part-Time/Temporary/LOA	\$426.96	\$1,029.00	\$372.12	\$896.26
Political Subdivision	Grandfathered Plan			NonGrandfathered Plan	
July 1, 2011 – June 30, 2013	Active/COBRA	\$456.16	\$1,102.08	Active/COBRA	
Non Medicare Retirees	Grandfathered Plan				
July 1, 2011 – June 30, 2013	Non-Medicare Retirees	\$640.44	\$1,280.88		
	Family 3+		\$1,601.10		
Enrolled On or After July 1, 2009					
Political Subdivision	Grandfathered Plan			NonGrandfathered Plan	
July 1, 2011 – June 30, 2012	Active/COBRA	\$436.64	\$1,054.74	\$443.28	\$1,070.76
July 1, 2012 – June 30, 2013	Active/COBRA	\$475.68	\$1,149.42	\$482.92	\$1,166.88
Dakota Retiree Plan		Single	Family		
Enrolled Prior to July 1, 2009					
July 1, 2011 – June 30, 2013	Medicare Eligible	\$242.08	\$481.36		
	One Medicare/One Non-Medicare		\$594.48		
Enrolled On or After July 1, 2009					
July 1, 2011 – June 30, 2012	Medicare Eligible	\$236.14	\$469.48		
	One Medicare/One Non-Medicare		\$573.38		
July 1, 2012 – June 30, 2013	Medicare Eligible	\$248.02	\$493.24		
	One Medicare/One Non-Medicare		\$615.58		

Note: The retiree plan rates include the PDP premiums and medical premium.

Age/Gender Statistics

Appendix E – Exhibit 1 displays a breakdown of the member counts by age and gender for the period April 2014.

Contract Count

Appendix E – Exhibit 2 displays a breakdown of the contract counts by month and cost category for the period of 7/1/12 – 6/30/13 and 7/1/13 – 4/30/14.

Member Count

Appendix E – Exhibit 3 displays a breakdown of the member counts by month and cost category for the period of 7/1/12 – 6/30/13 and 7/1/13 – 4/30/14.

Claims Volume

Appendix E – Exhibit 4 displays a breakdown of the total claims transactions by month and cost category for the period of 7/1/12 – 6/30/13 and 7/1/13 – 4/30/14.

Claims Dollars

Appendix E – Exhibit 5 displays a breakdown of the total claims plan paid dollars by month and cost category for the period of 7/1/12 – 6/30/13 and 7/1/13 – 4/30/14.

Large Claim History

Appendix E – Exhibit 6 displays a high level summary of unique members with plan paid dollars in excess of \$100,000 for the period of 7/1/12 – 6/30/13 and 7/1/13 – 4/30/14.

Contracts by Zip Code

Appendix E – Exhibit 7 displays a breakdown of the contract counts by residence zip code for the period April 2014.

II. RFP Objectives and Vendor Responsibilities

RFP Objectives

North Dakota Public Employees Retirement System (“NDPERS”) is soliciting proposals for the insurance and administration of its employee medical and prescription drug insurance plan, with a July 1, 2015 effective date. Medical insurance responses are required for the fully-insured financial arrangement as described in this RFP. Proposals will be accepted for insurance companies that are capable of offering a statewide provider network, utilization management, disease management, wellness program, pharmacy benefit manager services along with other related services. In addition, the successful vendor will provide an HSA product for the HDHP. Approximately 23,000 active employees and 7,000 retirees are eligible to participate in these plans. Total membership in the plan is approximately 62,000 individuals.

In August, a separate RFP requesting self-insured administration of the same plans and programs will be distributed. In order for a self-insured arrangement to be elected, it must be determined to be less costly than the lowest bid submitted by a carrier for underwriting the plan with equivalent contract benefits on a fully insured basis.

Requested Bids

Fully Insured (This RFP)

- ◆ All services
- ◆ All services except pharmacy

Self-insured (2nd RFP)

- ◆ All services
- ◆ Pharmacy only

The contract will be for a two year term beginning July 1, 2015 through June 30, 2017.

NDPERS is interested in providing high quality, comprehensive and affordable health care to all of its employees and their dependents. The intent of this RFP is to identify, evaluate, duplicate, and select one vendor that will support the program goals and objectives. Current goals and objectives include, but are not limited to, the following:

- ◆ **Competitive Overall Cost** – NDPERS intends to continue to provide its employees and retirees with comprehensive health care that is affordable and competitive. NDPERS is especially interested in stabilizing or controlling costs and increases to both the employer and employees. To accomplish this, it is interested in competitive administrative and program fees and competitive provider reimbursement arrangements.

- ◆ **Replication of existing coverage and arrangement.** NDPERS is interested in replicating the existing coverage and financial arrangements for two years including having an HSA. In addition, NDPERS is requesting the effect on premiums for the following benefit plan changes:
 - Annual Premium Reductions to change deductible from \$400 single/\$1,200 family to \$450 single/\$1,350 family.
 - Annual Premium Reductions to change deductible from \$400 single/\$1,200 family to \$425 single/\$1,275 family
 - Annual Premium Reductions to change coinsurance maximum from \$750/\$1,500 to \$900/\$1,800 in network and \$1,250/\$2,500 to \$1,500/\$3,000 out of network
 - Annual Premium Reductions to change coinsurance maximum from \$750/\$1,500 to \$825/\$1650 in network and \$1,250/\$2,500 to \$1,375/\$2,750 out of network
 - Annual Premium Reduction for a \$5 increase in office visit copay
 - Annual Premium Reduction for a \$2.50 increase in office visit copay
 - Annual Premium Reduction for a \$10 increase in emergency room copay.
 - Annual Premium Reduction for a \$5 increase in emergency room copay
 - Annual Premium Reductions to change Rx formulary Generic copay from \$5 to \$10 copay
 - Annual Premium Reductions to change Rx formulary Generic copay from \$5 to \$7.50 copay
 - Annual Premium Reductions to change Rx Formulary Brand copay from \$20 to \$25 copay
 - Annual Premium Reductions to change Rx Formulary Brand copay from \$20 to \$22.50 copay
 - Annual Premium Reductions to change Rx Non-Formulary copay from \$25 to \$30 copay
 - Annual Premium Reductions to change Rx Non-Formulary copay from \$25 to \$27.50 copay
 - Annual Premium Reductions to change Rx Formulary coinsurance maximum from \$1,000 to \$1,200.
 - Annual Premium Reductions to change Rx Formulary coinsurance maximum from \$1,000 to \$1,500
 - Annual Premium Increases to provide coverage for colonoscopy pursuant to the appropriate national standards
- ◆ **Comprehensive, Statewide Provider Network** – NDPERS is interested in the following:

- Broad network in terms of the number, breadth, quality and location of network providers, with the goal of matching as close as possible the current provider networks and geographic access.
- Limited doctor/patient disruption – NDPERS is interested in limiting the disruption employees may experience in the event of a change in vendors.
- Access to preferred providers outside the local geographic service area (national).
- Ability of the vendor to negotiate NDPERS-specific contracts.
- Commitment to pay for performance and other cost and quality initiatives.
- ◆ **Plan Design** – with respect to plan options and design, NDPERS is interested in:
 - Confirming the vendor’s previous experience with and ability to administer the current plan designs.
 - Continuing to provide employees with choice and flexibility at an affordable cost.
 - Ability to administer existing Medicare Part D Group PDP plan.
- ◆ **Disease and Other Care Management Programs** – NDPERS wishes to continue to offer assertive disease management, care management and care support programs as part of the overall health care program, and is interested in exploring innovative, positive incentives for participation in these programs. Vendors must demonstrate their ability to report and provide meaningful, interpretive data to better support the disease and other care management programs.
- ◆ **Health Improvement, Education and Wellness Programs** – NDPERS is interested in partnering with its vendors to offer the same or similar program. Our existing program also links to the NDPERS employer based wellness program and this should also be supported. Please refer to our web site for details on this program. NDPERS also wishes to maintain a dedicated wellness staff member with the successful vendor who will work with our worksite wellness coordinators. The successful vendor must provide this resource.

Vendor Responsibilities

The selected vendor must demonstrate the ability to develop and manage a health care provider network, provide claims processing services, utilization management, medical management, disease management, wellness program, dedicated account service and support, dedicated member/customer service, data/management reporting, billing, and other administrative services. Vendors should also adjudicate and resolve Medicare Secondary Payer demand claims from the Center for Medicare and Medicaid Services (CMS) in a timely manner.

In addition, vendors are expected to conduct ongoing performance review meetings with NDPERS regarding plan financial performance, provider contracting issues, progress related to network goals and new network development, patient satisfaction, new or emerging legal issues, and other relevant and timely operational issues that may affect the plan. Vendors are to identify actions to enhance that performance.

Additional details regarding expected health plan administrator duties can be found in Appendix A – Sample Administrative Service Agreement of this RFP. Vendors must review

this section carefully to identify potential deviations and exceptions. As noted throughout the RFP, vendors are required to list all exceptions and suggest proposed alternative contract language in Appendix F and submit this information with your proposal. Failure to provide this may eliminate your proposal from consideration.

The proposed effective date of the program is July 1, 2015, except the PDP effective date is January 1, 2016. Vendors will have the opportunity to demonstrate capabilities in these areas by responding to the questionnaire provided in Appendix C of this RFP and potentially with additional finalist questions and presentations.

III. Proposal Content

This section describes minimum requirements, unique content requirements, and outlines general conditions and requirements that are not specifically addressed in the sample contract/ASA. Review the general conditions and requirements carefully, and include any deviations and exceptions to these with your submission as described in this section and elsewhere in the RFP. Also refer to Section IV., Proposal Submission, for instructions and additional information regarding proposal format and content.

Required Forms

The following forms can be found in Appendix B, Response Template, of this RFP.

1. Face Sheet – This is included in Appendix B, Item 1.
2. Minimum Requirements for Administrative Services Checklist – This is included in Appendix B, Item 2.
3. Affidavit of Non-collusion – Each responder must complete the Affidavit of Non-collusion form and include it with the response. This is included in Appendix B, Item 3.
4. Conflicts of Interest list. Responder must provide a list of all entities with which it has relationships that create, or appear to create, a conflict of interest with the work that is contemplated in this Request for Proposals. The list should indicate the name of the entity, the relationship, and a discussion of the conflict. This is included in Appendix B, Item 4.
5. Compliance with Federal and State Laws Form – Responder must provide certification to NDPERS that they comply or if notified will comply with applicable Federal and State laws. This is included in Appendix B, Item 5.
6. Location of Service Disclosure Certification. Proposers must certify the location where services to be provided will be performed, and agree that the location will not change during the course of the contract without prior written approval from NDPERS. This is included in Appendix B, Item 6.

Unique Content Requirements

1. Questionnaire - This is included in Appendix C.
2. Cost proposal - This is included in Appendix D.
3. Deviations and suggested alternatives to sample contract/ASA – This is included in Appendix F, Exhibit F1.

Responders should review in detail the standard contract terms and conditions provided in the sample Administrative Agreement in preparing their responses. A sample NDPERS Financial and Administrative Services Agreement (ASA) is attached for your reference in Appendix A. Any final contract will include, but not be limited to, the elements in the sample contract. Vendors should note that much of the language reflected in the contract is required by State statute and therefore is not negotiable.

If you take exception to any of the terms, conditions or language in the sample ASA, you must indicate those exceptions and suggest alternative language in your response to the RFP by submitting Appendix F and a redline version of the generic contract language (pertaining primarily to the narrative rather than the financial terms and provisions); certain exceptions may result in your proposal being disqualified from further review and evaluation. Only those exceptions indicated in your response to the RFP will be available for discussion or negotiation.

4. Deviations to other RFP requirements. This is included in Appendix F, Exhibit F2.
5. Summary/checklist of specific items identified as trade secret.

All materials submitted in response to this RFP will become property of NDPERS and will become public record, after the evaluation process is completed. Completion of the evaluation process occurs when the government entity has completed negotiating the contract with the selected vendor. If the Responder submits information in response to this RFP that it believes to be propriety or trade secret materials the Responder must:

- a. clearly mark each provision that respondent believes to be proprietary or trade secret materials in its response at the time the response is submitted,
- b. include a statement with its response justifying the proprietary or trade secret designation for each provision.

Responder is put on notice that, except for information that is confidential or otherwise exempt from the North Dakota open records law (NDCC § 44-04), NDPERS must disclose to the public upon request any records it receives from Responder. If NDPERS receives an open records request for information that has been identified by respondent as proprietary or trade secret, NDPERS will review the above information submitted by Responder and may also contact Responder for additional input regarding the nature of those records, but NDPERS will be solely responsible for making the ultimate determination of whether the records are open or exempt. All information that has not been clearly identified by respondent as being proprietary or trade secret will be deemed to be open record. NDPERS will not consider the prices submitted by the Responder to be proprietary or trade secret materials.

General Conditions and Requirements

1. Proposal Contents

By submission of a proposal, Responder warrants that the information provided is true, correct and reliable for purposes of evaluation for potential contract award. The submission of inaccurate or misleading information may be grounds for disqualification from the award as well as subject the responder to suspension or debarment proceedings as well as other remedies available by law. The contents of the proposal and any subsequent clarifications submitted by the successful proposers will become part of the contractual obligation and incorporated by reference into the ensuing contract.

The proposal that you submit will constitute your unqualified consent to the following mandatory requirements:

- Proposals submitted in response to this request will be considered the only submission; revised proposals will not be allowed after the proposal return date and time unless requested by NDPERS.
- All proposals must answer all applicable questions on the attached questionnaire.
- All proposals become the property of NDPERS and will not be returned to the offering company.
- All offering companies must be prepared to make oral presentations if requested.

2. Term of Contract

The North Dakota Public Employees Retirement System is governed by North Dakota State statues, which includes a requirement to solicit bids for medical benefits coverage for a specified term for a fully-insured arrangement and every other biennium for an Administrative Services arrangement. NDPERS has determined that the specified term for providing such hospital and medical benefits under a fully-insured arrangement shall be two years however NDPERS reserves the right to extend the agreement subject to negotiation with the successful vendor for another two years if the Board deems it necessary.

3. Minimum Requirements

The following are the minimum requirements that need to be addressed in each proposal:

- 1) **Electronic Data Collection and Reporting Requirements:** Respondents must, at a minimum, meet the data collection and reporting requirements described in Section 1 under Reporting Requirements of the RFP.
- 2) **Effective Date of Coverage:** Respondents must be able to provide required coverages and services by July 1, 2015 and for the PDP by January 1, 2016.
- 3) **Licensure:** Respondents must have all applicable licenses required by North Dakota or agree to obtain necessary licensure prior to the effective dates of coverage.
- 4) **Term of Contract:** NDPERS is required by state statue to solicit bids for medical benefit coverage for a specified term for a fully-insured arrangement and every other biennium for a self-funded arrangement. NDPERS has determined that the specified term for fully-insured arrangement shall be two years; however, NDPERS reserves the right to extend the agreement subject to negotiation with the successful vendor for another two years if the Board deems it necessary.
- 5) **Premium Rate Guarantees:** For all insured proposals premium rates must be guaranteed for a period of two years, from July 1, 2015 to June 30,

2017. PDP rates will be developed each year based upon the federal subsidy.

- 6) Non-Medicare Retirees: Rates are governed by state statute. Non-Medicare retiree single rate is 150% of the active member single rate; the rate for a non-Medicare retiree plus one is twice the non-Medicare single rate, and the rate for a non-Medicare retiree plus two or more dependents is two and one-half times the non-Medicare retiree single rate.
- 7) PDP rates: Must be submitted to PERS by September of each year.
- 8) Contract Termination: Respondent's contract termination provision may not require more than 120-day notice and can occur only at renewal. NDPERS can terminate coverage at any time.
- 9) Respondent should replicate the existing coverage and financial arrangements for two years including providing an HSA arrangement.
- 10) HIPAA Compliance: Respondents must be in compliance with all HIPAA Privacy and HIPAA EDI requirements and be able to conduct all applicable employer/plan sponsor and provider transactions consistent with those requirements. Respondents will be expected to meet HIPAA security requirements when applicable to NDPERS.
- 11) Legislative Compliance: Respondents agree to comply with all provisions of the Health Insurance Portability Act of 1996 including, but not limited to providing certificates of creditable coverage.
- 12) Transition Management: Respondents agree, should they be selected, they will proactively manage the transition of coverage (e.g. claim accumulators, etc.) from the subsequent carrier.
- 13) Administration: Respondents must agree to comply with existing administration of NDPERS. Any modifications needed to accommodate NDPERS data will be done at the vendor's own expense.
- 14) Audit: NDPERS reserves the right to audit any provider at any time.
- 15) North Dakota Legislation Requirements: Respondent must meet all requirements in the North Dakota Century Code including 54-52.1, 54-52.4 and all requirements in the North Dakota Administrative Code including 71-03 and other applicable State Laws.
- 16) Premium rates must be divisible by two.

IV. Proposal Submission

Instructions

All proposals should be submitted simply and economically providing a direct, concise delineation of the vendor's proposal and qualifications adhering to the proposal format guidelines outlined below. Vendors should also refer to Section III, Proposal Contents, for a list of minimum requirements.

- ♦ Proposals should be typed or printed on 8.5" x 11" paper (one side only).
- ♦ All proposals must include the transmittal letter/statement which includes the following:
 - An acknowledgement of receipt of the group health RFP specifications and any addenda and a statement that the proposal conforms to the RFP minimum requirements. This letter must include the title and signature of a Duly Authorized Officer of the company. As noted above, any deviations from the specifications must be clearly noted in your proposal. Failure to note deviations may exclude the proposal from further consideration.
- ♦ All proposals must include a table of contents and appropriate page number references.
- ♦ All pages of proposals must have consecutive page numbers.
- ♦ Proposals must respond to RFP minimum, unique, and general requirements.
- ♦ Responses to questions must include a restatement of the question (number and text) with the response immediately following.
- ♦ Appendices and other supplemental information provided with your proposal must be clearly identified.
- ♦ Cost proposal must be submitted in a separate, sealed envelope and clearly marked Cost Proposal. Premiums quoted in Appendix D: Cost Proposal Exhibits will be fully loaded rates. NDPERS will not be billed any additional amounts for services, including commissions or brokerage fees.
- ♦ North Dakota insurance law 54-52.1-10 (Exemption From State Premium Tax) provides that "All premiums, consideration for annuities, policy fees, and membership fees collected under this chapter are exempt from the tax payable pursuant to section 26.1-03-17". Thus, Offeror's responses should not reflect any amounts for premium taxes.
- ♦ Any and all deviations must be clearly noted and submitted under separate cover. If you do not identify and explain deviations, your proposal will be deemed a certification that you will comply in every respect with the requirements and contractual language set forth in this RFP. Deviations and exceptions to the sample contract/Administrative Services Agreement (ASA) must be submitted in the form of 1) completed Appendix F, Exhibit F1, in a sealed envelope clearly marked as such. If you are unable to perform any required or requested service, you must also clearly identify in Appendix F, Exhibit F2 a) the specific deviation or requirement your organization is unable to meet and b) the suggested alternative or solution.

Proposal Format and Contact Information

Vendors must use the response template/questionnaire provided in Appendices B, C and D in preparing proposals. Proposals should be submitted in two parts, with the cost proposal and deviations separate from the qualitative proposal in a clearly marked, sealed envelope (submitted to Deloitte Consulting only). Proposals will be sent to two parties, as described below:

Vendors are required to submit one (1) unbound original and nine (9) paper copies of the **qualitative proposals** along with one (1) electronic copy to:

Debra F Knudsen
Manager, Benefits Planning & Research
North Dakota PERS
400 East Broadway
Suite 505
Bismarck, ND 58502

An electronic copy (on CD) of your entire qualitative proposal must be included with the hard copy original. Late proposals will not be considered. Cost proposals and deviations should not be submitted to NDPERS.

Two (2) hard copies and one full electronic copy (on CD) of the qualitative proposal and a separate, clearly marked envelope containing Two (2) hard copies and one electronic copy of the cost proposal and deviations must be submitted to:

Josh Johnson
Manager
Deloitte Consulting LLP
50 South 6th St.
Suite 2800
Minneapolis, MN 55402

PLEASE NOTE: As indicated above, vendors must separate the cost proposal and deviations from the rest of the proposal and submit two paper copies and one electronic copy in a sealed envelope clearly marked “**Cost Proposal for NDPERS for Health Plan Vendor**”, along with your organization’s name, to Josh Johnson at Deloitte Consulting at the address listed above. Vendors must submit hard and electronic copies of the entire proposal.

From the date of issuance until the announcement of the finalist, vendors should only contact the Deloitte RFP coordinator, Josh Johnson. All correspondence and questions must be submitted in writing via e-mail to the RFP coordinator in accordance with the timeline set forth in this RFP. NDPERS personnel are not authorized to discuss this RFP with vendor; doing so may result in disqualification. Vendors may continue to communicate with NDPERS staff regarding other relevant business matters.

Questions and Answers

Vendors must submit questions in writing via e-mail to Josh Johnson at jkjohnson@deloitte.com **by 5:00 p.m. CT on July 22, 2014**. Answers will be summarized and distributed to all vendors who have requested the RFP via email no later than close of business on July 29, 2014 as well as posted on the NDPERS website. *Telephone inquiries will not be accepted.*

Proposal Deadline

All proposals must be received by Josh Johnson **by 5:00 p.m. CT on September 2, 2014**. Late proposals will not be considered.

Proposed Timetable

The timeline is provided below for informational purposes. NDPERS reserves the right to change the dates. Every effort will be made to notify vendors of changes to the proposed timeline.

Activity	Date/Time (All Times in CT)
NDPERS publishes Request for Proposal (RFP)	July 8, 2014
Vendor questions (in writing) due	July 22, 2014 (5 pm)
NDPERS distributes answers to vendors' questions	July 29, 2014
Proposals due	September 2, 2014 (5 pm)
Finalist presentations (if requested)	TBD
NDPERS notifies finalist of intent to negotiate	TBD December 2014
Contractor and NDPERS complete negotiations	TBD Jan 2015
Contractor and NDPERS begin implementation	Jan 2015
Contractor(s) begins providing services	July 1, 2015

V. Proposal Review and Evaluation

Rights of NDPERS

This RFP does not obligate NDPERS to complete the proposed project. NDPERS reserves the right to cancel the solicitation if it is considered to be in its best interest. Costs incurred for developing a proposal are the sole responsibility of the vendor. NDPERS also reserves the right to:

1. Reject any and all proposals received in response to this RFP.
2. Amend and re-issue this RFP.
3. Select proposals for contract award or for negotiations other than those with the lowest cost.
4. Consider a late modification of a proposal if the proposal itself was submitted on time, if the modifications were requested by the state, and if the modifications make the terms of the proposal more favorable to the state.
5. Determine that a deficiency is not substantive and waive the deficiency as immaterial. However, waiver of the deficiency shall in no way modify the RFP documents or relieve the vendor from full compliance with the terms of the contract if the vendor is awarded the contract.
6. Negotiate any aspect of the proposal with any vendor and negotiate with more than one vendor at the same time.
7. Use any or all ideas presented in any proposal received in response to this RFP, unless the vendor presents a positive statement of objection in the proposal. Objections will be considered as valid only relative to proprietary information of the vendor and so designated in the proposal. Exceptions to this are ideas that were known to NDPERS before submission of such proposal or properly became known to NDPERS thereafter through other sources or through acceptance of the proposal.

Selection Team

A review team made up of NDPERS staff and their hired consultant will evaluate all proposals. The NDPERS Board will make the final decision on the award. NDPERS reserves the right to alter the composition of this selection team and its responsibilities.

Proposal Review and Evaluation Criteria

Proposals will be reviewed and evaluated using multiple evaluation criteria. The cost proposal will be reviewed independently to ensure that it is complete and submitted in the format requested. In reviewing the proposals the requirements in NDCC 54-52.1-04 will be considered.

Phase I Preliminary Review Criteria

Proposals will initially be evaluated to determine if they comply with the following minimum requirements:

- ♦ Completeness of proposal, including minimum vendor requirements, unique content requirements, and general requirements as outlined in Section III., Proposal Content, and submitted in the format designated in Appendices B through F.
- ♦ Completeness and quality of responses to questionnaire provided in Appendix C and completeness of cost proposal provided in Appendix D.
- ♦ Extensive statewide provider network which provides access to key population areas within the State.

Phase II Evaluation Criteria

Proposals that have met the minimum requirements criteria listed above will then be reviewed based on the factors contained in the table below:

Phase II Evaluation Criteria
1. Ability to comply with terms outlined in the RFP, Board evaluation criteria, and sample contract/ASA
2. Organizational experience and staff qualifications/experience <ul style="list-style-type: none"> – Dedicated unit comprised of account management team, customer service, provider relations, and provider contracting – Access to senior leadership team – Ability to respond to unique challenges with solution-focused flexibility and innovation – Client references – Financial stability and solvency
3. Provider network capabilities <ul style="list-style-type: none"> – Existing/current health care provider network – State-specific contracts – Quality initiatives – Contractual terms
4. Quality and comprehensiveness of population health, disease management, and health education and wellness programs <ul style="list-style-type: none"> – Utilization/case management capabilities – Quality initiatives – Ability to present appropriate innovative cost control strategies – Ability to support PERS employer based wellness program and employee wellness initiatives

Phase II Evaluation Criteria	
5.	Cost of requested services and return on investment <ul style="list-style-type: none"> – Value of provider reimbursement – Administrative fees – Care, disease management, and health improvement programs – Medicare Part D Group PDP Offering
6.	<ul style="list-style-type: none"> – The economy to be affected. – The ease of administration. – The adequacy of the coverages. – The financial position of the carrier, with special emphasis as to its solvency. – The reputation of the carrier and any other information that is available tending to show past experience with the carrier in matters of claim settlement, underwriting, and services

Proposal Evaluation Process

Evaluation of the proposals will be conducted in four phases:

1. Phase I — Preliminary Review

Proposals will receive preliminary review to determine if they meet the minimum proposal requirements and criteria listed above. NDPERS reserves the right to ask clarifying questions. Only proposals meeting the minimum requirements above will be considered for further evaluation in Phase II.

2. Phase II — Proposal Evaluation

Proposals will be evaluated based on the criteria specified above. Proposers are encouraged to highlight how they differentiate themselves in these areas. Only the top proposals will be approved for further evaluation in Phase III. Once the initial evaluation is completed the review team may ask for additional information to supplement the initial information gathered in response to these questions.

3. Phase III – Reference Checks, Best and Final, and Presentations

NDPERS staff may check references, request answers to further questions, and require presentations by key administrator personnel, which will be evaluated based on the stated criteria. During final consideration a best and final proposal may be requested. Only the top proposals will be approved for further evaluation in Phase IV.

4. Phase IV – Site Visits, Final Selection, and Notification

The evaluation committee will forward findings and conclusions to the NDPERS Board and may request site visits and make a final review of the top proposals based on all of the criteria above to select a finalist. Vendors will be notified of the intent of NDPERS to negotiate a contract with the selected vendors via e-mail.

Note: Self-insured proposals will be evaluated concurrently with the fully insured bids to determine which contract type is expected to be most cost effective for NDPERS. Vendors will be notified of the coverage type decision in the intent to negotiate email.

NDPERS reserves the right to request clarifications and additional information regarding the proposal during the proposal evaluation process. However, NDPERS Board reserves the right to make an award without further clarification of the proposal received. Therefore, it is important that each proposal be submitted in the most complete manner possible.

VI. Appendices

Appendix A: Sample Contract/Administrative Services Agreement

Appendix B: Response Template

Appendix C: Questionnaire

Appendix D: Cost Proposal Exhibits

Appendix E: Program Information/Data

Appendix F: Proposal Deviations

Appendix G: Services to be provided by selected vendor

Appendix A: Sample Contract/Administrative Services Agreement (ASA)**AGREEMENT FOR SERVICES**

The parties to this contract are the State of North Dakota, acting through its [North Dakota Public Employees Retirement System] (STATE) and [contractor's legal name] (CONTRACTOR);

SCOPE OF SERVICE

CONTRACTOR, in exchange for the compensation paid by STATE under this contract, agrees to provide the following services:

[State what is to be done under the contract. This may be a brief statement, or may require an attachment setting out the scope of services in great detail.]

TERM OF CONTRACT

The term of this contract begins DATE HERE and ends on DATE HERE.

COMPENSATION

STATE will pay for the services provided by CONTRACTOR under this contract an amount not to exceed _____ per _____, to be paid _____.

TERMINATION OF CONTRACT

- a. Termination without cause. This contract may be terminated by mutual consent of both parties.
- b. Termination for lack of funding or authority. STATE by written notice of default to CONTRACTOR, may terminate the whole or any part of this contract, under any of the following conditions:
 - (1) 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.
 - (2) If federal or state laws or rules are modified or interpreted in a way that the services are no longer allowable or appropriate for purchase under this contract or are no longer eligible for the funding proposed for payments authorized by this contract.
 - (3) If any license, permit, or certificate required by law or rule, or by the terms of this contract, is for any reason denied, revoked, suspended, or not renewed.

Termination of this contract under this subsection is without prejudice to any obligations or liabilities of either party already accrued prior to termination.

- c. Termination for cause. STATE may terminate this contract effective upon delivery of written notice to CONTRACTOR, or any later date stated in the notice:

- (1) If CONTRACTOR fails to provide services required by this contract within the time specified or any extension agreed to by STATE; or
- (2) If CONTRACTOR fails to perform any of the other provisions of this contract, or so fails to pursue the work as to endanger performance of this contract in accordance with its terms.

The rights and remedies of STATE provided in this subsection are not exclusive and are in addition to any other rights and remedies provided by law or under this contract.

FORCE MAJEURE

CONTRACTOR shall not be held responsible for delay or default caused by fire, flood, riot, acts of God or war if the event is beyond CONTRACTOR'S reasonable control and CONTRACTOR gives notice to STATE immediately upon occurrence of the event causing the delay or default or that is reasonably expected to cause a delay or default.

RENEWAL

This contract will not automatically renew. If STATE desires to renew, STATE will provide written notice to CONTRACTOR of its intent to renew this contract at least 60 days before the scheduled termination date.

MERGER AND MODIFICATION

This contract constitutes the entire agreement between the parties. There are no understandings, agreements, or representations, oral or written, not specified within this contract. This contract may not be modified, supplemented or amended, in any manner, except by written agreement signed by both parties.

SEVERABILITY

If any term of this contract is declared by a court having jurisdiction to be illegal or unenforceable, the validity of the remaining terms is unaffected, and, if possible, the rights and obligations of the parties are to be construed and enforced as if the contract did not contain that term.

ASSIGNMENT AND SUBCONTRACTS

CONTRACTOR may not assign or otherwise transfer or delegate any right or duty without STATE'S express written consent. However, CONTRACTOR may enter into subcontracts provided that any subcontract acknowledges the binding nature of this contract and incorporates this contract, including any attachments. CONTRACTOR is solely responsible for the performance of any subcontractor. CONTRACTOR does not have authority to contract for or incur obligations on behalf of STATE.

NOTICE

All notices or other communications required under this contract must be given by registered or certified mail and are complete on the date mailed when addressed to the parties at the following addresses:

Sparb Collins, Executive Director
ND Public Employees retirement System
400 East Broadway, Suite 505 or
CONTRACTOR
PO Box 1657
Bismarck, ND 58502-1657

Notice provided under this provision does not meet the notice requirements for monetary claims against the State found at N.D.C.C. § 32-12.2-04.

APPLICABLE LAW AND VENUE

This contract is governed by and construed in accordance with the laws of the State of North Dakota. Any action to enforce this contract must be adjudicated exclusively in the State District Court of Burleigh County, North Dakota.

SPOILIATION – NOTICE OF POTENTIAL CLAIMS

CONTRACTOR shall promptly notify STATE of all potential claims that arise or result from this contract. CONTRACTOR shall also take all reasonable steps to preserve all physical evidence and information that may be relevant to the circumstances surrounding a potential claim, while maintaining public safety, and grants to STATE the opportunity to review and inspect the evidence, including the scene of an accident.

INDEMNITY

The STATE and CONTRACTOR each agrees to assume its own liability for any and all claims of any nature including all costs, expenses and attorneys' fees which may in any manner result from or arise out of this agreement.

INSURANCE

CONTRACTOR shall secure and keep in force during the term of this agreement, from insurance companies, government self-insurance pools or government self-retention funds, authorized to do business in North Dakota, the following insurance coverages:

- 1) Commercial general liability, including premises or operations, contractual, and products or completed operations coverages (if applicable), with minimum liability limits of \$250,000 per person and \$1,000,000 per occurrence.
- 2) Professional errors and omissions with minimum limits of \$1,000,000 per occurrence and in the aggregate, Contractor shall continuously maintain such coverage during the contact period and for three years thereafter. In the event of a change or cancellation of coverage, Contractor shall purchase an extended reporting period to meet the time periods required in this section.
- 3) Automobile liability, including Owned (if any), Hired, and Non-Owned automobiles, with minimum liability limits of \$250,000 per person and \$500,000 per occurrence.
- 4) Workers compensation coverage meeting all statutory requirements.

The insurance coverages listed above must meet the following additional requirements:

- 1) Any deductible or self-insured retention amount or other similar obligation under the policies shall be the sole responsibility of the Contractor. The amount of any deductible or self retention is subject to approval by the State.
- 2) This insurance may be in policy or policies of insurance, primary and excess, including the so-called umbrella or catastrophe form and must be placed with insurers rated "A-" or better by A.M. Best Company, Inc., provided any excess policy follows form for coverage. Less than an "A-" rating must be approved by the State. The policies shall be in form and terms approved by the State.
- 3) The insurance required in this agreement, through a policy or endorsement, shall include a provision that the policy and endorsements may not be canceled or modified without thirty (30) days' prior written notice to the undersigned State representative.
- 4) The Contractor shall furnish a certificate of insurance to the undersigned State representative prior to commencement of this agreement.
- 5) Failure to provide insurance as required in this agreement is a material breach of contract entitling State to terminate this agreement immediately.

ATTORNEY FEES

In the event a lawsuit is instituted by STATE to obtain performance due under this contract, and STATE is the prevailing party, CONTRACTOR shall, except when prohibited by N.D.C.C. § 28-26-04, pay STATE'S reasonable attorney fees and costs in connection with the lawsuit.

ALTERNATIVE DISPUTE RESOLUTION – JURY TRIAL

STATE does not agree to any form of binding arbitration, mediation, or other forms of mandatory alternative dispute resolution. The parties have the right to enforce their rights and remedies in judicial proceedings. STATE does not waive any right to a jury trial.

CONFIDENTIALITY

CONTRACTOR shall not use or disclose any information it receives from STATE under this contract that STATE has previously identified as confidential or exempt from mandatory public disclosure except as necessary to carry out the purposes of this contract or as authorized in advance by STATE. STATE shall not disclose any information it receives from CONTRACTOR that CONTRACTOR has previously identified as confidential and that STATE determines in its sole discretion is protected from mandatory public disclosure under a specific exception to the North Dakota open records law, N.D.C.C. ch. 44-04. The duty of STATE and CONTRACTOR to maintain confidentiality of information under this section continues beyond the term of this contract.

COMPLIANCE WITH PUBLIC RECORDS LAW

CONTRACTOR understands that, except for disclosures prohibited in this contract, STATE must disclose to the public upon request any records it receives from CONTRACTOR. CONTRACTOR further understands that any records that are obtained or generated by CONTRACTOR under this contract, except for records that are confidential under this contract, may, under certain circumstances, be open to the public upon request under the North Dakota open records law. STATE retains ownership of all work product, equipment or materials created or purchased under this contract. CONTRACTOR agrees to contact STATE immediately upon receiving a request for information under the open records law and to comply with STATE'S instructions on how to respond to the request.

WORK PRODUCT, EQUIPMENT AND MATERIALS

All work product, equipment or materials created or purchased under this contract belong to STATE and must be delivered to STATE at STATE'S request upon

termination of this contract. CONTRACTOR agrees that all materials prepared under this contract are "works for hire" within the meaning of the copyright laws of the United States and assigns to STATE all rights and interests CONTRACTOR may have in the materials it prepares under this contract, including any right to derivative use of the material. CONTRACTOR shall execute all necessary documents to enable STATE to protect its rights under this section.

INDEPENDENT ENTITY

CONTRACTOR is an independent entity under this contract and is not a STATE employee for any purpose, including the application of the Social Security Act, the Fair Labor Standards Act, the Federal Insurance Contribution Act, the North Dakota Unemployment Compensation Law and the North Dakota Workforce Safety and Insurance Act. CONTRACTOR retains sole and absolute discretion in the manner and means of carrying out CONTRACTOR'S activities and responsibilities under this contract, except to the extent specified in this contract.

NONDISCRIMINATION AND COMPLIANCE WITH LAWS

CONTRACTOR agrees to comply with all laws, rules, and policies, including those relating to nondiscrimination, accessibility and civil rights. CONTRACTOR agrees to timely file all required reports, make required payroll deductions, and timely pay all taxes and premiums owed, including sales and use taxes and unemployment compensation and workers' compensation premiums. CONTRACTOR shall have and keep current at all times during the term of this contract all licenses and permits required by law.

STATE AUDIT

All records, regardless of physical form, and the accounting practices and procedures of CONTRACTOR relevant to this contract are subject to examination by the North Dakota State Auditor or the Auditor's designee. CONTRACTOR shall maintain all such records for at least three years following completion of this contract.

PREPAYMENT

STATE will not make any advance payments before performance by CONTRACTOR under this contract.

TAXPAYER ID

CONTRACTOR'S federal employer ID number is:

PAYMENT OF TAXES BY STATE

State is not responsible for and will not pay local, state, or federal taxes. State sales tax exemption number is E-2001, and certificates will be furnished upon request by the purchasing agency.

EFFECTIVENESS OF CONTRACT

This contract is not effective until fully executed by both parties.

CONTRACTOR

STATE OF NORTH DAKOTA
Acting through its ND Public Employees
Retirement System

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

Appendix B: Response Template

1. Face sheet
Name of Proposer's Firm: _____
Federal Tax I.D. Number: _____
Principal Place of Business: _____
Address: _____
City: _____
State and Zip: _____
Contact Person: _____
Title: _____
Telephone: _____
Fax: _____
E-mail address: _____

2. Minimum Requirements for Administrative Services Checklist

Minimum Requirements Statement	Response
Electronic Data Collection and Reporting Requirements: Respondents must, at a minimum, meet the data collection and reporting requirements described in Section 1 under Reporting Requirements of the RFP.	
Vendor must be able to take current electronic enrollment file (containing member eligibility) at no cost.	
Effective Date of Coverage: Respondents must be able to provide required coverages and services by July 1, 2015 and January 1 2016 for the PDP.	
Licensure: Respondents must have all applicable licenses required by North Dakota or agree to obtain necessary licensure prior to the effective dates of coverage.	
Term of Contract: NDPERS is required by state statute to solicit bids for medical benefit coverage for a specified term for a fully-insured arrangement and every other biennium for a self-funded arrangement. NDPERS has determined that the specified term for fully-insured arrangement shall be two years till June 30 2017 except for the PDP which will be through December 2017.	
Premium Rate Guarantees: For all insured proposals premium rates must be guaranteed for a period of two years, from July 1, 2015 to June 30, 2017.	
Group PDP product: Ability to offer a group PDP product meeting the requirements outlined in the RFP	
Non-Medicare Retirees: Rates are governed by state statute. Non-Medicare retiree single rate is 150% of the active member single rate; the rate for a non-Medicare retiree plus one is twice the non-Medicare single rate, and the rate for a non-Medicare retiree plus two or more dependents is two and one-half times the non-Medicare retiree single rate.	

Minimum Requirements Statement	Response
Renewals: Renewals must be submitted to NDPERS in August of the year preceding the contract renewal date and in September of each year for the PDP.	
Contract Termination: Respondent's contract termination provision may not require more than 120-day notice and can occur only at renewal. NDPERS can terminate coverage at any time.	
Replicate Coverage: Respondent must replicate the existing coverage and financial terms.	
HIPAA Compliance: Respondents must be in compliance with all HIPAA Privacy and HIPAA EDI requirements and be able to conduct all applicable employer/plan sponsor and provider transactions consistent with those requirements. Respondents will be expected to meet HIPAA security requirements when applicable to NDPERS.	
Legislative Compliance: Respondents agree to comply with all applicable provisions of the Patient Protection and Affordability Care Act (PPACA) and the Health Insurance Portability Act of 1996 including, but not limited to providing certificates of creditable coverage.	
Transition Management: Respondents agree, should they be selected, they will proactively manage the transition of coverage (e.g. claim accumulators, lifetime maximums, etc.) from the subsequent carrier.	
Administration: Respondents must agree to comply with existing administration of NDPERS. Any modifications needed to accommodate NDPERS data will be done at the vendor's own expense.	
Audit: NDPERS reserves the right to audit any provider.	
North Dakota Legislation Requirements: Respondent must meet all requirements in the North Dakota Century Code including 54-52.4 and all requirements in the North Dakota Administrative Code including 71-03.	

Minimum Requirements Statement	Response
Ability to meet the specifications outlined in the RFP unless specifically noted	
Premium rates must be divisible by two.	

3. Affidavit of Non-collusion

I swear (or affirm) under the penalty of perjury:

1. That I am the Responder (if the Responder is an individual), a partner in the company (if the Responder is a partnership), or an officer or employee of the responding corporation having authority to sign on its behalf (if the Responder is a corporation);
2. That the attached proposal submitted in response to the Group Medical Coverage Request for Proposals has been arrived at by the Responder independently and has been submitted without collusion with and without any agreement, understanding or planned common course of action with, any other Responder of materials, supplies, equipment or services described in the Request for Proposal, designed to limit fair and open competition;
3. That the contents of the proposal have not been communicated by the Responder or its employees or agents to any person not an employee or agent of the Responder and will not be communicated to any such persons prior to the official opening of the proposals; and
4. That I am fully informed regarding the accuracy of the statements made in this affidavit.

Responder's Firm Name: _____

Authorized Signature: _____

Date: _____

Subscribed and sworn to me this _____ day of _____

Notary Public: _____

My commission expires: _____

4. Conflicts of interest list	
<p>Responders must provide a list of all entities with which it has relationships that create, or appear to create, a conflict of interest with the work that is contemplated in this request for proposals. The list should indicate the name of the entity, the relationship, and a discussion of the conflict.</p>	

5. Compliance with Federal and State Laws Form

NDPERS — Federal and State Law Compliance Certification

1. The company shown below is or will be in compliance with Federal and State laws and does not knowingly violate North Dakota or United States Laws. The company shown below will obtain this certification from all subcontractors who will participate in the performance of this contract; and

I certify that the company shown below is in compliance with items 1 above and that I am authorized to sign on its behalf.

Name of Company: _____ Date: _____

Authorized Signature: _____ Telephone Number: _____

Printed Name: _____ Title: _____

6. Location of Service Disclosure and Certification

STATE OF NORTH DAKOTA

LOCATION OF SERVICE DISCLOSURE AND CERTIFICATION

LOCATION OF SERVICE DISCLOSURE
<p>Check all that apply:</p> <ul style="list-style-type: none"><input type="checkbox"/> The services to be performed under the anticipated contract as specified in our proposal will be performed ENTIRELY within the State of North Dakota.<input type="checkbox"/> The services to be performed under the anticipated contract as specified in our proposal entail work ENTIRELY within another state within the United States.<input type="checkbox"/> The services to be performed under the anticipated contract as specified in our proposal will be performed in part within North Dakota and in part within another state within the United States.<input type="checkbox"/> The services to be performed under the anticipated contract as specified in our proposal DO involve work outside the United States. Below (or attached) is a description of<ul style="list-style-type: none">(1) the identity of the company (identify if subcontractor) performing services outside the United States;(2) the location where services under the contract will be performed; and(3) the percentage of work (in dollars) as compared to the whole that will be conducted in each identified foreign location.

CERTIFICATION

By signing this statement, I certify that the information provided above is accurate and that the location where services have been indicated to be performed will not change during the course of the contract without prior, written approval from the State of North Dakota.	
Name of Company: _____	
Authorized Signature: _____	
—	
Printed Name: _____	
Title: _____	
Date: _____	Telephone
Number: _____	

Appendix C. Questionnaire

In order for your proposal to be considered and accepted, your organization must provide answers to the questions presented in this section. Each question must be answered specifically and in detail. Include both the question and the answer in your proposal response. An electronic copy of this questionnaire has been provided to facilitate your response.

Reference should not be made to a prior response unless the question involved specifically provides such an option. Proposers should refer to the earlier sections of this RFP before responding to any of the questions, to ensure that you have a complete understanding of the requirements with respect to your organization's proposal.

Vendors may include additional information that you consider relevant or useful to NDPERS. However, responses to all of the questions set forth below must be provided.

If this proposal results in your company being awarded a contract and if, in the preparation of that contract, there are inconsistencies between what was proposed and accepted versus the contract language that has been generated and executed, any controversy arising over such discrepancy will be resolved in favor of the language contained in the proposal or correspondence relating to your proposal. Vendors are reminded that **any and all deviations must be clearly identified and described in the RFP and the deviations worksheet provided in Appendix F.**

The questionnaire is broken down into the following 13 (thirteen) categories:

- Organizational Background, Strength, and Experience
- Implementation and Account Management
- Communications and Website
- Plan Administration
- Eligibility and Billing
- Customer/Member Service
- Claims Administration
- Reporting
- Case/Utilization Management
- Health Risk Management and Wellness Programs
- Provider Network
- Performance Standards and Guarantees
- Pharmacy Benefits Management Services

6.1 Organizational Background, Strength, and Experience

1. Provide a brief description of your organization, including your company history, organizational structure, services provided, location of headquarters, and length of time you have been in business. Describe any significant historical or future organizational developments (acquisitions, mergers, change in subcontracted vendors, etc.).
2. Vendors responding to this RFP must be able to substantiate their financial stability. Provide a copy of your audited financial statement or other financial information. Include, at a minimum, a Balance Sheet and a Profit and Loss Statement, together with the name and address of the bank(s) with which you conduct business and the public accounting firm(s) that audit your financial statements. Other sufficient information may include a written statement from a financial institution confirming the creditworthiness and financial stability of the vendor.

3. Provide a copy of any State or Federal regulatory audit performed within the last two years.
4. Confirm that your organization agrees to be accountable for everything stated in and submitted as part of your proposal, even if not specifically addressed in the proposed sample contract/ASA.
5. Indicate whether your company has ever been or is currently a party to litigation regarding a medical benefit plan contract or agreement. If so, provide details of the litigation or action. Failure to disclose this may constitute grounds for rejection of any proposal or termination of any contract.
6. State whether the vendor, its officers, agents or employees, who are expected to perform services under the NDPERS contract, have been disciplined, admonished, warned, or had a license, registration, charter, certification, or any similar authorization to do business suspended or revoked for any reason.
7. Include a description of your organization’s major short term strategic initiatives and your long term strategic business plan. Specifically address cost containment efforts.
8. Describe how your organization differentiates itself from your competitors. Specifically, what makes your organization the best partner for NDPERS?
9. Identify all services that are currently outsourced or subcontracted, the name of the vendor/partner, and length of the relationship. Describe how you ensure quality customer service and timely and effective issue resolution.
10. What ratings have you received from the following third party rating companies and organizations?

Rating Organization	Rating	Date of Last Accreditation / Rating
A.M. Best		
Standard & Poor’s		
Moody’s		
NCQA (by product)		
JCAHO		
URAC		
American HealthCare Commission		

11. What fidelity and surety insurance or bond coverage do you carry to protect your clients? Specifically describe the type and amount of the fidelity bond insuring your employees that would protect this plan in the event of a loss. Do you agree to furnish a copy of all such policies for review by legal counsel if requested?

12. Are any of the services you are proposing to provide to NDPERS contracted outside the U.S.A? Describe any business you do outside the U.S.A. and the financial impact, if any, of requiring those services to be provided within the U.S.A.
13. Confirm that your proposal includes any and all deviations to the sample ASA (via submission of Exhibit F) and to the other RFP requirements (via Exhibit F, worksheet 2).
14. Confirm that you will to the best of your ability conform to the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010. Describe any provisions that NDPERS must be prepared to comply with beginning July 1, 2015.

6.1.2 References and Experience

15. Provide the following information on a maximum of three (3) of your largest medical plan clients for whom you provide medical network, insurance, and administrative services. References of similar size and scope to NDPERS are preferred; one must be your largest public sector client and one must be your largest North Dakota-based client.
 - a. Name of employer sponsoring plan and location
 - b. Type of services provided to plan sponsor
 - c. Plan inception date
 - d. Length of time as client
 - e. Number of contracts and members participating in the plan
 - f. Contact information (name, title, phone number, email address)
16. Provide the following information for two (2) of your largest medical plan clients that have terminated services during the preceding 3-year period. References of similar size and scope to NDPERS are preferred.
 - a. Name of employer sponsoring plan and location
 - b. Type of services provided to plan sponsor
 - c. Plan inception date
 - d. Length of time as client
 - e. Number of contracts and members participating in the plan
 - f. Reason for termination
 - g. Contact information (name, title, phone number, email address)

6.2 Implementation and Account Management

17. Proposers must outline in detail the specific activities and tasks necessary to implement the NDPERS program. Be specific with regard to the following:
 - Amount of total time needed to effectively implement the program
 - Activities/tasks and corresponding timing
 - Responsible parties and amount of time dedicated to implementation, broken out by vendor and NDPERS staff
 - Any transition activities required with incumbent carriers, including providing members adequate notice regarding current care or treatment plans at least 60 days prior to a change
 - Length of time implementation team lead and members will be available to NDPERS

18. Provide an overview of how the NDPERS relationship will be managed, both strategically and on a day-to-day basis. Include an organizational chart. NDPERS will give preference to vendors who are willing to assign a dedicated account management team and provide access to senior leadership. Designate the names, titles, location, telephone numbers, and email addresses for the representatives listed below. For the account service individuals listed (b, c, d, and e below), provide brief biographical information, such as years of service with your company, experience as it relates to this proposal, and the number of clients for which they perform similar services.

- a. The key individual representing your company during the proposal process;
- b. The key individuals on your proposed implementation team;
- c. The key individual assigned to overall contract management;
- d. The key dedicated individual or team members responsible for day-to-day account management and service;
- e. The key individual responsible for provider contracting; and
- f. The key individual responsible for provider relations if different than letter e. above.

19. Please provide the requested information for the functions that will be servicing NDPERS in the table below:

Area	Geographical Location(s) and Organization Name (if out-sourced)	Hours of Operation (Specify PST/CST/EST)	Is this service Outsourced? Yes or No? <i>If Yes, provide name of company to which the function is outsourced</i>
Member Service			<input type="checkbox"/> Yes <i>Specify Company Name:</i> _____ <input type="checkbox"/> No
Claims Processing			<input type="checkbox"/> Yes <i>Specify Company Name:</i> _____ <input type="checkbox"/> No
Enrollment, Eligibility, and Billing			<input type="checkbox"/> Yes <i>Specify Company Name:</i> _____ <input type="checkbox"/> No
Disease Management			<input type="checkbox"/> Yes <i>Specify Company Name:</i> _____ <input type="checkbox"/> No
Case and Utilization Management			<input type="checkbox"/> Yes <i>Specify Company Name:</i> _____ <input type="checkbox"/> No

Area	Geographical Location(s) and Organization Name (if out-sourced)	Hours of Operation (Specify PST/CST/EST)	Is this service Outsourced? Yes or No? <i>If Yes, provide name of company to which the function is outsourced</i>
Health, Education and Wellness Programs/Services (including dedicated wellness support staff)			<input type="checkbox"/> Yes <i>Specify Company Name:</i> _____ <input type="checkbox"/> No
Pharmacy Benefit Management			<input type="checkbox"/> Yes <i>Specify Company Name:</i> _____ <input type="checkbox"/> No
HSA			<input type="checkbox"/> Yes <i>Specify Company Name:</i> _____ <input type="checkbox"/> No
Other (Specify functional area)			<input type="checkbox"/> Yes <i>Specify Company Name:</i> _____ <input type="checkbox"/> No

Communications and Website

20. Please complete the table below by providing a description of the pre-enrollment communication materials you will provide to support NDPERS during its open enrollment period:

Area	Description	Can it be customized for NDPERS?
Website		<input type="checkbox"/> Yes <input type="checkbox"/> No
Employee Newsletter(s)		<input type="checkbox"/> Yes <input type="checkbox"/> No
Brochures		<input type="checkbox"/> Yes <input type="checkbox"/> No
Direct mail (internal or home distribution)		<input type="checkbox"/> Yes <input type="checkbox"/> No
Enrollment guide		<input type="checkbox"/> Yes <input type="checkbox"/> No
Employee open enrollment meeting support and attendance		<input type="checkbox"/> Yes <input type="checkbox"/> No
Benefits/HR staff training support		<input type="checkbox"/> Yes <input type="checkbox"/> No
Video		<input type="checkbox"/> Yes <input type="checkbox"/> No
Employee healthcare cost calculator worksheets (cost estimates)		<input type="checkbox"/> Yes <input type="checkbox"/> No
Other (please list)		<input type="checkbox"/> Yes <input type="checkbox"/> No

21. Are you willing to provide communication and marketing resources to work with NDPERS in the development of NDPERS-specific member communication materials (educational, open enrollment, benefit plan related, ongoing communications)? Describe the resources, sample communications, and your proposed approach and strategy/plan.

22. How much lead time is necessary for you to guarantee that ID cards will be received by members prior to the plan year effective date of July 1, 2015?

23. Describe your plan for the post-65 programs that you will offer to NDPERS retirees.

Plan Administration

- 24. Confirm that you will communicate legislative changes related to the operations of the plan in a timely manner, and describe the support staff and process.
- 25. Describe your proposed transition of care plan. At a minimum, the transition plan must address:
 - a. Conditions or type of care that is typically transitioned;
 - b. Individuals who are in a course of treatment;
 - c. Transition process of current medical treatment;
 - d. Communication of transition issues to all plan members.
- 26. What is your total commercial and Medicare health plan enrollment? Complete the table below.

Dates	Commercial	Medicare
As of January 2012		
As of January 2013		
As of January 2014		

6.3 Eligibility and Billing

- 27. Are ID cards the sole means of determining member eligibility? If not, please describe.
- 28. If desired, can NDPERS update and maintain eligibility and check employee claim status online? Are there any special charges for access to and use of these tools?
- 29. NDPERS will submit enrollment, billing and premium remittance via a centralized electronic system. NDPERS will collect enrollment/eligibility information which will be provided to the successful contractor on a data file that follows the HIPAA 834 file specifications. Premium payment information will be provided on a data file that follows the HIPAA 820 file specifications. Files will be transmitted using a secure file transmission process. Please confirm that you can receive this data in that format and media. Please confirm your ability to conform to this process and identify any potential issues.
- 30. Please describe how you handle manual eligibility updates and the turn-around/timing of such updates.

6.4 Customer/Member Service

31. Confirm if you will provide and maintain dedicated customer service staff acceptable to NDPERS. This unit will provide dedicated local and toll-free telephone numbers and shall respond directly to member inquiries regarding benefits, claim status, selecting participating providers, and provide general assistance with navigating on-line and other resources available through the health plan and NDPERS websites. Describe the structure and organization and provide an organizational chart of the unit you are proposing.

6.5 Claims Administration

32. Provide the following information regarding the claims administration unit that will handle the NDPERS account. If there is more than one claims processing location, provide information for each.

	Claims Processing Unit
Address/Location	
Phone Numbers	
Days and Hours of Operation	
Number of Members Serviced	
Number of Employer Groups Serviced	
Ratio of Claims Unit Staff to Members Serviced	
Volume of Claims Processed Daily	

33. Will your organization identify a dedicated team of claims processors for the NDPERS account? If processors are shared with other clients, on average, how many clients does one team service? What is the average length of service of the claim processors?

34. Confirm that you are able to administer the NDPERS designs (Dakota Plan and Dakota Retiree Plan) and benefit levels without manual intervention. If you are unable to administer the plan, you must specify any plan design deviations proposed as specified in the RFP.

35. Describe your claims processing system/platform and claims administration process.

36. How do you determine reasonable and customary ("R&C") charge allowances? What methodology is used (i.e., HIAA)? What percentile is used? How often are R&C schedules updated?

6.6 Reporting

- 37. Confirm your ability to provide the reports described in the RFP and provide samples.
- 38. Describe your online reporting capabilities. Please describe the data/information and types of reports that can be accessed and downloaded from your online system.
- 39. Explain your ability to comply with the NDPERS current data warehouse arrangement by providing medical claims and enrollment data to NDPERS in a format agreed upon between you and NDPERS no less than monthly.

6.7 Case/Utilization Management

- 40. Provide a brief overview of your utilization management programs, including pre-certification, concurrent review, discharge planning, and large case management.
- 41. What is the source of the criteria used for the following:
 - a. Determining surgical necessity and whether a second opinion is required.
 - b. Determining approved length of stay.
 - c. What percentile of the data is used?
 - d. Approximately what percentages of review cases are referred to a physician because the initial review and attending physician cannot reach agreement on the proposed level of care?
 - e. Does this percentage vary between medical/surgical and psychiatric/substance abuse cases? If so, provide variances.

6.8 Health Risk Management Programs

- 42. Indicate in the table below if you currently provide the care or disease management program listed, the number of members from ND-based employers currently enrolled, the cost per participant, and its accreditation status.

Program		Number of Members Enrolled (ND)	Cost per Participant	Accredited? If so, indicate accrediting organization.	Program		Number of Enrolled Members (ND)	Cost per Participant	Accredited? If so, indicate accrediting organization.
<input type="checkbox"/>	Arthritis				<input type="checkbox"/>	High Risk Pregnancy/Prenatal Support			
<input type="checkbox"/>	Asthma				<input type="checkbox"/>	Hypercholesterolemia			
<input type="checkbox"/>	Cancer				<input type="checkbox"/>	Pain Management			
<input type="checkbox"/>	Congestive Heart Failure				<input type="checkbox"/>	Renal Failure			
<input type="checkbox"/>	COPD				<input type="checkbox"/>	Smoking/Tobacco Cessation			

Program	Number of Members Enrolled (ND)	Cost per Participant	Accredited? If so, indicate accrediting organization.	Program	Number of Enrolled Members (ND)	Cost per Participant	Accredited? If so, indicate accrediting organization.
<input type="checkbox"/> Depression				<input type="checkbox"/> Weight Management			
<input type="checkbox"/> Diabetes				<input type="checkbox"/> Other, please indicate:			
<input type="checkbox"/> Low Back Pain				<input type="checkbox"/> Other, please indicate:			

43. Briefly describe each of the programs currently offered and the cost of each program. Do you currently track and report specific clinical outcome measurements for each of the conditions for which care/disease management is offered? Please list them.
44. Are you willing to customize your care management/DM programs and services for NDPERS? If so, please explain and provide an example.
45. Describe the programs offered to patients with rare and chronic diseases. Is this program outsourced? Who is the current vendor?
46. Describe in detail your ability to provide online wellness programs. Compare it to the existing program presently in the NDPERS program (see our website). Specifically identify any deviations from the existing program.
47. Describe Wellness incentives you offer. Compare and contrast that with the existing incentives.
48. Describe your ability to support PERS Wellness initiatives by providing the administrative services for:
 - a. Tobacco Cessation program
 - b. PERS Diabetes Program
 - c. Dedicated Wellness Program Staff

6.9 Network Accessibility and Disruption

49. We are requesting that vendors provide a GeoAccess network accessibility and disruption analysis outlining network access based on the access standards listed below separately by North Dakota County. If you are proposing a combination of owned and leased networks, please provide your results separately by network. This GeoAccess analysis must be provided for your proposed NDPERS network. A census file has been provided in Appendix E for your use.

Provider Type	Access
Primary Care Providers (family/general practice, pediatrics, internal medicine and OB/GYN)	2 providers within 30 miles
Specialists	2 providers within 30 miles
Hospitals	1 hospital within 50 miles

Please provide the GeoAccess summaries in the table below as well as back-up detail (back-up detail on CD submission only) for employees who fall both within and outside the following access standards. Your match should include all valid zip codes in each of the counties in North Dakota that your network serves and in which participants reside. In addition, you should include only open practices in your analysis.

Percent of Employees Meeting the Access						
Provider Type	Family/ General Practice	Pediatrics	Internal Medicine	OB/GYN	Specialists	Hospital
North Dakota						
County 1						
County 2						
County 3						
County 4						
County 5						
County 6						
County 7						
County 8						
County 9						
County 10						

- 50. Provide a listing or provider directory and link to the web for the provider networks you are proposing for NDPERS.
- 51. Identify and describe your national preferred provider organization.
- 52. Confirm your willingness to negotiate and maintain NDPERS-specific provider contracts to allow for cost control mechanisms and alignment of contract and plan years. Describe your process and approach for accomplishing this.
- 53. Do you anticipate any significant provider contract changes for 2015? Describe.

6.9.1 Cost, Quality, and Pay for Performance

- 54. Describe the programs and methodologies currently in place to gather and measure meaningful provider quality and efficiency data that can be shared with members.
- 55. Describe in detail the performance standards you currently have in place with your contracted physicians, provider groups, hospitals, and other providers. Outline the types of measures utilized, how you monitor and track these measures, how providers are held accountable, and how frequently the data is compiled and shared with the physicians and provider groups.
- 56. Describe your participation in pay-for-performance initiatives. To what extent do these activities impact the health care costs of NDPERS or claims incurred by its covered population?

6.9.2 Credentialing and Contracting

- 57. Briefly describe the initial credentialing process. How often are physician, hospital and other contracts (labs, imaging facilities, DME, home health care) reviewed?

6.9.3 Reimbursement and Discounts

- 58. Provide the reimbursement methodologies (by percentage) agreed to in your contractual arrangements to reimburse inpatient and outpatient hospital services (e.g., discount from charges, case rate, per diem, global DRG, fee schedule, etc.).
- 59. Provide the reimbursement methodologies (by percentage) used to reimburse professional services (e.g., fee-for-service from billed charges, fee-for-service with discount, percent of RBRVS, capitation).
- 60. Provide details on how prescription rebates are reimbursed to the plan.

6.10 Performance Standards and Guarantees

As described in Section I. Overview, of this RFP, health plan vendors are required to comply with performance standards and guarantees that include a financial incentive/forfeiture which is negotiated as part of the renewal process. The table below provides the standards, incentive and forfeiture values, and the target corridors. Please note that references in the table refer to the ASA.

2015 INCENTIVE/FORFEITURE VALUES

Criteria	Value of Incentive	Value of Forfeiture	Target Corridor - All targets are specific to NDPERS unless noted otherwise below
Cost Management:			
Health Outcomes:			
Provider Network Management:			
Operational Performance:			
<i>Add lines as necessary</i>			

- 61. Please confirm your willingness to comply with the performance standards and guarantees in the table above. Identify any additional standards and metrics your organization would be willing to include.

6.11 Pharmacy Benefits Management Services

- 62. Describe your company’s experience with administering pharmacy benefits. Provide a summary that includes the number of years that your company has provided such services, number and type (governmental or private) of clients, the total number of eligible employees, and the total number of actual participants that your company currently serves. Identify those clients who are large employers with multiple payroll processing centers and Medicare Part D program support.
- 63. Describe your company’s expertise and experience in implementing PBM services for a program that is comparable in size to the NDPERS program, based on the number of covered lives.

64. Describe your mail order pharmacy program and provide details on how you market this service.

6.11.1 Services Provided to the NDPERS

65. Describe the timetable and specific tasks involved to have the NDPERS' program operative for the July 2015 Plan Year. Include a detailed implementation plan and business plan or timeline related to prescription drug coverage including Medicare Part D program support. At a minimum be specific with regard to the following:
- a. Amount of time needed for implementing the new program
 - b. Recommended activities/tasks and timing
 - c. Responsibilities of the vendor and the NDPERS staff
 - d. Transition with incumbent, including providing members 90 day notice regarding formulary changes, and the communication of transition issues to all plan members.
 - e. Length of time implementation team will be available and accountable to NDPERS.
 - f. Identify the staff members, by area of expertise, who will be assigned to the implementation team.

6.11.2 Formulary

66. Provide details and the capabilities of your organization to provide a formulary that is at a minimum equivalent to and as comprehensive as the current formulary used by the NDPERS program. Provide sample formulary documents. At a minimum include the following:
- i Describe your policy regarding formulary changes and your procedures for educating and notifying members. Indicate how often the formulary is changed.
 - ii Describe how drugs are evaluated for possible inclusion on the formulary.
 - iii Describe the basis of your formulary development and maintenance?
 - iv Provide specific information where a higher cost option of therapeutic equivalent drug has been included in your formulary and provide rationale for doing so.

6.11.3 Management of Clinical Programs

67. Provide information that demonstrates your organization can effectively administer the programs listed below in order to partner the pharmacist, other health professionals and the member to ensure the optimum therapeutic outcomes for our members. Also provide information that demonstrates your organization's ability to promote the safe and effective use of medications, and help our members achieve targeted outcomes.
- a. Drug Utilization Reviews - retrospective, concurrent and prospective.
 - b. Disease Management
 - c. Medication Therapy Management
68. Does your organization perform retrospective DUR for all claims of a given client? Please provide frequency of retrospective DUR.
69. What is the generic utilization and substitution rate for your overall book of business nationally and in North Dakota?

	2012	2013	2014 YTD
BOOK OF BUSINESS			
Generic utilization rate			
Generic substitution rate			
NORTH DAKOTA			
Generic utilization rate			
Generic substitution rate			

70. How many MAC lists do you have for pharmacies and clients? If more than one, which list will you use for NDPERS?

	Number of MAC lists
Pharmacies	
Clients	

71. Describe your methodology for pricing (AWP, AAC, WAC, etc.)? Please explain in detail.

6.11.4 Trend Analysis

72. Your organization must be able to provide NDPERS with a comprehensive, annual trend analysis report as background for making pricing decisions. At a minimum the report must:
- a. Contain extensive utilization and drug spend data that presents future trend drivers, both industry wide and specific to our programs;
 - b. Provide information on the generic pipeline, drug indication changes that may affect drug utilization, specialty drug utilization trends, new drug introductions and other similar trend drivers;
 - c. Show the impacts of, and provide recommendations for addressing price inflation, rebate performance and other pricing related drivers, in addition to pharmacy network trends and opportunities.
73. Describe your organizations Trend Analysis reporting capabilities. Provide sample reports that reflect your organization’s ability to provide thorough trend analysis for NDPERS.

6.11.5 Specialty Drug Program

74. Describe in detail how your organization will manage specialty and compound drugs based on NDPERS's current plan design. Provide detailed information about your organization's capabilities to administer a specialty drug program. Indicate specific results your specialty drug program has achieved for your current and past clients in terms of reduced program costs (quantitative and qualitative). Include details about the Specialty pharmacy you contract with.

6.11.6 Network Accessibility and Disruption

75. Submit a current listing of the participating pharmacies in North Dakota.
76. How are pharmacies selected for inclusion in your network? Would your organization be willing to contract with additional pharmacies if there are geographic locations where participants live but which do not have access to one of your pharmacies?
77. Indicate which major chain stores are not included in your proposed network for NDPERS.

6.11.7 Medicare Part D

Describe the ability of your organization to provide Medicare Part D coverage for Medicare eligible retirees enrolled in the NDPERS group health insurance program. Identify any subcontractor that would be used to provide Medicare Part D coverage to the NDPERS Medicare eligible retirees and note that NDPERS reserves the right to approve the subcontractor. Also identify what type of plan would be used (e.g. fully-insured PDP, 800-Series EGWP, Direct-Contract EGWP)

6.11.8 HDHP/HSA

78. Describe how your organization will do the administration of the HSA option. What details are provided to individuals that select this option, the name of the service vendor and any other applicable information.

Appendix D. Cost Proposal Exhibits

Please complete the questions and cost proposal exhibits provided in this section. As described in Section IV., Proposal Submission, of this RFP. Vendors may provide supplemental information but may not deviate from utilizing the provided Excel worksheets. Refer to Section IV. Proposal Submission for details. Instructions are outlined below and included with each of the required exhibits.

D.1 Fully-insured – With Prescription Drug Coverage

The cost proposal consists of the following components and related exhibits:

- Medical + Prescription Drug Premiums (D1.1)
- Medical + Prescription Drug Premium Development (D1.2)
- Medical (only) Premiums (D1.3)
- Medical (only) Premium Development (D1.4)

D.2 Fully-insured – Medicare Group PDP

The cost proposal consists of the following components and related exhibits:

- Medicare Part D Group PDP Premiums (D2.1)
- Medicare Part D Group PDP Premium Development (D2.2)

Failure to submit a complete cost proposal with all requested exhibits may eliminate your proposal from further consideration. Vendors must submit the information in the format requested, but can provide supplemental information to further explain your response.

Appendix E – NDPERS Program Information

Exhibit 1 – Age/gender member statistics

Exhibit 2 – Contract count summary

Exhibit 3 – Member count summary

Exhibit 4 – Services count summary

Exhibit 5 – Plan paid dollars summary

Exhibit 6 – High claims

Exhibit 7 – Contracts by zip code

Appendix F, Exhibit F1 and F2 – Proposal Deviations (2 pages)

Proposers are required to submit deviations in two parts and under separate cover with their proposals using the exhibits that follow:

1. Exhibit F1 – Contract/ASA deviations and exceptions must be described in detail, and include proposed alternative language.
2. Exhibit F2 - Deviations from other RFP requirements must also be described in detail and submitted with your proposal.

Use the exhibits provided in the following pages to submit specific deviations.

In addition, proposers must submit:

3. Exhibit F3 – Submit the redline version of the sample contract/ASA with your proposal reflecting the deviations identified in your response to Exhibit F1. Note that electronic and hard copy formats must be submitted with the cost proposal as described earlier in the RFP.

Proposal Deviations

Instructions:

Vendors must complete and submit two separate proposal deviations worksheets. Exhibit F1 for exceptions and suggested alternatives to the terms and provisions in the sample contract/ASA and Exhibit F2 for deviations to other RFP requirements (plan designs, administration, etc.). Failure to include this information with your proposal may exclude your organization from further consideration. As noted in Exhibit F3, vendors are also required to submit a redline version of the ASA that reflects the deviations and suggested alternatives noted below (as outlined in Section III., Proposal Contents, of the RFP).

Appendix F, Exhibit F1 – Proposal Deviations to Sample Contract/ASA

Please complete the following worksheet for any and all deviations and exceptions to the required contract language and provisions as outlined in the sample contract provided with this RFP. Suggested alternatives must be included. Vendors should add additional pages as needed.

NDPERS RFP SAMPLE CONTRACT/ASA DEVIATIONS AND EXCEPTIONS		
Contract Section/ Number	Description/Contract Language	Suggested/Proposed Alternative Language or Provision

Appendix F, Exhibit F2 – All Other Proposal Deviations

Please complete the following worksheet for all deviations and exceptions to the RFP requirements. Suggested alternatives or solutions must be included. Vendors should add additional pages as needed.

NDPERS RFP ALL OTHER DEVIATIONS AND EXCEPTIONS	
Specific Deviation	Proposed Alternative/Solution

Appendix F, Exhibit F3 – Redline version of contract/ASA (to be submitted by vendors)

Appendix G – Services to be provided by selected vendor

Services	Reference Resources	Discuss and Identify comparable service offering.
NDPERS Specific Plan Designs		
<ul style="list-style-type: none"> • Actives and Pre Medicare Retirees Medical plans <ul style="list-style-type: none"> ○ PPO/Basic Plan – Grandfathered ○ PPO/Basic Plan – Non Grandfathered • Active and Pre Medicare Retirees Rx plan <ul style="list-style-type: none"> ○ 	http://www.nd.gov/ndpers/insurance-plans/group-health-ppo-basic-grandfathered.html http://www.nd.gov/ndpers/insurance-plans/group-health-ppo-basic-non-grandfathered.html	
<ul style="list-style-type: none"> • Wellness Program <ul style="list-style-type: none"> ○ Healthy Blue ○ Employer Based Wellness Program 	http://www.nd.gov/ndpers/insurance-plans/employer-based-wellness.html	
HDHP/HSA Option for State agencies	http://www.nd.gov/ndpers/insurance-plans/group-health-hdhp.html	
Medicare Retiree Plan <ul style="list-style-type: none"> ○ Plan F look alike 	http://www.nd.gov/ndpers/insurance-plans/medicare-rx.html	
Separate Medicare Part D RX plan	http://www.nd.gov/ndpers/forms-and-publications/publications/grp-hlth-spd-retirees.pdf http://www.nd.gov/ndpers/forms-and-publications/publications/medicare-benefits-summary-current.pdf	
General Services		
<u>Actuarial Services</u> <ul style="list-style-type: none"> • • Mandate cost estimates & reporting during Legislative session within 24 to 48 hours. • Trending • Financial reporting • 	Mandate Estimates – See Document #1 See Quarterly Report and Annual Report – Documents 2&3 See Document #4 – Bryan can you provide?	

<p><u>Underwriting Services</u></p> <ul style="list-style-type: none"> • Dedicated NDPERS underwriter • Enrollment processes – verify enrollments entered by NDPERS staff and sent through 834 file. Rush enrollments with immediate PTI updates, generate ID cards, mail benefit books, notify NDPERS when 834 file is bad, 834 file is mapped to correct group, roll, class of coverage using their rate structure code and coverage codes (other 834 files are required to send BCBSND our basic codes and class codes) and staff available always to answer questions by NDPERS office. Eligibility (removal of dependents (EOM age 26), grandchildren when parent marries, divorce (removal for ex spouse and step children with or without rescission letters) • ID cards • Benefit books • Summary of Benefits & Coverage • 834 Enrollment Discrepancy Reports 		
<p><u>Communications Services</u></p> <ul style="list-style-type: none"> • NDPERS news letter items • News from the Blues • Letters, posters, brochures and grids • Directories 	<p>http://www.nd.gov/ndpers/forms-and-publications/index.html</p>	
<p><u>Claims Administration & Member Services</u></p> <ul style="list-style-type: none"> • Dedicated NDPERS Pod for claims and customer calls (NDPERS performance for 2013– 99% of claims were paid in 30 calendar days, 99% of all claims were paid correctly) • Subrogation, Medicare secondary payer, coordination of benefits processes • Member advocacy program – (6 active cases) • Annual satisfaction survey (First Call Resolution survey – started in July 2013, 451 		

<p>NDPERS members surveyed with a 95.3% overall satisfaction score)</p> <ul style="list-style-type: none"> • Annual NDPERS claims audit • Facilitate PBM Audit • MSP Data Match Compliance • Prenatal Plus Program enrollment/claims processing for NDPERS specific benefit • Enrollment for Tobacco Cessation Program • Subscriber Appeals • HealthyBlue – PERS service unit handles calls from members 		
<p><u>Finance</u></p> <ul style="list-style-type: none"> • Manage & Report NDPERS risk sharing arrangement • Manage & Report NDPERS Cash Reserve Account • Process payments for NDPERS value added programs • Tobacco Cessation Program • RX Disease Management Program • Employer Based Wellness Program • Billing (create monthly premium billings and group accounts receivables that report and track the total amount of premium due for all NDPERS members covered through BCBSND. These accounts are reconciled monthly with the payments and enrollment files submitted by NDPERS to ensure enrollment and billing accuracy) • 820 Premium Payment Discrepancy Reports 		
<p><u>Information Technologies</u></p> <ul style="list-style-type: none"> • NDPERS specific 820 payment file • NDPERS specific 834 enrollment file • Corelink NDPERS specific benefit matrix and claims processing logic • On-base system for processing claims for 		

<p>Tobacco Cessation Program</p> <ul style="list-style-type: none"> • THOR – secure file transfer system • Monthly Process Improvement team meetings 		
<p><u>Legislative and Legal Services</u></p> <ul style="list-style-type: none"> • Monitor State and Federal legislation for changes affecting NDPERS • Mandate cost estimates during Legislative session • Contract reviews • Develop Memorandum of Understandings for value added programs • Compliance <ul style="list-style-type: none"> • Pharmacy class action settlements • Internal audit functions • STAR system for monitoring provider trends 		
<p><u>ACA Reporting & Compliance</u></p> <ul style="list-style-type: none"> • <u>Reporting of Minimum Essential Coverage (6055)</u> • ACA required notices upon loss of coverage for exchanges • Monitor employer lapse in coverage for change to NGF and loss of participation if small group 		
<p><u>Marketing and Adm Staff</u></p> <ul style="list-style-type: none"> • Dedicated NDPERS Account Executive • Dedicated NDPERS Account Manager • Dedicated NDPERS Wellness Consultant • Dedicated NDPERS Group Consultant • Pharmacy Consulting (• 		
<ul style="list-style-type: none"> • Provide a stable Grandfathered benefit design by monitoring activities and regulations to limit risks • Benefit overviews for agencies and political 	<p>Do we know the number of these in 2013</p>	

<p>subdivisions</p> <ul style="list-style-type: none"> • Complete an annual minimum participation and contribution survey • Monitor performance guarantees • Monitor and address Legislative items • Member education programs for agencies and political subdivisions • Conduct routine meetings with NDPERS staff to ensure adequate communication on items such as wellness, process improvement, benefit designs changes, and new programs. 	<p>https://www.bcbsnd.com/web/employers/wellness-programs/member-education Do we know the number in 2013?</p>	
<p><u>Reporting</u></p> <ul style="list-style-type: none"> • Quarterly Executive Summary and Annual Assessment • Monthly data files through THOR • Adhoc reporting including cost, utilization and risk analysis • Provide flex files to ADP • Reporting for Value Added Programs <ul style="list-style-type: none"> ○ Tobacco Cessation Program ○ RX Disease Management Program ○ Employer Based Wellness Program 	<p>See Quarterly Report and Annual Report – Documents 2&3</p>	
Wellness Programs		
<p><u>Healthy Blue</u></p> <ul style="list-style-type: none"> ○ HealthyBlue Program (19% participation rate with \$528,907 redemptions paid & 97% of users satisfied) ○ Dedicated NDPERS portal ○ NDPERS specific voucher points ○ Developed HealthyBlue challenges (7 in 2013 -touched 3,741 members) • Health Club Credit program (8% participation rate with \$492,294 credits paid In 2013) • Implemented Wellness Star of the Month for NDPERS. • Promote community based wellness activities and award points for participation. 	<p>https://ndpers.healthybluend.com/dt/v2/bcbsndindex.asp?Aff=NDPERS</p>	

<ul style="list-style-type: none"> • Develop and promote targeted messaging on Blood Pressure. • Monthly webex's provided by member education on HB & HCC. <p><u>Employer Based Wellness Program</u></p> <ul style="list-style-type: none"> • Dedicated wellness specialist to assist coordinators with wellness activities, planning and implementing ideas. • Planned and coordinated summer Wellness Coordinator workshops. (113 coordinators participated) • Developed the Lt Governor's Award for Worksite Wellness with HealthyND. • Monthly Newsletter for Wellness Coordinators • Monthly conference call with Wellness Coordinators • Provide monthly wellness articles for distribution to coordinators/employees. • Provide monthly posters for distribution to wellness worksites. <p><u>Employer Based Wellness Funding Program</u></p> <ul style="list-style-type: none"> • Wellness consultant on evaluation team • Review and score applications • Administer payment of invoices from NDPERS <p><u>Wellness Education</u></p> <ul style="list-style-type: none"> • On site wellness presentations at employer worksites • Benefit presentations at employer worksites • Created a Vaccination Awareness program with Department of Health • Created flyer for NDPERS web on cervical cancer • Organized the NDPERS Retiree Health Fairs (75 retirees & 20 vendors participated). • Coordinating National Walk @ Lunch Day • Participate in COSE wellness fair at capitol each September • 	<p>http://www.nd.gov/ndpers/insurance-plans/employer-based-wellness.html</p> <p>Web site or other reference for this</p>	
<p>Rx Services</p>		

<ul style="list-style-type: none"> • Prenatel Plus Program with NDPERS specific benefits • Provider news letters 		
<p><u>Provider Relations</u></p> <ul style="list-style-type: none"> • BCBSND owned provider network (97.7% of in-state Providers) • NDPERS specific PPO discounts (37% of charges, 2013 discounts - Specific NDPERS PPO = \$4,725,857) • Total cost of care contracts • National Bluecard network (total BlueCard out of state discounts = \$18,281,877 in 2013) • Provider credentialing and contracting • Physician Quality Measurement Program • Blue Physician Recognition Program • Patient Review of Physicians Program 	<p>Do we have a list of NDPERS PPO providers</p>	
Medicare Part D		
<ul style="list-style-type: none"> • Special contract for CMS requirements • NDPERS specific benefit plan design NDPERS specific Part D online enrollments – NDPERS does handle enrollment, however BCBSND receives reports each week with any enrollment discrepancies and then works with the PDP vendor and NDPERS to rectify those. So I would say that NDPERS and BCBSND both share in working with specific Part D enrollments. • NDPERS specific Part D billing – BCBSND handles the billing that come directly from MedicareBlue Rx each month in a paper format. BCBSND pays directly to MedicareBlue Rx the premium amount requested on the bill. We have a dedicated Membership person that manually goes over the bill for discrepancies each month and will find any issues we may have with the bill. Research member enrollment/disenrollment 		

<p>issues</p> <ul style="list-style-type: none"> • Monthly meetings with Part D vendors • Notification and tracking of late enrollment penalty (LEP) • Notifications and tracking of Income-related monthly adjustment amount (IRMAA) • Annual Adjustment to Part D rates based on the Federal subsidy and the Low Income Subsidy (LIS) • Part D Reporting <ul style="list-style-type: none"> • Weekly Request for Information reports • Weekly NDPERS PDP Member Change reports • Weekly NDPERS PDP Response Error report • Monthly HICN reports • Monthly Gap/Cat • Process other internal and adhoc reporting 	<p>Do we have sample reports.</p>	
Health Savings Account		
<p>Health Savings Account</p> <ul style="list-style-type: none"> • Administration of HSA's option through Discovery Benefits • Administer payment of monthly invoice from NDPERS Cash Reserve Account • 	<p>http://www.nd.gov/ndpers/insurance-plans/group-health-hdhp.html</p>	
Additional Administrative Programs		
<ul style="list-style-type: none"> • Tobacco Cessation Program <ul style="list-style-type: none"> • Grant application and contract • Enrollment (53 enrolled since July 1, 2013) • Claims processing • Reporting requirements • Invoices for grant reimbursement (\$10,132 expenditures since July1, 2013) • RX Disease Management Program (About the Patient) <ul style="list-style-type: none"> • Eligibility reporting 	<p>https://www.bcbsnd.com/search-preview/-/ndpers-tobacco-cessation</p> <p>http://www.aboutthepatient.net/NDPERS-Program.html</p>	

<ul style="list-style-type: none"> • Cost share incentive reporting • Administer payment of invoices from NDPERS Cash Reserve Account • x 		
Miscellaneous		
<ul style="list-style-type: none"> • Provide access to all subject matter experts at BCBSND • • Provide room in Fargo to video conference Board meetings • 		



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Memorandum

TO: NDPERS Board

FROM: Kathy

DATE: June 11, 2014

SUBJECT: HealthyBlue Authorization

This was last reviewed at the April 29 meeting at which time the Board provided additional input with regard to the language contained in the Authorization for Release of Information on the HealthyBlue web site. BCBS has incorporated those recommendations and those revisions are included on the attachment to this memo.

The current revisions were provided based on the consensus of the Board at the April meeting; therefore, staff recommends approval of the proposed language and incorporation of the revisions on the HealthyBlue web site.

BOARD ACTION REQUESTED

Approve the language revisions and update the HealthyBlue web site accordingly.

2014 Authorization for Release of Information – Wellness Programs

I understand that this Authorization is voluntary. My refusal to authorize disclosure of information to wellness vendors and my employer (if my health plan is self-funded) and will have no effect on my enrollment in BCBSND health plans.

~~I understand that my protected health information includes, but is not limited to, all data and information in the BCBSND systems, including claims, as a result of medical encounters, treatments, diagnostic tests, screenings, prescriptions, and/or case management activities.~~

I understand that the information to be disclosed pursuant to this authorization is limited to, first name, last name, date of birth, BCBSND ID number and address.

I understand that if the recipient of this information is not a health care provider or health plan covered by federal privacy regulations, this information may be re-disclosed and no longer protected by these federal regulations. All such information shared between BCBSND and the designated wellness vendors is protected by HIPAA and HITECH regulations and is governed by Business Associate Agreements (such agreements contain terms restricting the use and dissemination of protected health information). My BCBSND health plan is subject to federal privacy regulations and will not re-disclose this information except as allowed by law.

I understand that I have the right to revoke or end this Authorization at any time. I understand that in order to revoke this Authorization I must do so in writing to my BCBSND health plan. I understand that my revocation of this Authorization will not affect any action that has been taken, or any information that has already been used or disclosed, based upon this Authorization before my BCBSND health plan actually received my revocation.

This authorization will remain in effect until 12/31/2014.

I have had full opportunity to read and consider the contents of this Authorization. I understand that, by checking this box, I am authorizing the use and/or disclosure of information as described above.

Subscriber's Name: _____

Current BCBS ID Card Number: _____ Birth Date: _____

Signature: _____ Date: _____

Second Participating Eligible Adult Name*: _____

Current BCBS ID Card Number: _____ Birth Date: _____

Signature: _____ Date: _____

Legal Representative Signature*: _____ Description of Authority**: _____

* If applicable

** A description of the representative's authority to act for the individual must also be provided (e.g. Power of Attorney, Legal Guardian, etc.) If a legal representative signs this Authorization on behalf on an individual, include a copy of the relevant document evidencing the authority to represent the individual.



ND 4510 13th Ave. S.
Fargo, ND 58121

Please return this form to your employer. You are entitled to a copy of this Authorization after you sign it. If you have questions about this form, please call the telephone number on the back of the BCBSND ID card.

Restrictive and/or Confidential

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

Noridian Mutual Insurance Company

2014 Authorization for Release of Information – Wellness Programs



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: June 11, 2014
SUBJECT: BCBS Member Satisfaction Results

BCBS staff will be at the meeting to review their Member Satisfaction results with the Board.

NDPERS

Member Satisfaction

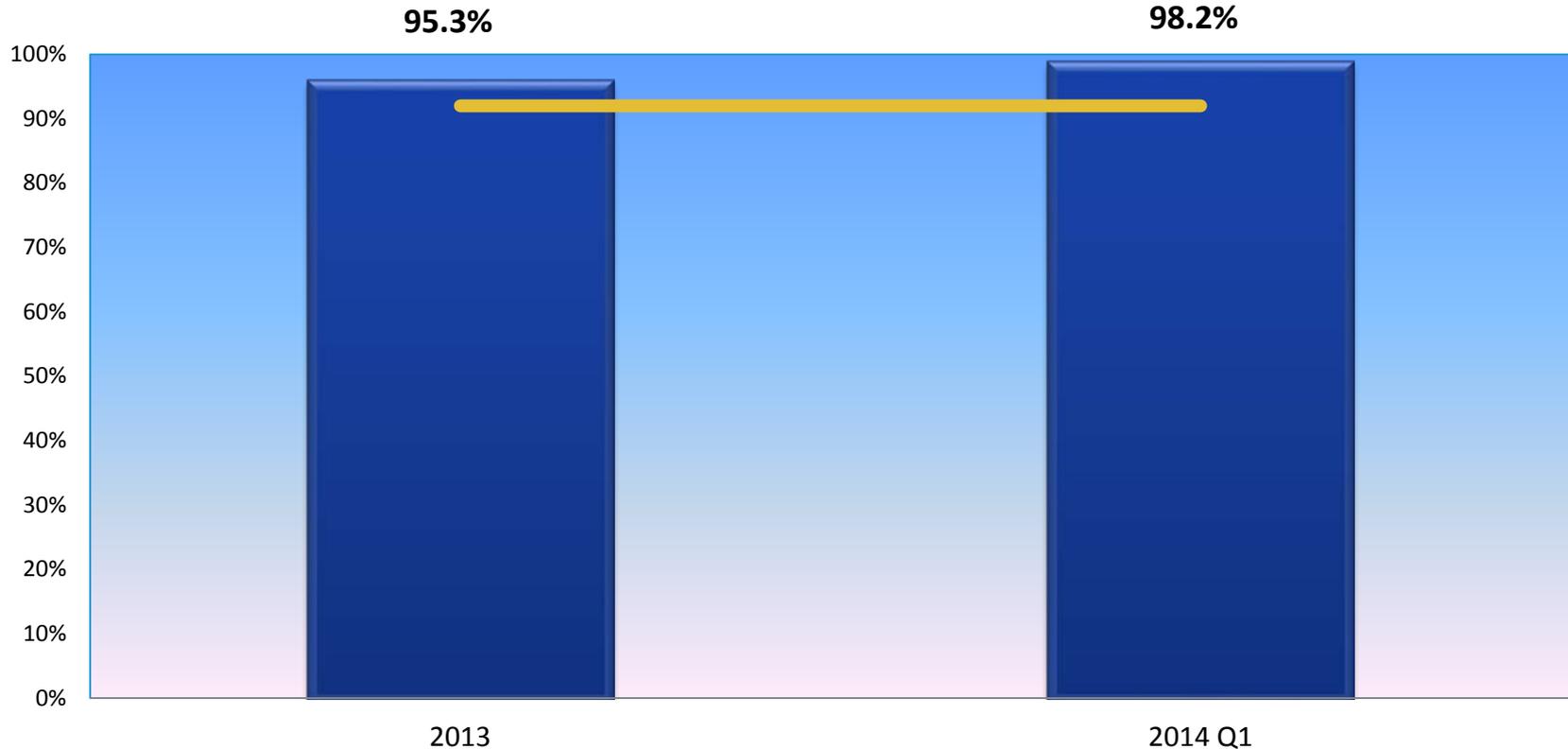
Q1 Presented June 2014



A call center's main purpose is to **retain customers** in order to protect the company's **greatest asset** –

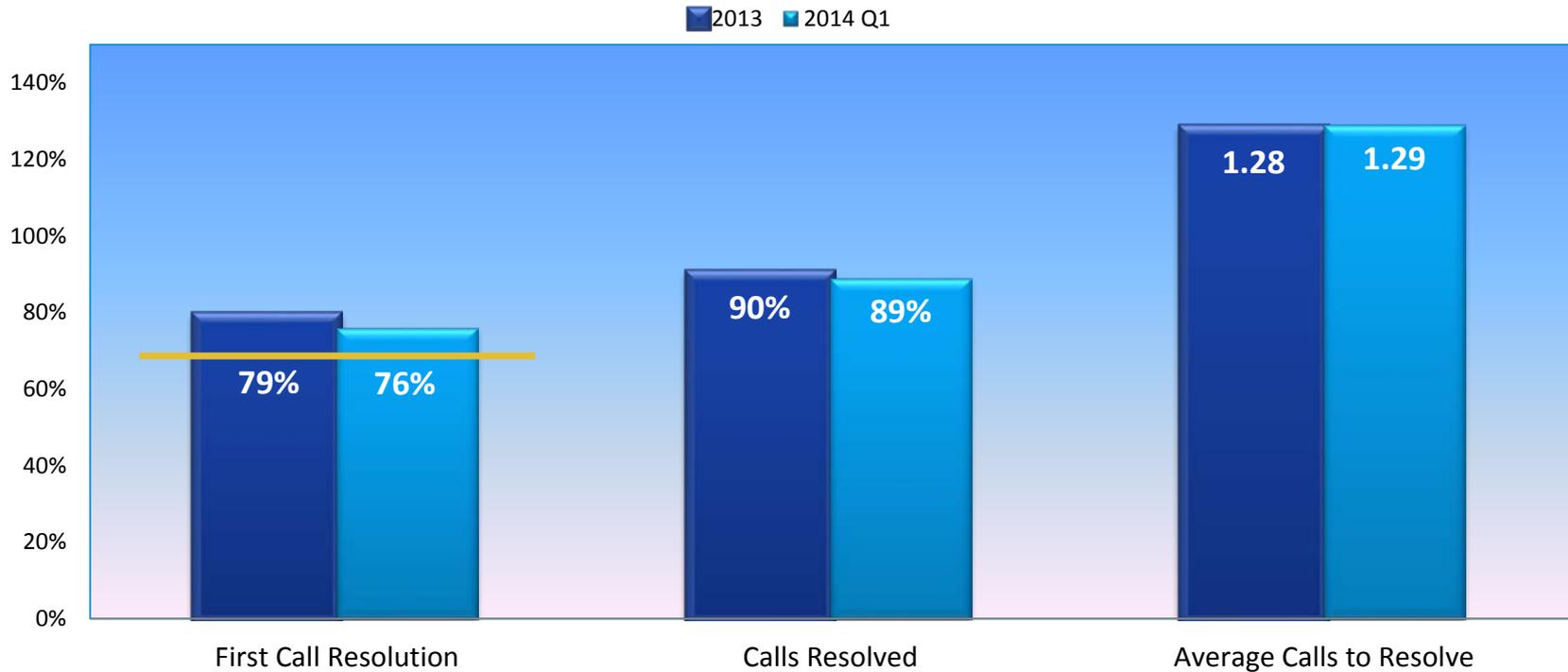
its members.

- Surveys are conducted throughout the year, not just at a given point in time, which more accurately reflects satisfaction levels.
- Feedback from members is more timely, accurate and actionable.
- Members are contacted by telephone within 1-2 days of their call rather than receiving a paper survey in the mail up to six weeks later.
- “Action Alert” calls in which the member is dissatisfied and the issue isn’t resolved are sent directly to our plan daily so we can research and resolve the concern.



Overall Satisfaction

- Customers satisfied with the call center experience and the customer service representative. Goal – 92%
 - Based on 451 surveys completed in 2013 and 111 surveys completed in First Quarter 2014.



First Call Resolution

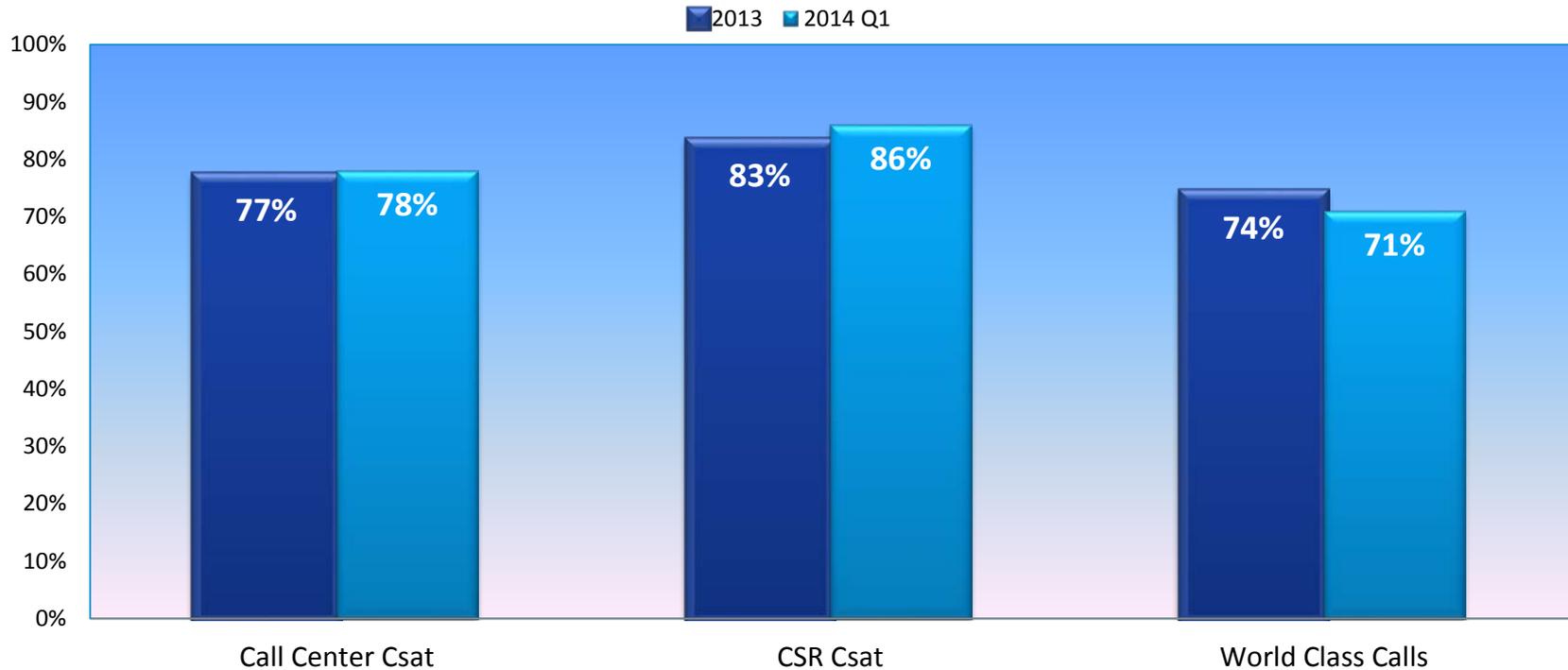
Percentage of customers who had their issue resolved in one call. Goal – 74%

Calls Resolved

Percentage of customers whose issue was resolved.

Average Calls to Resolve

Average number of calls needed to resolve the issue.



Call Center Csat

Percentage of customers **very** satisfied with their call center experience.

CSR Csat

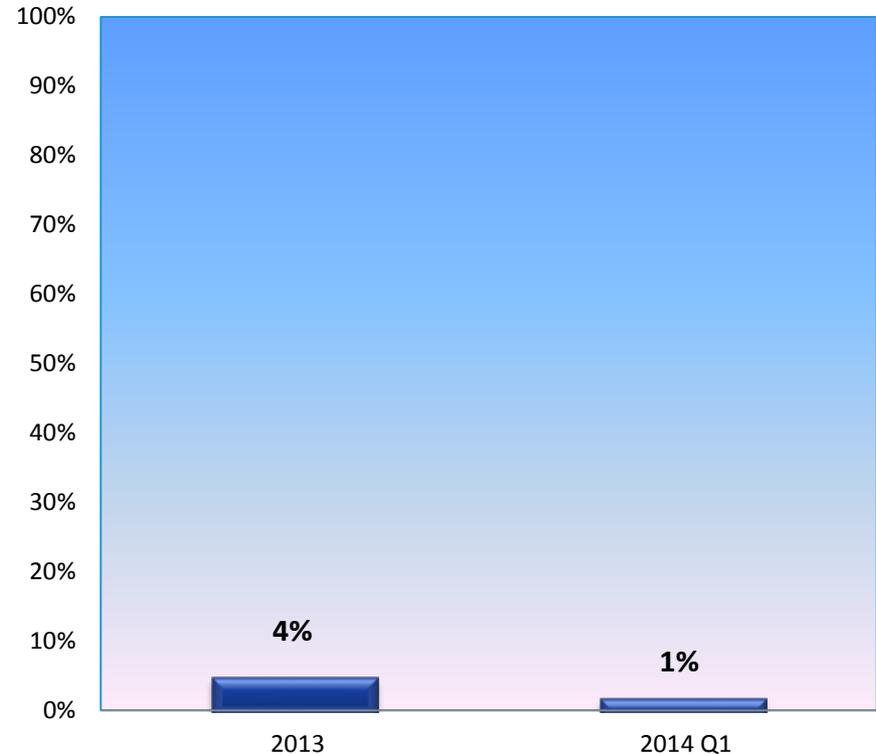
Percentage of customers **very** satisfied with the customer service representative.

World Class Calls

Percentage of customers whose call was resolved and are **very** satisfied with their call center experience and representative.

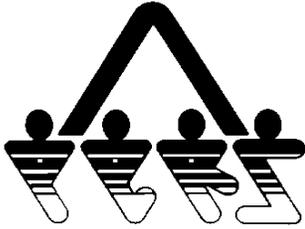
Definition

The percentage of customers who are somewhat or very dissatisfied with their call center experience and their call was not resolved.



Action Alert Resolution

- Action Alerts sent to BCBSND daily.
- Team leaders review and act on issues within two days.



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Memorandum

TO: PERS Board
FROM: Sparb & Kathy
DATE: June 10, 2014
SUBJECT: Superior Vision Renewal

Background

At the April Board meeting you reviewed the proposed vision plan renewal from Superior (Attachment 1). As reviewed in that material the proposed increase was:

	Current	Proposed 1/1/2015
Emp Only	\$4.92	\$6.74
Emp + Spouse	\$9.84	\$13.49
Emp + Child(ren)	\$8.96	\$12.28
Emp + Family	\$13.88	\$19.03

Please note the above increase is for two years. At that meeting it was decided to send this to Deloitte to review the reasonableness of the increase based upon the plan experience. Attachment 2 is from Deloitte.

In summary, we find the following:

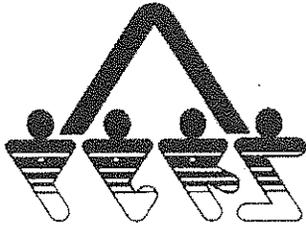
1. In terms of dollars the increase is not large - about \$1.82 on a single plan, about \$3.65 on an Emp + spouse plan, \$1.60 on an Emp + Child(ren) plan and \$5.15 on an Emp + Family plan.
2. In terms of percent, it is large - about 27%.
3. Based upon the review by Deloitte, the increase is not unreasonable given the plan's experience.
4. The plan with Superior has been more popular than our previous plan. In 2011 we had 4,400 enrolled and in 2014 there were 8,758 enrolled.

Options

1. **Decline and go to bid.** Staff would suggest not taking this approach since the plan is popular with our members, service has been good and they have an established PPO network.
2. **Renew with Superior at the requested rate level.** Staff would suggest we try a counter offer before considering this option.
3. **Go back to Superior to request plan design changes** that would mitigate the increase by reducing plan benefits. Staff would not suggest this since the present plan design is attracting new members, is popular and any plan design changes will only mitigate a portion of the increase. The result is that some of our healthy members may terminate participation in the plan.
4. **Ask for the increase to be phased in** over the two years rather than all in one year. Staff would not suggest this given that the size of the increase is not large in terms of dollars.
5. **Ask them to go back and determine if a lower increase is an option.** Staff would not suggest this option since the outcome in terms of a decrease is likely to be only a few percentage points if offered at all.
6. **Accept the proposal with a counter offer to extend the guarantee period from 2 years to 3 years.** Staff would suggest this option. At the end of the 3 year period this product is scheduled to go to bid and this would coordinate with the termination of the 6-year contract period.

Board Action Requested

Determine next actions on the vision plan renewal.



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Memorandum

TO: NDPERS Board

FROM: Kathy & Sparb

DATE: April 8, 2014

SUBJECT: Superior Vision Plan Renewal

We have included the Superior vision plan renewal rate notification for the January 1, 2015 through December 31, 2016 plan years. Also included is the experience report for January 1, 2011 through December 31, 2013. Following are the current rates and the proposed renewal rates:

	Current	Proposed 1/1/2015
Emp Only	\$4.92	\$6.74
Emp + Spouse	\$9.84	\$13.49
Emp + Child(ren)	\$8.96	\$12.28
Emp + Family	\$13.88	\$19.03

The proposed rates represent a 27% increase over current rates. This is the first increase in premiums since the inception of our contract with Superior on January 1, 2011. We have requested that Superior provide us with additional information regarding trend, utilization and the benchmarks they use as indicators to assess a plan's performance. Any additional information received will be provided at the meeting.

The Board has the option to have Deloitte conduct a formal analysis and evaluation of the Superior renewal. If so directed, staff will request Deloitte's evaluation be available for review at the April 29 meeting, at which time the Board can determine whether to accept the renewal proposal, further negotiate with Superior, or go out to bid for vision plan services. The Board may also consider whether representatives of Superior be present or available for the April 29 meeting to respond to any questions.

BOARD ACTION REQUESTED

- Determine whether to have Deloitte conduct an evaluation of the Superior renewal proposal.
- Whether representatives of Superior should be available for the April 29 meeting.



SUPERIOR VISION
See yourself healthy.

Vision Benefits Renewal

April 1, 2014

Ms. Kathy Allen
North Dakota Public Employees Retirement System
400 E. Broadway, Ste. 505
Bismarck, ND 58505

**Re: North Dakota Public Employees Retirement System
Policy #29854**

Dear Mr. Allen,

We would like to thank you and your group, North Dakota Public Employees Retirement System, for the continuing support of our vision plan. As you are aware, the renewal rate guarantee will expire on 12/31/2014.

The renewal rates will be as follows, with a two year rate guarantee:

	Employee Only	Employee + Spouse	Employee + Child(ren)	Employee + Family
Renewal Rates *	\$6.74	\$13.49	\$12.28	\$19.03

Renewal Period: January 1, 2015 – December 31, 2016

**The premium rates outlined above are inclusive of any applicable Health Insurance Taxes under the Patient Protection and Affordable Care Act ("ACA"); that go into effect January 1, 2014.*

Please confirm receipt of the above rates by signing and returning a copy of this letter viaifax or email.

Superior Vision is honored to partner with you to provide the Superior Vision Plan and we appreciate the trust you have placed in us.

Yours in Superior Service,

Rod Merluza
Underwriter
rmerluza@superiorvision.com

.....
Renewal acknowledged/accepted by: _____

Title: _____ Date: _____

EXPERIENCE REPORT FOR:

NDPERS #29854

01/01/2011 through 12/31/2013

SUPERIOR VISION 

See yourself healthy.

	2011	2012	2013
Paid Premium	\$669,113	\$782,679	\$891,918
Paid Claims and IBNR	(\$675,941)	(\$906,044)	(\$1,023,504)
Fees	(\$17,397)	(\$20,350)	(\$23,190)
Administration	(\$99,832)	(\$116,622)	(\$132,326)
Risk Charge	(\$6,691)	(\$7,827)	(\$8,919)
Commissions	\$0	\$0	\$0
Net Gain / (Loss)	(\$130,748)	(\$268,163)	(\$296,022)
Claims Loss Ratio	101.0%	115.8%	114.8%

Memo

Date: June 9, 2014
To: Sparb Collins
From: Josh Johnson and Pat Pechacek
Subject: 2015 Vision Insurance Renewal

PERS staff asked that Deloitte Consulting review the Superior Vision 2015-2016 vision insurance renewal calculation for reasonableness and appropriateness.

Superior Vision provided various experience reports and an underwriting exhibit summarizing their rate projection for the two-year renewal period from January 1, 2015 through December 31, 2016. The following summarizes the major assumptions utilized in the rate projection:

- Experience period: 10/1/12 – 9/30/13
- Annual trend: 0.50%
- Retention: 19.1%
- Adjustment for provider rate changes: 0.997

The projected premium required to cover claims, administrative expenses and retention is \$12.38 per employee per month (PEPM). Compared to the current premium of \$9.03 PEPM, this is an increase of approximately 37% for the two-year period beginning January 1, 2015.

Although we would prefer to see an updated projection with more recent experience, it is reasonable to utilize a twelve month period to underwrite a group of this size. The 0.5% annual trend factor is also reasonable and comparable to what we have seen from other visions plans. A 19.1% retention seems somewhat high at face value, however, we would like to see a breakout of what is included in their retention in order to evaluate further. For example, we assume that something has been included in retention for the ACA Health Insurer fee but can't tell what amount.

In summary, it is clear based solely on paid premium compared to incurred claims that a relatively significant rate increase is warranted. The quoted 37% increase is reasonable. Whether the increase should be 37% or perhaps slightly lower may depend on whether



Official Professional Services Sponsor

To: Sparb Collins
Subject: 2015-2016 Vision Renewal
Date: June 9, 2014
Page 2

Superior Vision is willing to recalculate using more recent data, provide more detail and potentially reduce their retention and/or agree to a reduced renewal due purely to negotiation by PERS.

Please let us know if you have any questions or need anything further in this regard.



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: June 12, 2014
SUBJECT: House Bill 1443

This last session House Bill 1443 was passed. The bill provides:

HOUSE BILL NO. 1443
(Representatives Hawken, Delmore, N. Johnson, J. Nelson)
(Senators Berry, Kilzer)

AN ACT to provide for collaboration in developing diabetes goals and plans.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1.

Diabetes goals and plans - Report to legislative management.

1. The department of human services, state department of health, Indian affairs commission, and public employees retirement system shall collaborate to identify goals and benchmarks while also developing individual agency plans to reduce the incidence of diabetes in the state, improve diabetes care, and control complications associated with diabetes.
2. Before June 1 of each even-numbered year the department of human services, state department of health, Indian affairs commission, and public employees retirement system shall submit a report to the legislative management on the following:
 - a. The financial impact and reach diabetes is having on the agency, the state, and localities. Items included in this assessment must include the number of lives with diabetes impacted or covered by the agency, the number of lives with diabetes and family members impacted by prevention and diabetes control programs implemented by the agency, the financial toll or impact diabetes and diabetes complications places on the agency's programs, and the financial toll or impact diabetes and diabetes complications places on the agency's programs in comparison to other chronic diseases and conditions.
 - b. An assessment of the benefits of implemented programs and activities aimed at controlling diabetes and preventing the disease. This assessment must document the amount and source for any funding directed to the agency from the legislative assembly for programs and activities aimed at reaching those with diabetes.
 - c. A description of the level of coordination existing between the agencies on activities, programmatic activities, and messaging on managing, treating, or preventing diabetes and diabetes complications.
 - d. The development or revision of detailed action plans for battling diabetes with a range of actionable items for consideration by the legislative assembly. The plans must identify proposed action steps to reduce the impact of diabetes, prediabetes, and related diabetes complications. The plan must identify expected outcomes of the action steps proposed in the following biennium while also establishing benchmarks for controlling and preventing relevant forms of diabetes.
 - e. The development of a detailed budget blueprint identifying needs, costs, and resources required to implement the plan identified in subdivision d. This blueprint must include a budget range for all options presented in the plan identified in subdivision d for consideration by the legislative assembly.

Attached please find a copy of the report that was submitted to the Legislative Management Committee in response. The State Health Department, Tera Miller, took the lead in coordinating and preparing the report. Thanks to their efforts on behalf of all of us, we had the attached report to submit.

North Dakota Diabetes Report

June 1

2014

HB1443

Report to Legislative Management on diabetes-related efforts within the North Dakota Department of Health, the North Dakota Department of Human Services, the North Dakota Indian Affairs Commission, and the North Dakota Public Employees Retirement System.

**Report to the Legislative Management
HB1443**

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North Dakota Diabetes Report

This report is generated to comply with a statute enacted by the North Dakota Legislature in 2013. That statute, NDCC 23-01-40, requires that in even-numbered years, four state agencies (the North Dakota Department of Health, the North Dakota Department of Human Services, the North Dakota Indian Affairs Commission, and the North Dakota Public Employees Retirement System) collaborate to develop a report on the impact of diabetes on North Dakotans and propose recommendations to address this epidemic.

This report describes the scope of the diabetes epidemic in North Dakota, the cost and complications of diabetes, and how the four reporting agencies address diabetes in populations they serve. In addition, the report presents recommendations on how to improve the health of North Dakota residents with, or at risk for developing, diabetes.

A committee with representatives from each of the entities named in the legislation was assembled to review the legislation and develop the report. The group met to share data about diabetes in the populations each entity serves, discuss how diabetes was addressed by each entity, and develop a plan for future efforts. (See Appendix 3 for a list of the participants.)

Because North Dakota is one of the first states to pass this kind of legislation, North Dakota's process and experience may serve as a model for other states pursuing or implementing similar legislation. The National Association of Chronic Disease Directors (NACDD) works with states to assist them through this process. A representative from the NACDD, Ms. Marti Macchi, met with a Department of Health member of the collaborative group. Ms. Macchi offered background information and shared experiences from other states which are implementing similar legislation. She also reviewed an initial draft of this report and provided input from the national perspective.

Take Away Messages

This report includes a great deal of data and information and may seem overwhelming. Before moving into the details of the report, it may be helpful to summarize a few key points.

One "take away" message from this report is the recognition that it will take a concerted effort from a number of entities if we are to be successful in reducing diabetes among North Dakotans.

A second message is type 2 diabetes can be prevented! Type 2 diabetes and obesity go hand in hand. As North Dakotans' waistlines increase, so does their risk for type 2 diabetes and many other chronic diseases that share the same risk factors (lack of physical activity and poor nutrition). Most cases of type 2 diabetes and other chronic diseases (heart disease, stroke,

hypertension, cancer, obesity) can be prevented with behavior changes. Behavior changes need to be addressed not only at the individual level, but also at the population level. North Dakotans need to work together to enact policies that make the healthy choice the default choice; or the easier choice.

For those who already have diabetes or another chronic disease, policies should support the proper care and management of the disease to both prevent costly complications and to improve the quality of life for our residents living with a chronic disease.

Economic Effects

Diabetes is an expensive disease. According to the CDC, in 2012, diabetes cost the nation **\$245 billion dollars** in direct medical costs (\$176 billion) and reduced productivity (\$69 billion). **This is an 87 percent increase since 2002.** This amount does not account for those that have not been diagnosed with type 2 diabetes, or the 35percent that have prediabetes that will soon have diabetes if changes are not made.

In 2007, diabetes cost **North Dakota over \$400 million dollars.** If North Dakota follows the national trend, in 2012 diabetes would have cost North Dakota **\$560 million** (\$403 million for direct costs and \$157 million for indirect costs). Not only does diabetes affect North Dakota's pocket book, it also affects the quality of life for those living with diabetes, their families and friends, and their employers.

Diabetes and Our Children

According to former Surgeon General Richard H. Carmona, “Today pediatricians are diagnosing an increasing number of children with type 2 diabetes—which used to be known as adult-onset diabetes. Research indicates that one-third of all children born in 2000 will develop type 2 diabetes during their lifetime. Tragically, people with type 2 diabetes are at increased risk of developing heart disease, stroke, kidney disease, and blindness. These complications are likely to appear much earlier in life for those who develop type 2 diabetes in childhood or adolescence. Because of the increasing rates of obesity, unhealthy eating habits, and physical inactivity, we may see **the first generation that will be less healthy and have a shorter life expectancy than their parents.**”

National Security

A growing prevalence of diabetes and obesity in young adults has caused concerns for national security. According to a group of senior military leaders, currently one in three recruits are turned away because they are “too fat to fight.” The obesity and diabetes trends directly affect the military in terms of recruitment, retention, and military readiness. Diabetes of any type is cause for rejection into military service, in accordance with Department of Defense directive (DoD instruction no. 6130.3, *Physical Standards for Appointment, Enlistment, and Induction*, 2 May 1994). Members of the military who develop diabetes during active duty are referred for possible medical discharge or retirement.

Workforce Capacity

Diabetes can and does affect the workforce. For example, people diagnosed with type 2 diabetes have more stringent requirements to obtain commercial driver's licenses (CDL) than those who do not have diabetes, making them less likely to obtain jobs requiring a CDL. In addition, those with type 2 diabetes may be at increased risk for heart disease and stroke, which will affect their employers and coworkers.

People with type 2 diabetes have higher rates of absenteeism (number of workdays missed due to poor health) and presenteeism (reduced productivity while at work). By decreasing diabetes prevalence, North Dakota can improve the health of our workforce and increase worker productivity and quality of life.

Definitions

The following are terms used in this document and their definitions.

Diabetes

The body is not producing enough insulin or not able to effectively use insulin (which is needed to remove sugar from our blood cells).

Prediabetes

A blood glucose level that is higher than normal, but not high enough to be classified as diabetes.

Prevalence

The proportion of a population found to have a condition, like diabetes; a concept used in studies.

A1C Level

A blood test to determine glucose levels in the blood.

Type 1 Diabetes

An autoimmune disorder characterized by the loss of insulin-producing cells; it requires insulin for disease management.

Type 2 Diabetes

Insulin deficiency and resistance that develops gradually and requires medical and nutritional therapy, along with oral medications and injections.

Gestational Diabetes

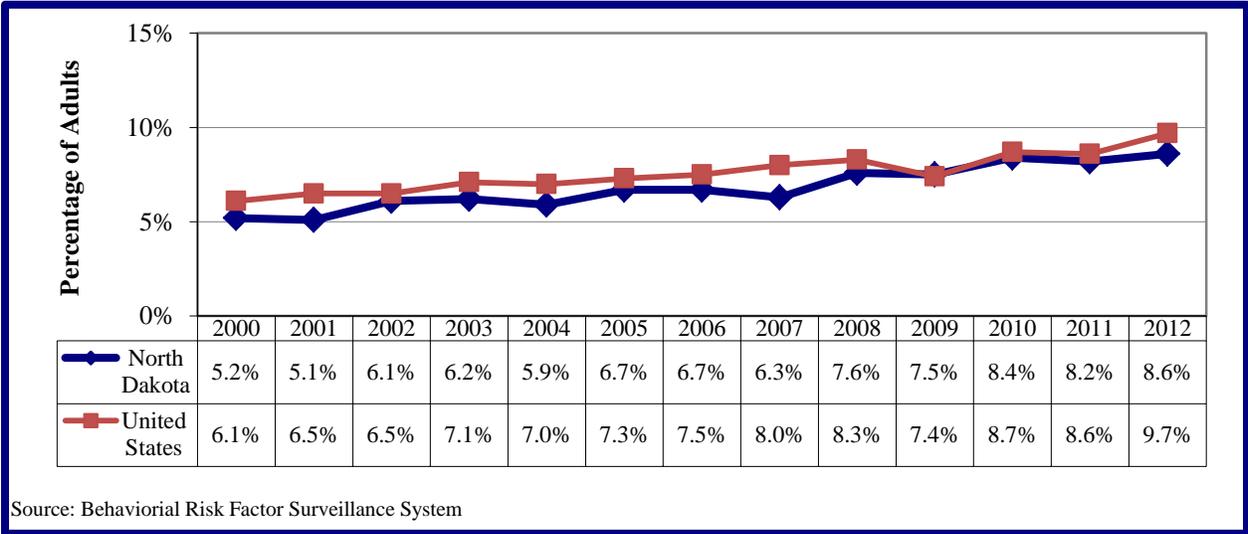
Occurs in 2 to 5 percent of all pregnancies and causes complications for both mother and child.

Diabetes Burden in North Dakota

Diabetes is a major health problem in North Dakota, affecting all population groups. The prevalence of diagnosed diabetes among adults (18 and older) in North Dakota has increased over 2.5 times over the past 16 years, from 3.1 percent in 1996 to 8.6 percent in 2012. North Dakota’s rising prevalence has remained close to, but slightly below, the national prevalence over the past 12 years.

In 2012, an estimated 45,232 adults in North Dakota were living with diagnosed diabetes, with an additional 13,149 adults who had undiagnosed diabetes. According to CDC, 35 percent of the population has prediabetes which translates to over 184,000 North Dakotans.

Prevalence of Diabetes Among Adults in North Dakota and the United States



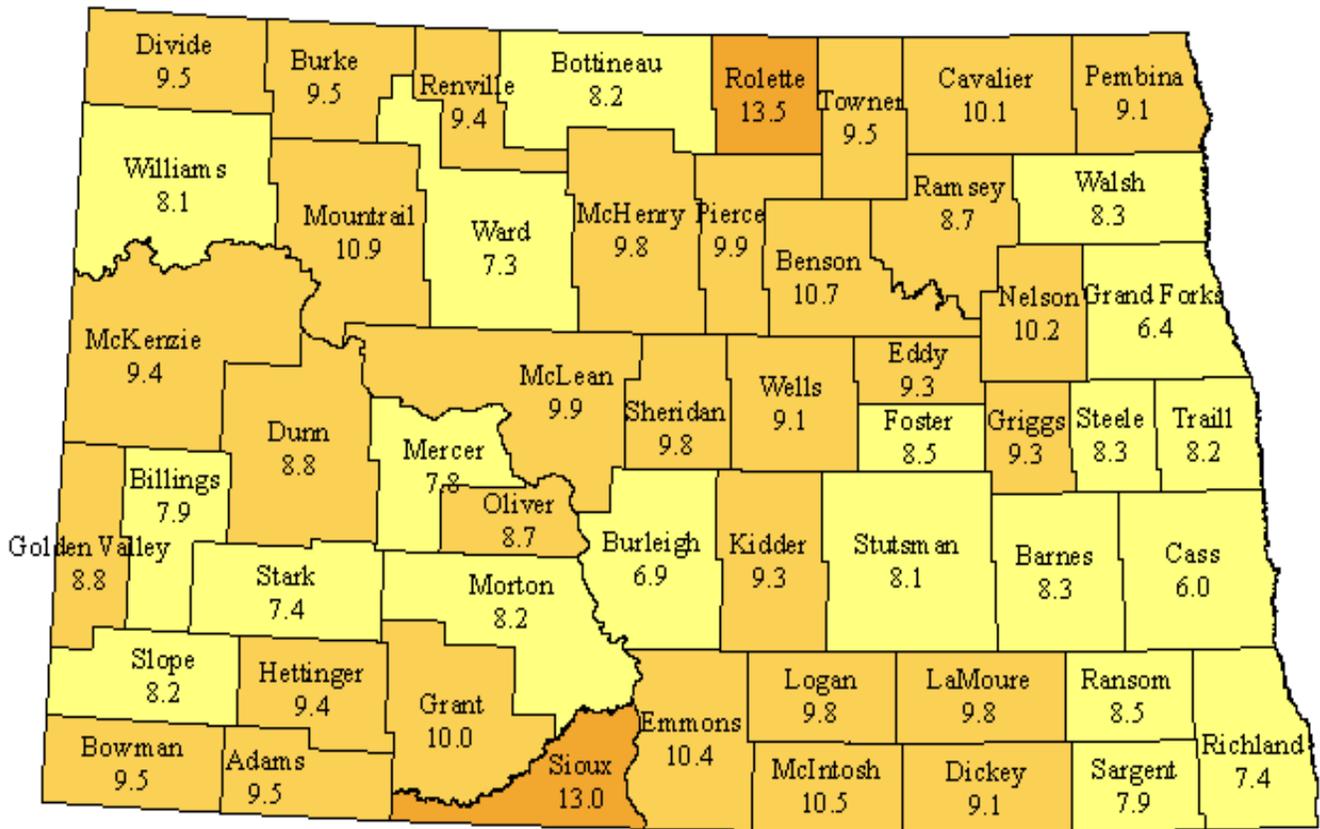
Age is a major risk factor for diabetes. The prevalence of diabetes increases with age, which emphasizes the importance of addressing modifiable risk factors for type 2 diabetes early and throughout the lifespan.

Gender is not an important risk factor for diabetes among North Dakotans. The difference in prevalence between males and females is not statistically significant.

Race is a significant risk factor for diabetes among North Dakotans. American Indians have a prevalence rate of diabetes that is nearly twice that of non-native residents.

Certain **geographic regions** of the state have higher prevalence rates of diabetes. Sioux and Rolette counties have the highest prevalence rates. These counties also have the highest percentage of American Indians among their population compared to other counties in North Dakota. Cass and Grand Forks counties have the lowest diabetes prevalence. These two counties also have the highest population density in the state and are home to the two largest universities in the state, so the population is younger compared to other counties.

Prevalence of Diabetes in North Dakota by County, 2008



Diabetes is Serious. People with diabetes have a much higher mortality rate than those without diabetes.

The North Dakota and United States diabetes age-adjusted mortality rates have remained stable since 1999. The North Dakota diabetes mortality rate, which has ranged between 26 and 27 percent over the past 16 years, is slightly higher than for the rest of the United States. The mortality rate for N.D. men with diabetes is slightly higher than for women with diabetes.

The diabetes mortality rate for Native Americans is **more than five times** the rate for non-native residents in North Dakota.

Diabetes is Costly. Diabetes is an expensive disease. According to the CDC, in 2012, diabetes cost the nation **\$245 billion dollars** in direct medical costs (\$176 billion) and reduced productivity (\$69 billion). **This is an 87 percent increase since 2002.** This amount does not account for those that have not been diagnosed with type 2 diabetes, or the 35percent that have prediabetes that will soon have diabetes if changes are not made.

In 2007, diabetes cost **North Dakota over \$400 million dollars.** If North Dakota follows the national trend, in 2012 diabetes would have cost North Dakota **\$560 million** (\$403 million for direct costs and \$157 million for indirect costs). Not only does diabetes affect North Dakota's pocket book, it also affects the quality of life for those living with diabetes, their families and friends, and their employers.

These are the economic costs. It is not possible to put a value on human suffering and lives lost. People who lose their lives to diabetes leave behind family and friends who struggle to carry on in the absence of loved ones. People living with diabetes suffer pain and disability, along with the challenges of managing a chronic disease.

Diabetes and its complications are controllable

Many complications can be prevented or delayed by taking steps to control or manage diabetes. Established care practices for people who have diabetes can prevent or delay the development of serious health complications, such as lower limb amputation, blindness, kidney failure, and cardiovascular disease. Some of these care practices are clinical services provided by a physician or other health professionals, while others are self-care practices conducted by the patients themselves.

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Clinical Services

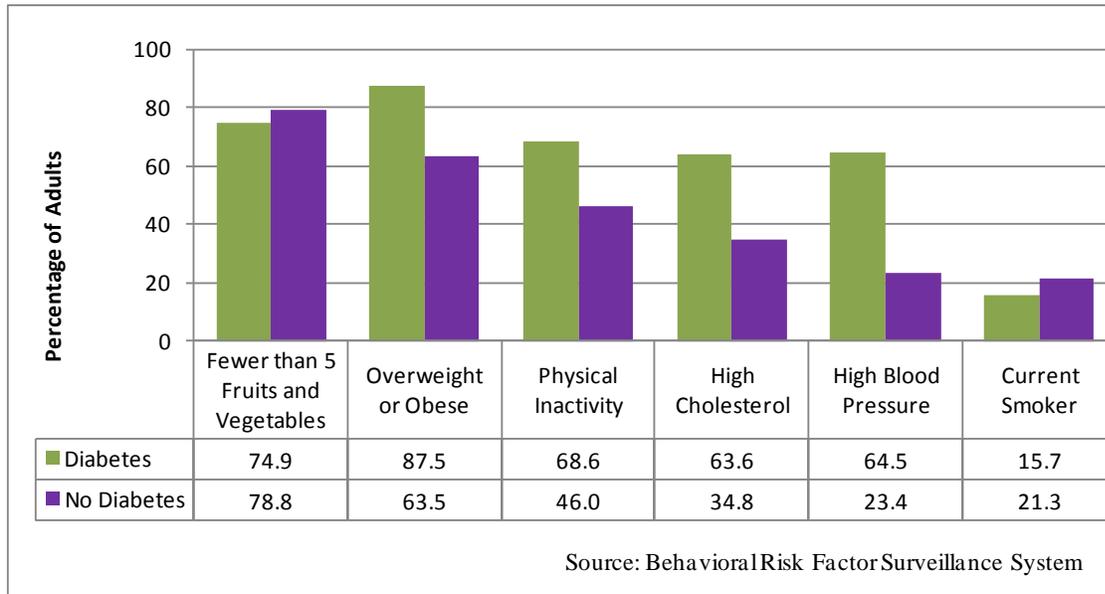
Care Practice	North Dakota 2008	Healthy People 2020 Target
Annual dilated eye exam	69.8%	76.8%
Annual medical foot exam	78%	90%
Two or more hemoglobin A1C tests per year	59%	76%
Annual flu vaccine	71%	--
Pneumococcal vaccine – ever	59%	--

Self-Care Practices

Care Practice	North Dakota 2008	Healthy People 2020 Target
Annual medical visit for diabetes	88%	--
Daily glucose self-monitoring	60%	66%
Daily foot self-exam	59%	--
Diabetes education	57%	61.6%

Diabetes is Preventable – North Dakotans who have been diagnosed with diabetes exhibit some of the same high risk behaviors when compared to the adult population not diagnosed with diabetes. Rates of overweight/obesity in diagnosed people are still higher than rates in the undiagnosed population; they also show higher rates of physical inactivity, high cholesterol and high blood pressure than those without diabetes. However, people with diabetes are less likely to smoke than those without a diabetes diagnosis. Both groups have similar high rates of consuming fewer than five fruits and vegetables daily.

Modifiable Risk Factors Associated with Diabetes



Diabetes Among North Dakota Public Employees Retirement System Members

In 2013, among the adults covered by the NDPERS, 7 percent, or 4,859 individuals, have been diagnosed with diabetes based on claims filed with that diagnosis. Figure 1 shows the geographic distribution of diabetes for NDPERS members by county. Just as with statewide data, diabetes prevalence increases with age among NDPERS members.

Figure 1: NDPERS Geographic Distribution of Diabetes by County



NDPERS Costs Associated with Diabetes

The 4,859 NDPERS members with diabetes incur significant costs for their medical care. The total costs of all diabetic NDPERS members in 2012 and 2013 were close to \$45 million each year. It is important to note that these numbers do not include costs that may be related to diabetes, yet are not directly coded as diabetes-related. For example, conditions like hypertension, heart disease, kidney disease, influenza, and others may be made worse by diabetes, and may in turn make diabetes more difficult (and more expensive) to manage/control, however, those numbers are difficult to capture. **Among NDPERS members, diabetes is the fifth highest cost of illness or disease.**

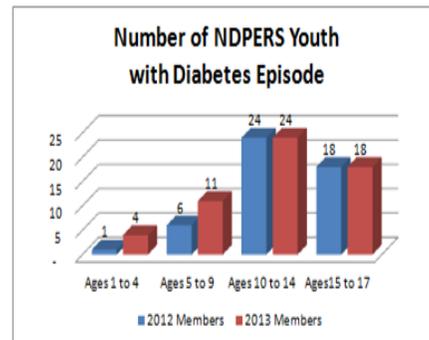
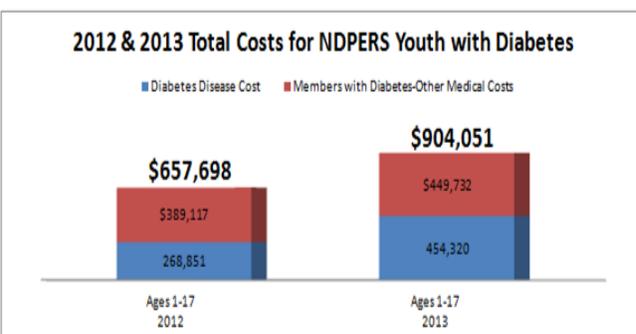
NDPERS Top 10 Disease by Total Paid

Disease	Average Number of Members	Total Disease Payment*	Total Payment**	Average Paid/Member
Hypertension	3829	\$2,396,986	\$59,784,593	\$15,615
Depression	5990	\$6,074,192	\$57,182,351	\$9,546
Back and Spine, Pain or Condition	8586	\$8,854,752	\$50,914,266	\$5,930
Hyperlipidemia	2723	\$550,295	\$38,698,289	\$14,212
Diabetes	2861	\$5,809,275	\$35,042,609	\$12,250
Cancer, All	650	\$15,965,750	\$28,257,405	\$43,501
Osteoarthritis	916	\$7,139,282	\$16,650,186	\$18,174
CAD, All	595	\$4,958,017	\$15,084,986	\$25,360
Pneumonia	209	\$1,634,897	\$13,584,627	\$64,921
Chronic Renal Failure, ESRD	214	\$1,958,454	\$10,860,604	\$50,710

Diabetes in Youth

There is no reliable source for data on the prevalence of either type 1 or type 2 diabetes among youth in North Dakota. Research by CDC shows that type 2 diabetes remains fairly rare among youth with a prevalence rate of only 0.26%, although prevalence is increasing more among African American, Hispanic/Latino American, and American Indian youth compared to white youth. In addition, CDC sponsored research has shown that among youth aged 12 to 19 years, the overall prevalence rate of prediabetes may be as high as 23%.

NDPERS Youth with Diabetes



NDPERS Overview of Diabetes and Associated Complications

Diabetes in Pregnancy

Diabetes is becoming a more common complication during pregnancy. Gestational diabetes is a known complication of pregnancy, but increasingly, pregnancies occur in women with pre-existing type 1 or type 2 diabetes. Women with gestational diabetes or pre-existing diabetes are at increased risk for preeclampsia or Cesarean section. In addition to these complications, women with pre-existing diabetes are at increased risk for preterm birth, miscarriage, or stillbirth. Babies born to women with diabetes are at increased risk of high birth weight, which can result in nerve damage to the shoulder during a vaginal delivery or lead to delivery by Cesarean section. These babies also have higher risk of birth defects of the brain, spine or heart, low blood sugar after birth, and increased lifetime risk of being obese or overweight as adults and of developing type 2 diabetes.

Associated Complications

Diabetes is the leading cause of adult blindness, end-stage kidney disease, and non-traumatic lower-extremity amputations. People with diabetes are two to four times more likely to have coronary heart disease and suffer from a stroke than people without diabetes. As mentioned above, diabetes can cause serious complications during pregnancy, resulting in preterm births, Cesarean sections due to larger babies, life threatening conditions such as preeclampsia, birth defects, and increased risk of type 2 diabetes for both the mother and the child once she/he reaches adulthood.

Diagnosis Description - Primary Diagnosis	NDPERS 2013 - Diabetes Costs				
	Total Paid	Facility Inpatient	Facility Outpatient	Professional	Ancillary
Diabetes mellitus without complication	\$ 1,661,120	\$ 34,194	\$ 133,315	\$ 1,203,547	\$ 290,064
Diabetes with ketoacidosis	\$ 160,685	\$ 148,572	\$ 4,018	\$ 5,891	\$ 2,204
Diabetes with hyperosmolarity	\$ 177			\$ 177	
Diabetes with other coma	\$ 506			\$ 284	\$ 222
Diabetes with renal manifestations	\$ 39,253		\$ 13,460	\$ 23,975	\$ 1,818
Diabetes with ophthalmic manifestations	\$ 93,242		\$ 19,718	\$ 61,819	\$ 11,705
Diabetes with neurological manifestations	\$ 63,180	\$ 23,945	\$ 12,489	\$ 25,327	\$ 1,419
Diabetes with peripheral circulatory disorders	\$ 56,079	\$ 49,550	\$ 116	\$ 6,401	\$ 12
Diabetes with other specified hypoglycemic manifestations	\$ 297,797	\$ 238,833	\$ 15,890	\$ 23,967	\$ 19,107
Diabetes with unspecified complications	\$ 91,687		\$ 1,083	\$ 3,500	\$ 87,104
Diabetes (Diagnosis 249-25093 as primary)	\$ 2,463,726	\$ 495,094	\$ 200,089	\$ 1,354,888	\$ 413,655
Diabetes (Diagnosis 249-25093 any position)	\$ 5,809,275	\$ 2,801,800	\$ 675,749	\$ 1,775,448	\$ 556,278

Diabetes in Combination with other Common Chronic Disease

It is always important to remember that diabetes does not exist in a vacuum – people with diabetes often have additional chronic illnesses that impact their ability to self-manage their diabetes, and provide additional diabetes management challenges for their doctors. For example, 58 percent of people with diabetes also have arthritis. Symptoms of their arthritis may limit their capacity to use physical activity as a method of improving their blood sugar control. Eighteen percent of those with diabetes also have asthma. Inhaled corticosteroids used to control asthma attacks can make blood sugar control more difficult. People with diabetes also have higher rates of high blood pressure (81%) and high cholesterol levels (73%) than those without diabetes.

Recent research makes a clear link between diabetes and colon cancer. Those with diabetes have a 30 percent higher death rate from colon cancer than those without diabetes. In addition, diabetes makes cancer treatment more challenging because of the possibility of developing adverse effects, such as anorexia, nausea and weight loss. In addition, acute diabetes complications such as severe hyperglycemia may delay cancer treatment.

Diabetes Among Adult North Dakota Medicaid Members

- Just over 3 percent or, 1,238 adults, from the Medicaid population have been diagnosed with diabetes.
- Eighty-seven children enrolled in Medicaid have been diagnosed with diabetes.
- Diabetes-related medication costs for Medicaid participants **have increased by 114 percent** over the past **five years**.
- In 2013, diabetes-related medications cost \$2.6 million dollars, accounting for over 7 percent of all Medicaid drug costs.

Current Diabetes Efforts from Agencies

The North Dakota Department of Health, North Dakota Department of Human Services, North Dakota Public Employees Retirement System, and the North Dakota Indian Affairs Commission support a number of interventions related to diabetes. Each is described below.

Department of Health – North Dakota Diabetes Program

The North Dakota Department of Health has managed a diabetes program for over 30 years. Beginning in the early 80's, the Centers for Disease Control and Prevention (CDC) committed funds to support diabetes control efforts in the state. The program has evolved greatly over its 30-year history due to changes in science, the health care system, and funding. In July 2013,

funding was cut from the diabetes program and diabetes activities were integrated into a coordinated grant that includes heart disease, stroke, and school health. The funding for the combined programs is at a much lower level, thereby limiting the programs North Dakota is able to support with federal funding. The diabetes program **does not** receive any state funding at this time. **The entire diabetes program is supported by 0.7 FTE supported by a federal grant.**

Today, the diabetes program is a population-based public health initiative whose mission is to reduce the sickness, disability, and death associated with diabetes and its complications, and to prevent new cases of type 2 diabetes. The key strategies of the program focus on education and support of persons with, and at risk for diabetes, to help them effectively manage their condition; education and support for health care providers caring for those with and at risk for diabetes; and mobilization of communities to identify and address problems related to diabetes in their communities. The scope of these strategies varies greatly each year based on funding.

The diabetes program relies on a network of state, regional, and local partners to expand the reach of diabetes prevention and control efforts across the state. Staff at the NDDoH provides leadership for the program, as well as technical assistance, training, monitoring, and data collection, among other services. In concert with the state staff, a variety of partners are involved in diabetes control efforts. One of the major partners is the Dakota Diabetes Coalition (DDC). The DDC is a coalition of over 100 members representing health plans, health care professionals and organizations, academics, businesses, public health workers, and many others involved in addressing diabetes in the state. This coalition has been active for six years. The DDC is an incorporated, 501(c)(3) organization and is run by a Board of Directors.

Collectively, the Diabetes Program, the DDC, and many others work together to support diabetes prevention and control efforts in North Dakota. Key efforts of the program are described below.

- **Community Mobilization:** Create/maintain active partnerships at the state and local levels to jointly pursue issues related to diabetes in communities, among health care providers, persons with diabetes, and those at risk for diabetes. This is often accomplished by forming and maintaining local diabetes coalitions to address local needs.
- **Public Awareness/Education:** Promote education campaigns and messages that improve awareness of diabetes prevention and control to the general public. This is accomplished in various ways including media, presentations to local groups, the distribution of educational materials, among other methods.
- **Diabetes Self-Management Education (DSME) and Support:** This is a newer initiative that seeks to identify barriers to providers offering a DSME program at their site with the goal of increasing the number of DSME programs available around the state.
- **Professional Education and Health System Quality Improvement:** Provide access to current continuing education for health care professionals through state conferences, conventions, and webinars, as well as information and tools to assist providers in serving people with, and at risk for, diabetes. Participate with other groups in activities aimed at improving the quality of diabetes care.

- **Diabetes care provider report:** In partnership with Blue Cross Blue Shield of North Dakota (BCBSND), diabetes care is tracked through patient insurance claims. BCBSND provides quarterly reports to the NDDoH on the diabetes specific measures.
- **Surveillance and Evaluation:** Monitor data to assess the impact of diabetes, plan appropriate interventions and evaluate program efforts. Share data about the impact of diabetes in North Dakota with the public via media, publications, presentations, websites, and other methods of outreach.

Funding: The Diabetes Program received diabetes-specific CDC funding until June 28, 2013. This funding supported state-level diabetes personnel and operating costs, funded local diabetes coalitions, supported epidemiological and evaluation efforts, and supported special projects. Starting July 1, 2013, CDC consolidated diabetes funding into a grant that focuses on integrated activities for heart disease and stroke, diabetes, and school health. The new funding is at a much lower level for the combined programs, and currently only funds a 0.7 FTE for diabetes initiatives. CDC’s current focus for diabetes centers around two basic strategies:

1. Promote awareness of prediabetes among people at high risk for type 2 diabetes.
2. Promote participation in American Diabetes Association (ADA)-recognized, American Association of Diabetes Educators (AADE)-accredited, state-accredited/certified, and/or Stanford licensed diabetes self-management education (DSME) programs.

Maintaining diabetes prevention and control efforts has become increasingly difficult in a time of declining resources. The addition of new/enhanced programming is even more challenging. Programming in the area of prevention of diabetes is needed; however, no new funding exists to support such an effort.

Department of Health – Children’s Special Health Services (CSHS)

CSHS serves children with diabetes through three different programs:

- Specialty Care Diagnostic and Treatment Program
 - CSHS paid \$44,935 in health care claims for 27 eligible children with Diabetes Mellitus, Type I and II, in FFY 2013.
 - Examples of services covered include:
 - Medications
 - Diabetic supplies
 - Insulin pumps
 - Inpatient and outpatient hospital services, office visits, and laboratory tests
 - Dilated eye examination for children 10 and older
 - Diabetic education provided by a certified diabetic educator
 - Care coordination services that help families access other needed services and resources are provided for children who are eligible for CSHS treatment services.
- Multidisciplinary Clinics
 - CSHS funds a pediatric diabetes clinic through the Coordinated Treatment Center at Sanford in Fargo, N.D.

- A contract for \$27,941 is in effect for the 2013-2015 biennium, which supports 13 diabetes clinics per year. Clinics provide multidisciplinary team evaluations and individualized care plans to support ongoing management for participating children and their families. There is no charge to families for the service. Families that travel more than 50 miles one way to attend the clinic are able to receive help to offset travel expenses (mileage and lodging), if needed.
- The clinic team is comprised of medical specialists (pediatric endocrinologist, pediatrician), diabetes nurse educator, social worker, nurse, reception staff, exercise physiologist, licensed registered dietitian, and psychologist who see the children at one place and time. This type of service enhances coordination and supports access to care.
- Information Resource Center
 - CSHS provides health care resource information upon request. Examples of information frequently provided includes child growth and development, parent-support (e.g., parent-to-parent programs), well child care, special clinics, programs or doctors, financial help, and information on child's condition.

Department of Human Services

The ND Medicaid strategy related to diabetes care centers on the “Experience HealthND” program. Experience HealthND is a North Dakota Medicaid benefit for recipients with chronic health conditions. Conditions covered by the program include asthma, chronic obstructive pulmonary disease, **diabetes**, and heart failure. The program is voluntary, confidential and free to eligible recipients.

After enrolling in Experience HealthND, enrollees can call a nurse for information and assistance any day and at any time of the day. A registered nurse calls or meets with enrollees to learn what their needs are and prepares an individualized care plan for them. Working with enrollees and their health care provider, the nurse will provide information and education that enrollees can use to manage their health condition, as well as giving assistance in finding services and other support that helps them follow their doctor's treatment plan.

Enrollees and their nurse work together to use these beneficial Experience HealthND services:

- A toll-free number enrollees can call 24 hours a day, 7 days a week to speak with a nurse about their health concerns.
- Help in finding a doctor or coordinating with their doctor and other health care providers to get the most from their care.
- Education about choices they can make to improve their health.
- Information sources and education about how medicines, exercise, nutrition, recreation, rest, and other factors affecting their health and how well they feel.

North Dakota Public Employees Retirement System (NDPERS)

The NDPERS strategies related to diabetes center on the MediQHome Project, Case Management, HealthyBlue, and the “About the Patient” program.

MediQHome

MediQHome is a collaborative program between Blue Cross Blue Shield of ND (BCBSND) and medical providers across the state of ND. The program provides financial incentives to clinicians and organizations to support the patient-centered medical home methodology of care. BCBSND provides a semiannual care management fee payment to compensate for care coordination and better management of chronic conditions which are otherwise not accounted for in a fee-for-service payment model. The care management fees are paid using a tiered approach that is tied to patient outcomes. The MediQHome program also allows the provider access to a population health platform that allows the medical providers to identify overall how their population of patients is doing. The platform also allows providers to see gaps in care based on medical guidelines that are individualized to each patient and their chronic disease.

Diabetes is one of the targeted chronic conditions in the MediQHome program. The care management fee paid to providers is calculated based on how well the provider cares for their patients with diabetes, high blood pressure, and coronary artery disease (pay for performance). Providers are asked to make sure that these patients meet “optimal care” in the specific disease categories. For diabetes, optimal care means:

- HgA1c <8 (this is a lab value that indicates blood sugar control over a longer time period)
- Blood Pressure <140/90
- LDL <100 (bad cholesterol)
- Tobacco free

The MDInsight platform allows the provider to be able to quickly see if all of these “optimal care” measures have been completed for each patient. It also allows them to use the platform to look for a certain group of patients who may need follow up. This platform helps providers track their diabetes patients to make sure they are receiving quality care.

Case Management

The prevalence of chronic conditions, such as diabetes, is growing and the bulk of healthcare expenditures are used to treat these conditions. Case Management provides members at higher risk with telephonic outreach to enhance their knowledge about their condition, and also to provide collaboration between the member and healthcare team. Using evidence-based principles, an action plan is developed based on the member’s disease state, risk level, and goals. Case Management provides ongoing support throughout the member’s continuum of care by closing identified gaps of care, encouraging a healthy lifestyle, and educating the member about their chronic condition. Diabetics in the Case Management Program will receive education

materials and are also reviewed to identify gaps in care. Recommended diabetes care management includes a yearly office visit, A1C every 3 to 12 months, lipid panel every 12 months, microalbumin every 12 months, and a dilated eye exam every 12 months.

Healthy Blue

HealthyBlue (online Wellness portal) is available to all NDPERS members, including those who have self-reported having diabetes. Members can engage in disease-specific educational workshops, talk to wellness experts, and track exercise, nutrition, and medications. They can do this either online or on a mobile device and earn rewards for their engagement.

Agency-Based Wellness Programs

NDPERS offers a program to encourage participating employers to develop employer-based wellness programs to encourage a healthy lifestyle. Pursuant to NDCC 54-52.1-14, employers are offered incentives through their health insurance premium. Last year 197 out of 290 employers elected to participate in the wellness program. This is an employer participation rate of approximately 68 percent. However, 97 percent of employees covered on the insurance plan are working for employers that offer wellness programs and activities to their employees.

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

- 103 state agencies, universities and district health units
- 37 counties
- 18 schools
- 17 cities
- 22 political subdivisions

About the Patient Program (For more information see Appendix 5)

The Diabetes Management Program is an opt-in program for North Dakota Public Employee Retirement System beneficiaries with diabetes. On a monthly basis, newly eligible patients are sent a letter explaining the program and a wellness enrollment form. The wellness enrollment form allows patients to choose one of 50 community pharmacy locations across North Dakota for face-to-face program participation. Patients are eligible for three visits within the first year and two visits per year thereafter. By actively participating in the program, patients receive reimbursement of co-pays on diabetes medications, ACE inhibitors, and testing supplies on a quarterly basis. The patient curriculum is based on the seven self-care behaviors identified by the American Association of Diabetes Educators and principles of medication therapy management as outlined by the American Pharmacist Association. Patients are seen by a health professional, currently a community pharmacist, who has completed additional training in diabetes management outside of their terminal degree and must document continuing education in this area on an annual basis. All patient clinical encounters are documented and billed using the North Dakota Pharmacy Services Corporation electronic medical record software MTM

Express™. Return on investment calculations demonstrated a health cost savings of \$2.34 for every \$1.00 spent for the program.

Funding: Funding for the above programs is provided from the health premiums paid.

Indian Affairs Commission

The Indian Affairs Commission does not administer a program that specifically targets diabetes, but collaborates with the agencies on diabetes-related activities in American Indian communities and with American Indian populations. The Commission plays an important role as a liaison between the departments and the tribes.

Coordinated Efforts

The North Dakota Department of Health, North Dakota Public Employees Retirement System, Department of Human Services, Medicaid, and Indian Affairs Commission collaborate on diabetes-related activities, including the following:

Coordinated Chronic Disease Prevention and Health Promotion State Plan

NDDoH recently led an effort to develop a Coordinated Chronic Disease Prevention and Health Promotion State Plan to achieve measurable improvements across the top five leading chronic disease-related causes of death and disability (heart disease, cancer, stroke, diabetes and arthritis) and their associated risk factors. A committee composed of internal and external partners was created to give input and guide the process. In November 2011, a stakeholders meeting with over 50 partners was conducted to channel and use the expertise of the diverse group. Members of organizations responsible for this legislative report were among the participants. The plan developed through this stakeholder-driven process includes initiatives consistent with current statewide efforts and those noted in this report (See Appendix 4, for the “Coordinated Chronic Disease Call to Action” derived from the North Dakota State Plan to Prevent and Manage Chronic Disease).

Data from NDDoH

The North Dakota Public Employees Retirement System, Department of Human Services, and Indian Affairs Commission use data from burden/impact reports, fact sheets, presentations, and grant applications produced by the NDDoH.

Moving Forward, Improving Coordination

The NDDoH, NDPERS, the Department of Human Services, and Indian Affairs Commission will meet regularly (at least once every six months). Each agency will share information on their efforts and share any relevant data. The group will also identify opportunities to collaborate.

Recommendations/Action Plan/Budget

Goals and Action Items

The following goals and action items were identified by the committee as activities that would be most effective in improving outcomes for people with diabetes. They are based on accepted standards of practice and scientific evidence of what works to improve outcomes for those with diabetes, and are consistent with diabetes and other chronic disease state planning efforts. **The goals are listed in order of priority. The budgeted amounts are for two years.**

Goal #1 - Increase the availability and utilization of evidence-based lifestyle change programs such as the National Diabetes Prevention Program (DPP).

Rationale:

The Diabetes Prevention Program is a 16-week lifestyle change program which teaches participants ways to make modest behavior changes in their diet and physical activity levels to produce a weight loss of 5 to 7 percent of their body weight. The lifestyle changes reduce the risk of developing type 2 diabetes by 58 percent in people with prediabetes. This program can prevent the development of diabetes in those at risk, or significantly delay the onset of diabetes. **The program has a return on investment (ROI) of 3:1 for medical savings only, and an ROI of higher than 7:1 when counting both medical savings and productivity gains.**

Participants work with a lifestyle coach in a group setting to receive a 1-year lifestyle change program that includes 16 core sessions (usually one per week) and six post-core sessions (one per month). The National Diabetes Prevention Program encourages collaboration among federal agencies, community-based organizations, employers, insurers, health care professionals, academia and other stakeholders to prevent or delay the onset of type 2 diabetes among people with prediabetes in the United States.

Personnel in nine sites across North Dakota have been trained to provide the DPP, but lack of funding and reimbursement has been a barrier to implementation. Working to expand the availability of this program through organizations, businesses, hospitals, and public health would give North Dakotans with prediabetes the opportunity to prevent or delay the development of diabetes. The CDC supports a DPP curriculum that can be used by public and private community groups.

Goal #1 Cost \$1,740,000

Suggested Initiatives:

- Designate state funds and an FTE to the NDDoH to hire a Diabetes Prevention Program (DPP) Coordinator to focus on expanding the DPP across North Dakota. (\$120,000)

- Provide training at more sites on the DPP in North Dakota and engage state, county, and local government agencies to provide access to DPP as a covered benefit for employees. (\$120,000 to conduct six trainings over two years)
 - Implement a NDPERS pilot project to integrate the DPP into the NDPERS plan.
- Work with health care providers to implement systems for referral of people with prediabetes or multiple risk factors for type 2 diabetes to DPP.
- Coordinate implementation of a statewide marketing campaign to raise awareness about prediabetes and educate North Dakotans that type 2 diabetes can be prevented. This would include marketing the existing DPP sites. (\$1,500,000)
 - Media campaign material development (\$250,000)
 - Media time (\$1,250,000)
- Provide outreach and information to employer groups about DPP and encourage them to offer DPP as a covered employee benefit.

Goal #2 - Increase the availability and utilization of sustainable evidence-based diabetes and chronic disease self-management education and other health education or behavior change initiatives to improve control of A1C, blood pressure, and cholesterol and to promote tobacco cessation.

Rationale:

Much of the sickness and death associated with diabetes can be prevented by appropriate clinical management and patient self-management practices. Controlling blood sugar, blood pressure, and cholesterol (the ABC's), plus stopping the use of tobacco products, are critical to prevention of diabetes complications (blindness, kidney disease, nerve damage, and heart disease).

Comprehensive diabetes self-management education (DSME), as well as disease management/case management programs, have been shown to improve outcomes for people with diabetes and have a return on investment of 4.34:1.

Health Care Reform and associated quality standards will increase the demand for qualified diabetes educators and evidence-based diabetes prevention and control interventions.

Physical inactivity is a major risk factor for diabetes, obesity, and many other chronic diseases. The CDC recommends 150 minutes of moderate physical activity per week. Approximately 50 percent of North Dakotans do not get the recommended amount of physical activity.

Goal #2 Cost \$920,000

Suggested Initiatives

- Designate state funds and an FTE to the NDDoH to hire a Diabetes Self-Management Education (DSME) Coordinator to focus on expanding evidence-based DSME programs across North Dakota. (\$120,000)
 - DSME Coordinator would:

- Train local health departments and staff from other entities in the delivery of DSME classes.
 - Coordinate workshops for health care professionals to improve knowledge of diabetes diagnosis, treatment, and management.
 - Work with Diabetes Program Manager and proposed DPP Coordinator to develop a communication hub of diabetes information.
 - Work with the “Diabetes Educator Licensure Board” to review licensure requirements.
 - Work with diabetes stakeholders to define roles for health professionals, allied health professionals, community health workers, and others in promoting standard diabetes education management.
- Increase the number of nationally recognized diabetes education programs available to North Dakotans by providing grants to implement a DMSE program in identified facilities. (\$600,000)
- Increase the number of certified diabetes educators in North Dakota.
- Maintain current efforts in the NDPERS Health Plan. **(Cost for MediQHome, case management and wellness will be included in NDPERS premiums and will be determined as part of the health plan bid in 2015.)**
 - Through NDPERS carrier, continue efforts such as the MediQHome program and case management efforts relating to diabetes.
 - Maintain the NDPERS wellness program into the 2015-17 biennium. As part of that program, identify new ways to interact with people with diabetes through the Health Assessment functionality.
 - Provide seminars to participating employers and include a component on diabetes.
- Maintain the “About the Patient” Program. (\$200,000)
 - Conduct another study of the “About the Patient” program to assess the program’s effectiveness and identify “best practices”.
 - The results of this study could serve as a basis for replicating the program in other settings, such as at other employers or state agencies
 - NDPERS will set up a committee of those entities identified in HB 1443 to serve as an advisory group for this program going forward. The purpose of this group would be to share information on this program and identify opportunities.
- Add a program component relating to diabetes education and prevention to the agency wellness program.

Goal #3 – Support local communities that have identified chronic disease management or obesity and physical activity as a top priority in their community.

Rationale:

The Center for Disease Control and Prevention provided the North Dakota Department of Health (NDDoH) with a Community Transformation Grant (CTG) to assess community capacity and need for services and interventions. The North Dakota State University Master of Public Health Program and the University of North Dakota Center for Rural Health, along with the NDDoH,

made up the CTG Leadership Team. They developed a report with their findings which supports the rationale for this goal.

Throughout North Dakota towns, efforts to address health issues are taking place, but the amount and extent of the programs varies from city to city and depends on many variables including population, existing infrastructure and funding. The Center for Rural Health conducted Community Health Needs Assessments (CHNAs) for hospitals throughout the state. The CHNAs included a series of focus groups, key informant interviews, and community-wide surveys from which the community members ranked the most pressing community health needs. From the CHNAs, over 56 percent identified chronic disease management or obesity and physical activity as significant health needs in their community.

The NDDoH also conducted roundtable sessions with local public health units (LPHUs) to assess the health data that represents their jurisdictions. The purpose of the roundtables was to identify health priorities for the public health unit and other local community groups. From the roundtable sessions, 50 percent of the LPHUs identified chronic disease or obesity and physical activity as the first or second priority in their community.

Providing grants to communities that have identified chronic disease or obesity and physical activity as a priority will enable North Dakota to make strides toward improving the health of its citizens.

Goal #3 Cost \$1,200,000

Suggested Initiatives:

- Conduct pilot study with six of the LPHUs that identified chronic disease or obesity and physical activity as a priority.
- Provide each LPHU with a community grant to address chronic disease or obesity and physical activity in their community.
 - LPHUs would apply for the community grants.
 - Only LPHUs who have completed a community assessment and identified chronic disease or obesity and physical activity would be eligible to apply.
 - The application would include a list of evidence-based items to select from and require an evaluation element.

Goal #4 - Support existing state health promotion plans, coalitions, and partnerships related to diabetes and chronic disease prevention and control.

Rationale:

The North Dakota Department of Health works with many statewide coalitions and partnerships including the Dakota Diabetes Coalition, Coordinated Chronic Disease Partnership, and Healthy North Dakota. Many local coalitions address diabetes, tobacco use, physical activity, asthma, and other conditions. These public-private partnerships with multi-sector representatives such as universities, schools, transportation, providers, pharmacists, local health departments,

foundations, businesses, and other organizations create a collective voice and leverage resources available to each of the partners.

The NDDoH chronic disease staff and approximately 50 partners developed a state plan entitled “North Dakota State Plan to Prevent and Manage Chronic Disease.” The development of the coordinated plan was required by the Centers for Disease Control and Prevention to address chronic diseases such as diabetes, coronary heart disease, arthritis, and lung diseases, which share common risk factors such as smoking, obesity, low levels of physical activity, and poor nutrition; and includes overarching goals and objectives. Considering that the risk factors and prevention strategies for many chronic diseases, including diabetes, are very similar, this chronic disease plan also serves as the state diabetes plan.

The chronic disease state plan includes interventions and strategies targeting changes in health care system delivery of clinical care and patient education, promoting linkages between clinical care and community resources, policy and environmental changes to support chronic disease prevention and management, and identifying improvements in data collection to address disparities and improve our ability to evaluate the impact of chronic disease on North Dakotans.

Goal #4 Cost \$240,000

Suggested Initiatives:

- Designate state funds and an FTE to the NDDoH to hire a coordinator to provide technical assistance to statewide coalitions and partners. (\$120,000)
 - The coordinator would:
 - Provide technical assistance to statewide coalitions.
 - Convene partners and coalition members to identify collaboration opportunities.
 - Work with state staff and partners to address how to implement priorities identified in the “North Dakota State Plan to Prevent and Manage Chronic Disease.”
 - **Direct funding for implementation of the plan is outside the funding of this report.**
- Support local communities and coalitions to implement evidence-based interventions, conduct training, collect data, and develop and maintain a web-based chronic disease resource directory for providers and the public. Funding would support:
 - Training opportunities for local communities based on needs. Two examples of potential training needs are cultural awareness training and policy development training. (\$120,000)

Goal #5 - Improve diabetes and chronic disease surveillance systems to determine the extent and impact of diabetes on North Dakotans.

Rationale:

The ongoing, systematic monitoring and improvement of data collection regarding diabetes and other chronic diseases is vital for public health planning. North Dakota lacks adequate surveillance data.

Goal #5 Cost \$43,000

Suggested Initiatives

- Improve Behavioral Risk Factor Surveillance System (BRFSS) data on populations in North Dakota that experience health disparities. One target would be to improve data collection for American Indians as this population experiences drastically higher mortality rates due to diabetes than does the rest of the North Dakota population. Each BRFSS call encounter costs \$35 per land line completion and \$75 per cell phone completion. Many households only have cell phones now. (\$43,000)
 - Adding 800 BRFSS calls to targeted population (land line) \$28,000
 - Adding 200 BRFSS calls to targeted population (cell line) \$15,000
- Expansion of data collection, analysis and reporting for the western part of the state.

Goal # 6 - Support Policies that improve outcomes for persons with, and at risk for diabetes and other chronic diseases. (The following are issues the legislature may consider for the improved health of all North Dakotans. However, direct funding for these items is outside the funding of this report.)

Rationale:

Systems and policy change is a cost-effective way for states to improve a population's health. There is strong evidence that comprehensive smoke free laws improve health by reducing heart attacks, respiratory problems such as asthma attacks and lung cancer, which in effect reduces the overall social and financial burden to individuals, families, communities, and states. Access to healthcare for the low-income/uninsured can reduce overall costs through preventive services and early interventions. Reimbursement for diabetes education classes by Certified Diabetes Educators can ensure that people learn how to manage their diabetes and prevent complications. Electronic Medical Records and information sharing can help ensure continuity and coordination of care and provide opportunities to engage patients in their own care.

Goal #6 Cost N/A

Suggested Initiatives

- Support the enrollment of eligible people in insurance plans, so that more uninsured people with diabetes will be able to receive appropriate medical care and avoid costly, unnecessary hospitalizations or emergency department visits.
- Support policies to expand usage of Electronic Medical Records by all health care providers.
- Support policies for Medicaid, NDPERS, and other insurers to provide reimbursement for evidence-based diabetes education classes, including prediabetes education.
- Support policies that increase physical activity in schools and early childhood centers.
- Support policies for healthier lunch and snack policies in schools and early childhood centers.
- Sponsor or support legislation and funding that promotes chronic disease prevention and control.
- Raise constituents' awareness about chronic disease prevention and control programs in communities and help establish new programs as needed.
- Ensure that all North Dakotans have access to health care, screenings and early detection services.

Total 2-Year Budget: \$4,143,000

Appendix 1: Overview of Diabetes

What is Diabetes?

Insulin is needed to move sugar from our blood to our cells for energy. People with diabetes either do not produce insulin or their bodies cannot effectively use insulin. In both cases, sugar builds up in the blood and if not managed, can cause major costly complications that greatly reduce the quality of life for those living with diabetes.

What is Prediabetes?

Prediabetes is a condition in which an individual's blood glucose or A1C levels (a blood test that provides an average of the patient's blood glucose levels over the last 12 weeks) are higher than normal, but not high enough to be classified as diabetes. People with prediabetes are at increased risk for developing type 2 diabetes, heart disease and stroke. Evidence has shown that people with prediabetes who lose 5 to 7 percent of their weight and increase their physical activity can prevent or delay the development of type 2 diabetes.

How are Diabetes and Prediabetes Diagnosed?

Appropriate blood testing for diabetes among those at risk for the disease is vital to ensure patients with elevated blood sugar levels or high A1C are identified as early as possible. Early diagnosis and appropriate treatment/management provides the best opportunity to prevent diabetes and its complications. Testing involves a simple blood test performed in a health care facility.

Types of Diabetes

Type 1 Diabetes is an autoimmune disorder and affects 5 to 10 percent of all people with the disease. It is characterized by the loss of insulin-producing cells and requires insulin delivered by injection or through a pump. **There is no known way to prevent type 1 diabetes.**

Type 2 Diabetes is more common and affects 90 to 95 percent of people with diabetes. It develops gradually and is characterized by insulin deficiency and resistance. Risk factors for type 2 diabetes include: older age, obesity, family history of diabetes, personal history of gestational diabetes, impaired glucose metabolism, physical inactivity and race/ethnicity. Treatment can include medical nutrition therapy, oral medications and injections.

Type 2 diabetes in children and adolescents, although still rare, is being diagnosed more frequently among African Americans, Hispanic/Latino Americans, American Indians and Asian/Pacific Islanders. **Type 2 diabetes may be preventable through modest lifestyle changes.**

Gestational diabetes occurs in 2 to 5 percent of all pregnancies and causes complications for both mother and child. Normal glucose tolerance usually returns after pregnancy. Women who have had gestational diabetes have a 35 to 60 percent chance of developing diabetes within 10 to 20 years.

Diabetes Management

Diabetes can affect many parts of the body and can lead to serious complications such as blindness, kidney damage and lower-limb amputations. Working together, people with diabetes, their support network and their health care providers, can reduce the occurrence of these and other diabetes complications by controlling the levels of blood glucose, blood pressure and blood lipids, and by practicing other preventive care practices in a timely manner.

Managing diabetes is a complicated endeavor. Diabetes is managed by a combination of appropriate clinical care from a health care provider who understands diabetes care, and individual efforts of the person with diabetes to take medications as directed, make better food choices and develop a regular pattern of physical activity. Controlling blood sugar to near normal levels is vital to prevent the development of complications of diabetes such as kidney disease, cardiovascular disease and nerve damage to the feet, and other debilitating conditions.

Specific medical guidelines for the management of diabetes should be followed. Healthcare professionals caring for a person with diabetes should:

- Measure blood pressure at every visit
- Check feet for sores at every visit and provide a thorough foot exam at least once a year
- Order an A1C test at least twice a year to determine what the patient's level of glucose control has been for the past 12 weeks
- Assess kidney function through urine and renal function blood tests at least once a year
- Test blood lipids (fats)—total cholesterol; LDL or low-density lipoprotein (“bad” cholesterol); HDL or high-density lipoprotein (“good” cholesterol); and triglycerides at least once a year

A person with diabetes should work with their health care provider(s) to schedule:

- A dental checkup twice a year
- A dilated eye exam once a year
- An annual flu shot
- A pneumonia shot (according to age guidelines)

The person with diabetes must become knowledgeable about how food choices, physical activity, illnesses and medications impact blood sugar individually and in myriad combinations. Diabetes Self-Management Education (DSME) in group classes are a proven way for a person with diabetes to learn what they need to know to help them manage their condition. The *Guide to Community Preventive Services*, a resource for evidence-based recommendations and findings about what works in public health, recommends DSME as an effective and cost efficient way for persons with diabetes to learn to improve blood sugar control, improve quality of life and prevent complications. The Guide is produced by the Community Preventive Services Task Force, an independent group established by the U.S. Department of Health and Human Services to examine the evidence and produce findings and recommendations about effective and ineffective programs, services, and policies.

Studies in the U.S. and abroad have found that improved blood glucose control benefits people with either type 1 or type 2 diabetes. In general, every percentage point drop in A1C blood test results can reduce the risk of microvascular complications (eye, kidney, and nerve diseases) by

40 percent. In persons with type 1 diabetes, intensive insulin therapy has long-term beneficial effects on the risk of cardiovascular disease. Blood pressure control reduces the risk of cardiovascular disease (heart disease or stroke) among people with diabetes by 33 to 50 percent, and the risk for microvascular complications (eye, kidney, and nerve diseases) by approximately 33 percent. Improved control of LDL cholesterol can reduce cardiovascular complications by 20 to 50 percent. Detecting and treating diabetes-related eye disease can reduce the development of severe vision loss by an estimated 50 to 60 percent. Comprehensive foot care programs can reduce amputation rates by 45 to 85 percent. Detecting and treating early diabetic kidney disease by lowering blood pressure can reduce the decline in kidney function by 30 to 70 percent.

Prevention of Type 2 Diabetes and Complications

There is good news in the fight against diabetes! Diabetes can be prevented or delayed; and the disease can be managed to avoid costly complications, such as, blindness, kidney failure, lower extremity amputation and cardiovascular disease. Early diagnosis and management by the patient and health care team is crucial to avoid complications. Following known standards of care in treatment with diet, physical activity and medications can bring blood sugar, cholesterol and blood pressure levels to near normal. The challenge with diabetes is developing ways to bridge the gap between what is KNOWN about how to treat and prevent the disease, and what actually happens in healthcare practice and what patients do to manage their own health.

Diabetes and obesity go hand in hand; as obesity rates in North Dakota rise, so do the diabetes rates. North Dakota lacks funding to combat obesity, leading to an increase in obesity rates and all the associated costly chronic diseases, including diabetes. With the continuous rise in obesity and diabetes, it is important to prepare for the increasing burden of diabetes in North Dakota. The recommendations in this report represent a first step towards addressing the challenges of diabetes.

Changes must occur in multiple parts of the health care system, community settings, and in personal behaviors in order to impact the diabetes epidemic. Many federal agencies have been active in responding to the diabetes epidemic, including the Department of Health and Human Services (HHS), the Centers for Disease Control and Prevention (CDC) and the National Institute of Diabetes and Digestive and Kidney Diseases. These agencies, along with non-government entities such as the American Diabetes Association, have amassed an impressive amount of evidence as to “what works” in diabetes control.

The **Diabetes Prevention Program (DPP)**, a large prevention study of people at high risk for developing diabetes, demonstrated that lifestyle intervention to lose weight and increase physical activity reduced the development of type 2 diabetes by 58 percent during a three-year period. The reduction was even greater, 71 percent, among adults aged 60 and older. Interventions to prevent or delay type 2 diabetes in individuals with prediabetes can be feasible and cost-effective. Research has found that lifestyle interventions are more cost-effective than medications. North Dakota has trained staff from nine sites across North Dakota where DPP can be implemented, but lacks funding to support these sites.

Appendix 2: Legislation: NDCC 23-01-40

23-01-40. Diabetes goals and plans - Report to legislative management.

1. The department of human services, state department of health, Indian affairs commission, and public employees retirement system shall collaborate to identify goals and benchmarks while also developing individual agency plans to reduce the incidence of diabetes in the state, improve diabetes care, and control complications associated with diabetes.
2. Before June first of each even-numbered year the department of human services, state department of health, Indian affairs commission, and public employees retirement system shall submit a report to the legislative management on the following:
 - a. The financial impact and reach diabetes is having on the agency, the state, and localities. Items included in this assessment must include the number of lives with diabetes impacted or covered by the agency, the number of lives with diabetes and family members impacted by prevention and diabetes control programs implemented by the agency, the financial toll or impact diabetes and diabetes complications places on the agency's programs, and the financial toll or impact diabetes and diabetes complications places on the agency's programs in comparison to other chronic diseases and conditions.
 - b. An assessment of the benefits of implemented programs and activities aimed at controlling diabetes and preventing the disease. This assessment must document the amount and source for any funding directed to the agency from the legislative assembly for programs and activities aimed at reaching those with diabetes.
 - c. A description of the level of coordination existing between the agencies on activities, programmatic activities, and messaging on managing, treating, or preventing diabetes and diabetes complications.
 - d. The development or revision of detailed action plans for battling diabetes with a range of actionable items for consideration by the legislative assembly. The plans must identify proposed action steps to reduce the impact of diabetes, prediabetes, and related diabetes complications. The plan must identify expected outcomes of the action steps proposed in the following biennium while also establishing benchmarks for controlling and preventing relevant forms of diabetes.
 - e. The development of a detailed budget blueprint identifying needs, costs, and resources required to implement the plan identified in subdivision d. This blueprint must include a budget range for all options presented in the plan identified in subdivision d for consideration by the legislative assembly.

Appendix 3: Committee Members

The following people participated in the preparation of this report.

North Dakota Department of Health

Tera Miller, Diabetes Program Director

Clint Boots, Chronic Disease Epidemiologist

North Dakota Public Employees Retirement System

Sparb Collins, Executive Director

Deb Knudsen, Program Development and Research Manager

Kathy Allen, Employee Benefit Programs Manager

Division of Medical Services, the Department of Human Services

Julie Schwab, Director of Medical Services

Indian Affairs Commission

Bradley Hawk, Indian Health Systems Administrator

National Association of Chronic Disease Directors

Marti Macchi, Senior Consultant for Diabetes

Appendix 4: Coordinated Chronic Disease Call to Action

Nearly every North Dakotan has a family member, friend, or co-worker who has been affected by a chronic disease. North Dakota's Coordinated Chronic Disease State Plan can change this through a united effort and shared vision to improve the health and quality of life for North Dakotans.

Collaboration ensures that the whole is greater than the sum of its parts. Where do you fit in? You are a key part of the team, and here are some examples of ways you can begin to make a difference:

If you are a school or university:

- Make your entire campus a tobacco-free environment.
- Provide healthy foods in vending machines and cafeterias.
- Include health promotion messages in health classes.
- Include comprehensive school physical activity programs.
- Adopt comprehensive school and staff wellness policies.

If you are a hospital:

- Collaborate to sponsor community screening and education programs.
- Implement comprehensive tobacco-free policies at your facility.
- Seek or maintain accreditation/certification to ensure quality (Heart, Stroke, Cancer, Baby Friendly or other).
- Collaborate to sponsor patient navigation and survivorship programs.

If you are a community-based organization:

- Support policy, environmental, and systems changes for chronic disease prevention and control.
- Collaborate to provide community prevention programs.
- Provide chronic disease prevention awareness information and screening programs for clients.

If you are an employer:

- Implement comprehensive tobacco-free policies at your facility.
- Use incentives and implement programs (paid time off for screenings, worksite wellness programs) to reduce barriers and encourage regular screenings.
- Provide healthy food options in vending machines and cafeterias.
- Adopt comprehensive worksite wellness policies and programs.

If you are a local health department:

- Support policy, environmental and systems changes for chronic disease prevention and control.
- Provide navigation services for clients.
- Collaborate in community prevention and health promotion campaigns.

- Consider the benefits of public health accreditation.
- Adopt comprehensive worksite wellness policies

If you are a faith-based organization:

- Encourage members to get preventive screening tests.
- Provide space for physical activity programs.
- Learn how to provide healthy potluck and meeting meals.
- Provide chronic disease prevention and health promotion information to members.

If you are a legislator:

- Sponsor or support legislation and funding that promotes chronic disease prevention and control.
- Raise constituents' awareness about chronic disease prevention and control programs in your district and help establish new programs as needed.
- Ensure that all North Dakotans have access to health care, screenings and early detection services.

If you are a health care provider:

- Provide culturally relevant counseling, information, and referrals for screening tests.
- Adhere to guidelines and best practices for prevention, treatment and supportive care.
- Refer patients to smoking cessation, physical activity, nutrition, breastfeeding, self-management and mental health programs.

If you are a North Dakotan:

- Stop using tobacco products or never start.
- Support comprehensive tobacco-free environment policies.
- Increase your daily physical activity.
- Eat more fruits and vegetables and maintain a healthy weight.
- Know when to be screened and do it on schedule.
- Take an active role in your health care decisions.

Appendix 5: About the Patient Report



Collaborative Drug Therapy Program

About The Patient— 1641 Capitol Way Bismarck, ND 58501
T: 1.888.326.4657 DD: 701.231.6685 E: wbrown@aboutthepatient.net

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Background

The Uniform Group Insurance Program-Collaborative Drug Therapy Program in accordance with section 54-52.1-17 of the North Dakota Century code purpose is to improve the health of individuals with diabetes in order to manage health care expenditures through face-to-face collaborative drug therapy services by pharmacists and certified diabetes educators. For covered individuals waived or reduced co-payment for diabetes treatment drugs and supplies are provided as an incentive for program participation. The North Dakota Pharmacist Association or specified delegate currently About the Patient facilitates patient curriculum based on national standards for diabetes care, enrollment procedures, documentation of clinical encounters, and assess economic/clinical outcomes. Funding of program is through the uniform group insurance program and if necessary an additional charge on the policy premium for medical and hospital benefits coverage may be added up to two dollars per month.

The About The Patient Program has been administering the Diabetes Management Program since July of 2008. A cost analysis of the Diabetes Management Program was conducted by the Center for Health Promotion and Prevention Research, University of North Dakota School of Medicine and Health Sciences in November of 2010. Return on investment calculation demonstrated a \$71.14 pmpm health cost savings (\$2.34 saved for every \$1.00 spent for the program). Funding and program administration by About The Patient is evaluated biannually and current funding is through June 2015.

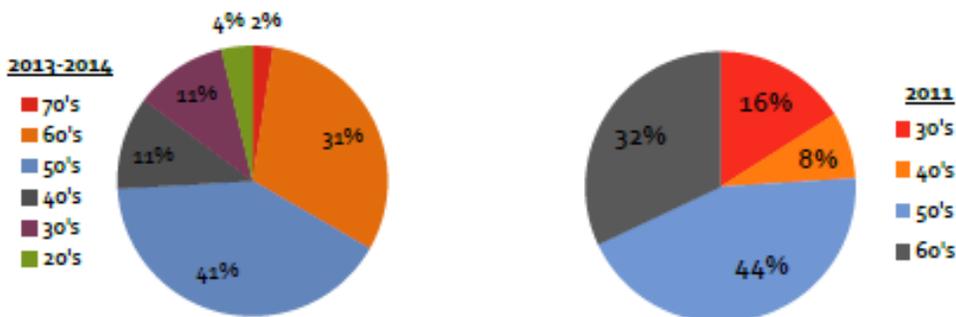
Program Description

The Diabetes Management Program is an opt-in program for North Dakota Public Employee Retirement System beneficiaries with diabetes. On a monthly basis newly eligible patients are sent a letter explaining the program as well as a wellness enrollment form. The wellness enrollment form allows patients to choose one of 50 community pharmacy locations across North Dakota for face-to-face program participation. Patients are eligible for three visits within the first year and two visits per year thereafter. By actively partaking in the program patients receive reimbursement of co-pays on diabetes medications, ACE inhibitors and testing supplies on a quarterly basis. The patient curriculum is based on the seven self-care behaviors identified by the American Association of Diabetes Educators and principles of medication therapy management as outlined by the American Pharmacist Association. Patients are seen by a health professional, currently a community pharmacist, who has completed additional training in diabetes management outside of their terminal degree and must document continuing education in this area on an annual basis. All patient clinical encounters are documented and billed using the North Dakota Pharmacy Services Corporation electronic medical record software MTM Express™.

Interventions

Demographic

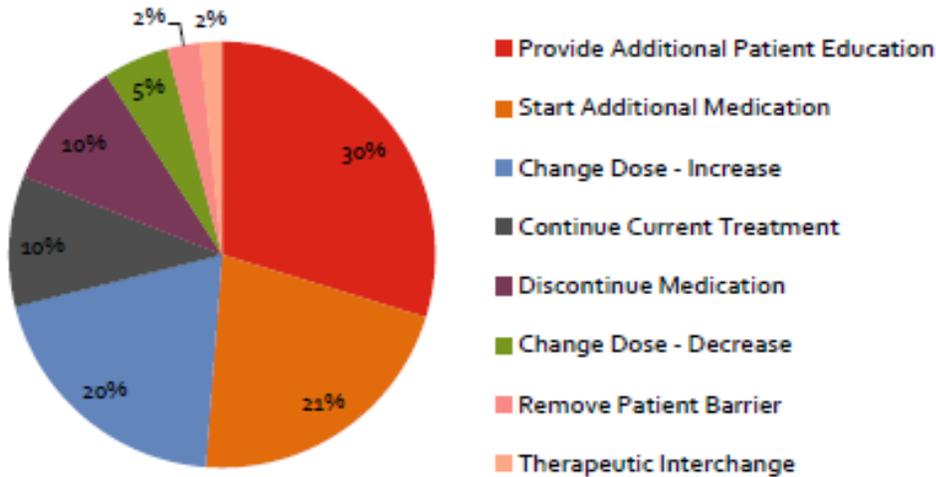
From third quarter of 2013 through first quarter of 2014, 52% of the actively participating patients are male. Age distribution is demonstrated below:



National and current patient trends are demonstrating that younger people are being diagnosed with Diabetes. This creates great opportunities for early disease management to prevent long term costly complications.

Pharmacist Interventions

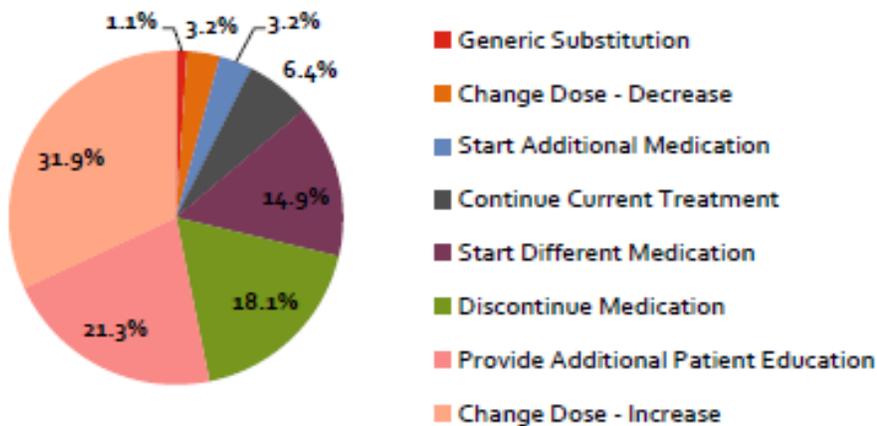
Within the 9 month reporting period there were 121 interventions made by the providers in collaboration with the patients in order to manage diabetes and prevent costly complication. Descriptions of intervention are listed below:



The most common reason for providing additional patient education was regarding insulin. The pharmacist was able to clarify how the patient should be taking their insulin, especially the rapid acting formulations.

The most common recommendations for starting medication related to ACE inhibitor use for renal protection or untreated dyslipidemia. Most increase dose recommendations were for insulin where 50% were for basal insulin and 50% for rapid insulin.

In contrast to 2011 interventions, pharmacists now are **optimizing medication use and starting to identify and address barriers to medication adherence** compared to general education about the medications.



Patient Satisfaction with Program

Based on a 5 point Likert scale where 5 is excellent and 1 is poor.

	Current	2011
1.) Professional appearance of the provider	5.0	4.7
2.) Appearance of the meeting area	4.8	4.3
3.) System for scheduling your appointment	4.8	4.7
4.) The provider's interest in your health	4.9	4.7
5.) How well the provider helps you manage your medications	4.3	4.3
6.) How well the provider explains possible side effects	4.1	4.3
7.) The provider's efforts to solve problems that you have with your medications	4.3	4.3
8.) The responsibility that the provider assumes for your drug therapy	4.2	4.3
9.) Ability of the provider to answer your questions about your medications	4.4	4.3
10.) Ability of the provider to answer your questions about your health problems	4.4	4.3
11.) The provider's efforts to help you improve your health or stay healthy	4.9	4.7
12.) The program services overall	4.3	4.7
13.) Ability of the provider to see you at your scheduled time	4.8	4.3
14.) Courtesy and professionalism of the staff	5.0	4.7
15.) Follow-up after the appointment	4.8	4.3
16.) The educational materials provided	4.9	4.3

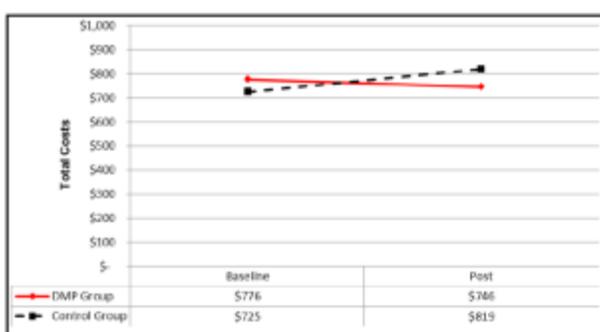
Satisfaction among participants in the program remains high.



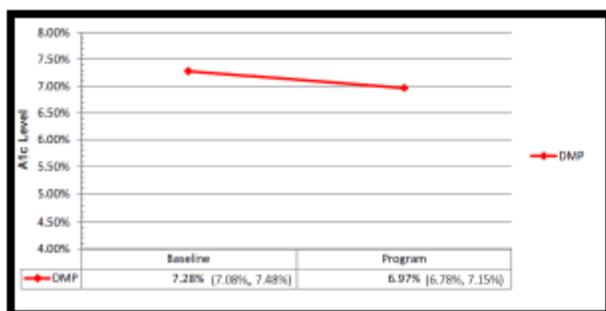
Trends and Savings

Face to Face Diabetes Management provided by pharmacist to NDPERS beneficiaries over 24 months (n= 346). Initial cost analysis 2008-2010.

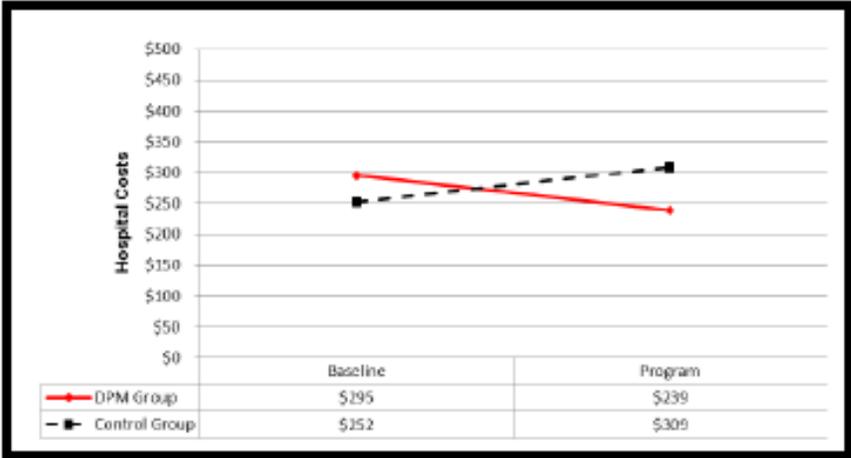
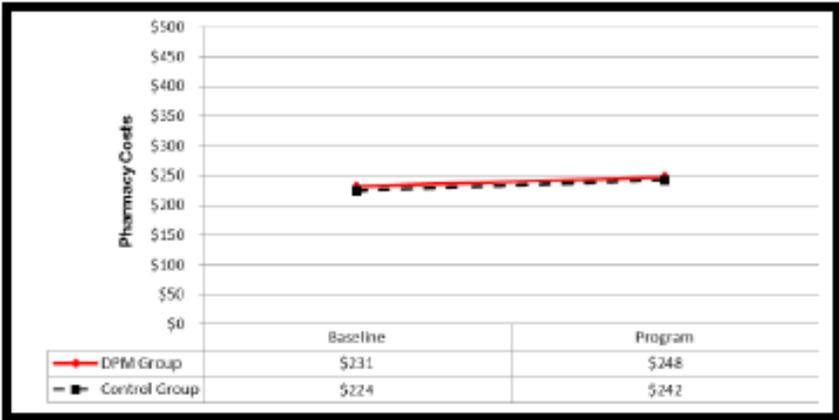
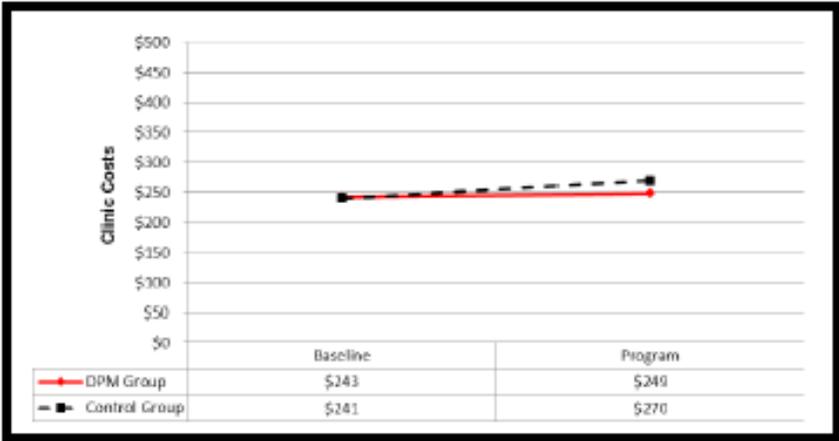
Demographics	
Mean Age	53.7 years
Type 2 Diabetes	72%
Average # of Medical Conditions	6.1
Average # of Medications	10.3
Average # of Pharmacist Identified Medication Related Problems	3.4



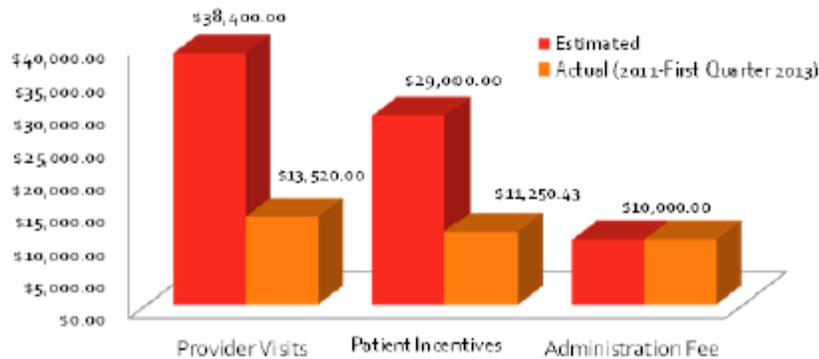
Overall health care expenditure **monthly savings of \$71.14 per program participant** compared to control. **For every \$1.00 spent** (administrative expensive and patient incentives) on the Diabetes Program **NDPERS saved \$2.34**. Sample size at time of analysis was able to identify trends however was too small to determine statistical significance.



In worldwide studies, lower A1c is correlated with better prevention of microvascular complications such as Kidney Disease and Blindness.



Levels of Services July 2011 - June 2013



Marketing:

In 2008 when the program was first launched a letter to all eligible patients as well as a follow up postcard was delivered and over 200 individuals opted into the program that year. Current recruitment occurs on a monthly basis where newly eligible patients are sent a letter and a wellness enrollment form that lists all the program provider locations. In 2012, current marketing strategy engaged ~4% of the newly eligible patients.

Direct Marketing to Eligible Patients 2013-2014

During the fourth quarter of 2013 a direct to consumer marketing campaign was launched with a goal to activate 10% of the eligible patient population over the next biennium. Newly eligible patients will continue to receive a letter and enrollment form on a monthly basis. In addition, all eligible patients will receive a letter explaining the program along with enrollment form and two follow up postcards.

	Letter/Enrollment form	Postcard 1	Postcard 2
Newly Eligible	Monthly		
All Eligible Patients Last Names Starting with A-L	Fourth Quarter 2013	First Quarter 2014	Second Quarter 2014
	Oct- A-D	Jan-A-D	Apr-A-D
	Nov- E-H	Feb-E-H	May-E-H
	Dec-I-L	Mar-I-L	Jun-I-L
All Eligible Patients Last Names Starting with M-Z	First Quarter 2014	Second Quarter 2014	Third Quarter 2014
	Jan-M-P	Apr-M-P	Jul-M-P
	Feb-Q-T	May-Q-T	Aug-Q-T
	Mar-U-Z	June-U-Z	Sep-U-Z

Marketing efforts from the fourth quarter 2013 through first quarter 2014 have increased enrollment. Currently have 198 (5.6% of total eligible population) patients with signed wellness forms. We are currently half way to our activation goal for the 2013-2015 biennium.

Letter



Diabetes Management Program

Date

Dear Member ,

Living with daily health concerns can affect all parts of your life. North Dakota Public Employees Retirement System (NDPERS) knows that the care you receive now is important to your future health. Having a health care team (Primary care Provider, Diabetes Educator, Clinical Pharmacist, and Dietician) is the best way to manage diabetes. We have joined forces with *About the Patient* to provide free clinical pharmacy services to round out your health care team. The best part is that it may be as simple as spending a little extra time when you fill your prescription at your local pharmacy, if they are a provider.

We know your time is valuable. Our way of thanking you for taking part in this program is to *refund co- pays for diabetes medications, testing supplies and certain medicines used for kidney safety every six months while in the program.*

Taking part in the program is easy. Call 1-888-326-4657 to sign up over the phone or visit the **About The Patient** website: www.AboutThePatient.net to download the enrollment form. At your convenience, schedule a one-on-one visit with a pharmacist specially trained in diabetes. A list of diabetes management programs in your area is listed on the back of this letter.

You do not need to be a patient or customer at the location of the program. Your medications will continue to be covered through any pharmacy of your choice. Because the diabetes management program is customized to your needs, you can opt out at any time.

After all, it is all about you and your health. Now is the best time to manage your diabetes. Hope to hear from you soon!

Sincerely,

Wendy Brown Pharm.D, PA-C, AE-C
Clinical Coordinator



Location	Address	City	Certified Local Pharmacist
Belcourt Drug	1110 Hospital Rd Suite #1	Belcourt	Mary Jo
Churchill Pharmacy	1190 W. Turnpike Ave.	Bismarck	Patricia, Daniel
Dakota Pharmacy	705 East Main Ave.	Bismarck	Stacey, Crystal
Gateway Health Mart-North	5101 North 11th St.	Bismarck	Pat, Barb, Janel, Jennifer, Pamela, Allison
Gateway Health Mart-South	835 S. Washington	Bismarck	Lance, Tom, Jennifer, Brita
Northbrook Drug	1929 N Washington St	Bismarck	Cindy, Debra, Kim, Thomas
St. Alexis Community Pharmacy	900 E. Broadway Ave.	Bismarck	Connie
The Medicine Shoppe	1304 E Blvd. Ave.	Bismarck	Tanya, Jodi
White Drug #5	117 N 5th St.	Bismarck	Ken, LeNeika
Central Pharmacy	990 Main St.	Carrington	Shane, Kristin
White Drug #53	201 E 3rd Ave. S.	Cavalier	Kinsey
Bell Pharmacy (Thrifty White #47)	323 5th St NE Suite 2	Devils Lake	Donna, Allison
Clinic Pharmacy	1001 7th Street NE	Devils Lake	Diane
White Drug #63	425 College Drive S #10	Devils Lake	Marcus
ND Pharmacy	446 18th Street West	Dickinson	Dawn
Family Health Care Pharmacy	301 NP Avenue	Fargo	Miguel, Betty, Nicole, Jennifer, Sue
Linson Pharmacy	3175 25th Street S	Fargo	Steve
Sanford Mills Ave Pharmacy	737 Broadway	Fargo	Susanne, Grece
NDSU College of Pharmacy	Sudro Hall On the NDSU Campus	Fargo	Heidi, Alicia, Jeanne, Liz, Wendy
Southpoint Pharmacy	2400 32nd Ave S	Fargo	Shayla, Jeff, Karla, Staci
The Medicine Shoppe #80	1605 S University Dr	Fargo	Oliver, Ross
White Drug #68	4255 30th Ave S	Fargo	Krystal
White Drug #39	1401 33rd St SW	Fargo	Cindy
Thrifty Patient Care Center	706 38th Street NW	Fargo	Melissa, LaNell, Wendy
Forman Drug Inc.	350 Main St S	Forman	Diane, Nathan
Thrifty White #65	544 Hill Avenue	Grafton	Samantha
Family Medicine Residency Pharmacy	725 Hamline Street On the UND campus	Grand Forks	Jana
Thrifty White Drug #9	2475 32nd Ave S Suite #1	Grand Forks	Donell, Tim
Wall's Medicine Center	708 S Washington Street	Grand Forks	Dan
Hazen Drug	30 W. Main	Hazen	Mike
White Drug #55	112 S Main St	Hettinger	Kim
Hillsboro Drug	13 North Main St.	Hillsboro	Randy
White Drug #45	310 First Ave S	Jamestown	Paul
Gateway Health Mart	500 Burlington Street SE	Mandan	James, Heather, Robert
Thrifty White Drug #43	511 First Street NW	Mandan	Mark, Nedine
B & B Northwest Pharmacy	20 Burdick Exp. W	Minot	Marla
Key Care Pharmacy	400 Burdick Express E #201	Minot	Marla
Market Pharmacy	1930 S Broadway	Minot	Brad
Thrifty White Drug #40	2700 8th St NW	Minot	Tayna
White Drug #17	1015 S Broadway Suite 3	Minot	Tayna
Central Pharmacy	4 N 8th Street	New Rockford	Shane
Tara's Thrifty White	610 Main Ave	Oakes	Tara
White Drug #50	107 2nd Street SE	Rugby	Kyle
Turtle Lake Drug	218 E Main	Turtle Lake	Jamie
Central Avenue Pharmacy	323 N Central Ave Suite 101	Valley City	Doreen
Thrifty White #60	148 S Central Ave	Valley City	Thrifty Patient Care Pharmacists
Southtown Econodrug	587 S 11th Street	Wahpeton	Ashley, Paula
White Drug #46	1100 13th Ave East	West Fargo	Holly, Danielle
Service Drug Pharmacy	317 Main	Williston	Lisa, Jody

Postcard 1

To enjoy activities that are important... Your Health Matters

When was the last time you sat down one-on-one with a local medication expert to talk about your diabetes medication?

ND Public Employees Retirement System is providing **FREE** one-on-one face-to-face visits with specially trained pharmacists in your area.

- For taking part in the program, **copays on select medications and testing supplies are waived.**

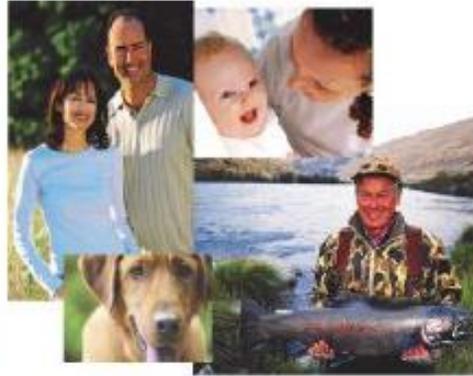
Call or click today for more information:
1-800-326-4657
www.AboutThePatient.net

Patent
 1511 England Way
 Moorhead, MN 56508
 Sponsored by:

About the Patient

ND Public Employees Retirement System

Postcard 2



ND Public Employees Retirement System is providing **FREE** one-on-one face-to-face visits with specially trained pharmacists in your area.

Co-pays on select medications are **refunded**.

To learn more *** 1-888-326-4657 www.AboutThePatient.net



RETIREMENT SERVICES



Sponsored by:



Strategic Goals

Marketing campaign for eligible patients with diabetes beginning fourth quarter 2013 through first quarter 2014. Increased activation of eligible patients

BCBS of North Dakota executive summary from March 2014 demonstrated that per Medi-Q-Home findings the NDPERS patient's optimal diabetes compliance exceeded the target and state averages for 2013

Based on the success of the diabetes program model expand to a broader Collaborative Drug Therapy Program. Opt-in eligible population would contain the top chronic conditions (Diabetes, Coronary Artery Disease, Hypertension, Heart Failure and Asthma) seen in the NDPERS population. Patient education would be face to face identifying and reducing barriers to medication adherence*.

Treatment → Adherence → Outcomes†

* Ho P, Bryson C, Rumsfeld. Medication Adherence: Its Importance in Cardiovascular Outcomes. *Circulation*. 2009; 119:3028-3035. Adherence To Long-Term Therapies: Evidence for Action. World Health Organization. 2003. http://www.who.int/hiv/pub/prev_care/tttherapies/en/. Accessed 3/28/2014. ISBN 92 4 154599 2.

† Brown M, Bussell J. Medication Adherence: WHO Cares? *Mayo Clinic Proceedings*. 2011;86(4):304-314.

Proposed Level of Services July 2015-June 2017

July 2015-June 2017	
Direct Program Cost	0.00
Provider Visits	\$132,000.00
Patient Incentives	\$43,000.00
Subtotal	\$175,000.00

Administration Costs	
Subtotal	\$20,000.00

Marketing Costs	
Direct to consumer mailings	\$5000.00
In-pharmacy marketing	
Subtotal	\$5000.00

TOTAL Biennial Expenses	\$200,000.00
--------------------------------	---------------------

Expense estimates are for serving ~200 patients (~5% participation rate) over the next biennium. Each patient would be eligible to receive a Comprehensive Medication Review (CMR-\$400.00) and up to 2 Targeted Medication Reviews (TMR-\$80.00) the first year and one CMR (\$200.00) and one TMR (\$80.00) in for any subsequent years of participation in the program.

In-kind from NPhA and NDSU: Telephone (maintaining toll free direct number for patients), office space, office supplies, Training/Credentialing/Certification of providers, patient curriculum, Clinical Coordinator, Data Analysis.

About The Patient would like to thank the North Dakota Pharmacist Association and North Dakota Public Employees Retirement System for their continued partnership to provide innovative community based clinical pharmacy services to eligible patients in North Dakota.

References

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2. American Diabetes Association. Standards of Medical Care in Diabetes – 2012; Diabetes Care January 2012 vol. 35 no. Supplement 1 S11-S63.
3. Am J Gastroenterology, 2011; 106:1911–1921; Yuhara, et al. Is Diabetes Mellitus an Independent Risk Factor for Colon Cancer and Rectal Cancer?
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5. The Centers for Disease Control and Prevention (CDC), National Center for Health Statistics, Division of Vital Statistics, National Vital Statistics Report Volume 60, Number 3, December 2011, Table 19. Available at http://www.cdc.gov/nchs/data/nvsr/nvsr60/nvsr60_03.pdf.
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8. Headquarters Department of the Army: *Standards of medical fitness*. Washington, DC, U.S. Govt. Printing Office, 1998 (Army reg. no. 40-501).
9. North Dakota Department of Health. 2012 North Dakota Behavioral Risk Factor Survey.
10. Retired Military Leaders. (2010). Too Fat to Fight. Retrieved May 05, 2014, from http://cdn.missionreadiness.org/MR_Too_Fat_to_Fight-1.pdf.



**North Dakota
Public Employees Retirement System**
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Bismarck, North Dakota 58502-1657

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

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

Memorandum

TO: NDPRS Board

FROM: Kathy & Sparb

DATE: June 11, 2014

SUBJECT: ADP Renewal

At its May 22, 2014 meeting the Board was presented with the renewal proposal from ADP for administrative service for the FlexComp Plan. The contract expires December 31, 2014. The renewal proposal was for an increase in the per participant per month (PPPM) fee as follows:

Current	Proposed 1/1/2015
\$2.85 PPPM	\$3.00 PPPM

The proposed rate represents a 5% increase over the current rate and ADP guaranteed the rate for a 3-year period from January 1, 2015 through December 31, 2017.

The Board moved to offer a counter proposal requesting that ADP consider renewing our current contract with no increase for the January 1 through December 31, 2014 plan year in order to provide the Board the opportunity to monitor and assess ADPs efforts as set forth in its action plan presented at the March 2014 meeting and further proposed that the PPPM increase be effective for January 1, 2016 through December 31, 2017.

ADP responded and indicated they are willing to renew at the current rate of \$2.85 PPPM for 2015, 2016, and 2017 contingent upon the State of North Dakota agreeing to a 3-year service commitment which would be incorporated by an amendment to our current contract. They further indicated that if the State does not want to sign the 3 year amendment, pricing will have to be reevaluated.

A copy of the amendment is included for your information. It has been reviewed and approved by legal counsel who has also confirmed that since the amendment only modifies Annex Z of our current contract, all terms with regard to termination provisions as contained in Annex A remain in effect and do not affect our rights to terminate the contract for cause.

BOARD ACTION REQUESTED

Approve ADPs renewal for no increase to the current administrative fee of \$2.85 and approve a 3-year commitment amendment to our current contract for the period January 1, 2015 through December 31, 2017.



SECOND AMENDMENT
 TO
 MASTER SERVICES AGREEMENT
 BETWEEN
ADP, INC.
 AND
STATE OF NORTH DAKOTA
Through its ND PUBLIC EMPLOYEES RETIREMENT SYSTEM

This Second Amendment (the "Second Amendment"), made as of _____, 2014 ("Second Amendment Effective Date") between ADP, Inc. ("ADP"), and the State of North Dakota ("Client") through its ND Public Employees Retirement System, contains changes, modifications, revisions and additions to the terms and conditions of the Master Services Agreement dated October 22, 2012, as amended (the "Agreement"), between Client and ADP.

Now, therefore, in consideration of the mutual covenants contained in the Agreement and herein, and for other good and valuable consideration, ADP and Client hereby agree as follows:

1. Annex Z, Section 3. As of the Second Amendment Effective Date, Section 3 of Annex Z of the Agreement is hereby deleted in its entirety and is replaced with the following:

"SECTION 3 TERMINATION DATE.

The Termination Date is three years from the Second Amendment Effective Date."

2. Annex Z, Section 4. As of the Second Amendment Effective Date, the second paragraph of Section 4 of Annex Z of the Agreement is hereby deleted in its entirety and is replaced with the following:

"The fees set forth in Annex Z will remain fixed for three years following the Second Amendment Effective Date. Thereafter, ADP may modify the fees upon 30 days prior written notice to Client."

3. Annex Z, Section 5.2. As of the Second Amendment Effective Date, the table entitled "Ongoing Services Fees" set forth in Section 5.2 of Annex Z of the Agreement is hereby deleted in its entirety and is replaced with the following:

Ongoing Services Fees	Units Assumed	Rate	Frequency	Based on
ADP Consumer Health & Spending Accounts				
SPENDING ACCOUNTS				
FSA Participants	2,984	\$2.85	PPPM	Monthly Minimum: \$250.00 Includes debit card & welcome kits

1710443-04-W-4



SECOND AMENDMENT

Client: State of North Dakota ND Public Employees Retirement System

4. Miscellaneous. All other terms and conditions of the Agreement shall remain in full force and effect. In the event of any conflict between the terms and conditions of this Second Amendment and the terms and conditions of the Agreement, this Second Amendment shall prevail. The terms defined in the Agreement and used in this Second Amendment shall have the same respective meanings as set forth in the Agreement, unless clearly otherwise defined in this Second Amendment. This Second Amendment may be executed in multiple original copies, identically worded, and each such executed copy constitutes an original. Facsimile signatures, electronic signatures in connection with the electronic signature delivery system utilized by ADP and signatures transferred in .pdf or a similar format for scanned copies of documents are original signatures for all purposes of this Second Amendment and the Agreement.

[SIGNATURES ON FOLLOWING PAGE]

1710443-04-W-4

[***AMD1670591-003 *4 *644475840594943686938417090275869722935962236349*W*4***]



SECOND AMENDMENT

Client: State of North Dakota ND Public Employees Retirement System

IN WITNESS WHEREOF, the parties hereto have caused this Second Amendment to be duly executed by their respective authorized representatives as of the date first above written.

ADP, INC.

**STATE OF NORTH DAKOTA
ND PUBLIC EMPLOYEES RETIREMENT
SYSTEM**

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

NORTH DAKOTA UNIVERSITY SYSTEM

By: _____

Name: _____

Title: _____

Date: _____

1710443-04-W-4

[***AMD1670591-003 *4 *644475840594943686938417090275869722935962236349*W*4***]

