NDPERS BOARD MEETING
Agenda

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

May 15, 2008 **Time: 8:30 AM**

I. MINUTES

A. April 17, 2008

II. RETIREMENT

A. FICA Update – Sparb (Information)
B. New Federal Special Tax Notice – Rebecca (Board Action)

III. GROUP INSURANCE

A. North Dakota Insurance Department - Michael Fix
   1. Partnership Program
   2. Health Insurance in ND
B. Advance Member Notice – BCBS (Information)
C. Rx Costs – Sparb (Information)
D. Health Club Credit Program – Sparb (Information)
E. Gallagher Benefit Services Renewal – Sparb (Board Action)

IV. DEFERRED COMPENSATION

A. Provider Training Compliance – Kathy (Board Action)

V. MISCELLANEOUS

A. PERSLink - Sharon
   1. Quarterly Report – (Information)
   2. Individual Insurance Billing Policy for Delinquent accounts – (Board Action)
   3. Interest calculation – (Board Action)
B. Legislation – Sparb (Board Action)
C. SIB Agenda
D. Board Election – Kathy (Information)

VI. FLEX COMP

A. Flex Comp Appeal – 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.

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Memorandum

TO: PERS Board

FROM: Sparb

DATE: May 8, 2008

SUBJECT: Federal Issue

Since 2002 we have been following an evolving issue at the federal level relating to withholding FICA taxes on employee contributions "picked up" by the employer, on behalf of an employee, through an offset against future salary increases. Attached is an update from Aaron on this subject. We are providing this update since the IRS has issued some guidance on various federal issues and therefore we asked that this again be reviewed to determine if you needed to take any action. As you may recall we had retained Carol Calhoun a Washington DC attorney to look at this back in 2002. She has helped us with keeping current on this issue since then and also worked with Aaron on this recent review. She will be available by phone at the board meeting to answer questions you may have.

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Wayne Stenehjem
ATTORNEY GENERAL

MEMORANDUM

TO: PERS Board of Trustees

FROM: Aaron Webb, Assistant Attorney General AW

DATE: May 7, 2008

The following memo addresses an ongoing IRS issue facing pension plans like those administered by NDPERS. Specifically, the issue is whether an employer is required to withhold FICA taxes on employee contributions "picked up" by the employer, on behalf of an employee, that are funded by limiting future salary increases.

The federal authority allowing employers to pick-up employee contributions is found under 26 U.S.C. § 414(h)(2). As you are all aware, under N.D.C.C. § 54-52-05(3) and 54-52.6-09(3), the state of North Dakota has authorized employers to choose whether to pick-up employee contributions under the NDPERS plans. It was in 1983 that North Dakota passed legislation authorizing an employer to select whether to fund the pick-up through a salary reduction, through an offset against future salary increases, or through a combination of the two. The state passed its laws based on a report by the TFFR and PERS consultant, Martin E. Segal & Company, Inc., reviewing 26 U.S.C. § 414(h)(2) and the related revenue rulings, 81-35 and 81-36. Since 1983, the North Dakota state laws have not had any substantive changes relating to this pick-up procedure. The state has been picking-up employee contributions through an offset against future salary increases since 1983.

Under employer payment models and related instructions provided by PERS to employers, PERS sets out various methods that employers may use when making an election as to funding of the employee contribution. There are three models following the PERS guidelines. The first model is the salary reduction model, where the employer picks-up the employees contribution and reduces the employee's gross wages in order to fund the payment. The second model is the offset against future salaries model, where the employer picks-up the employee's contribution and funds the payment by offsetting the payment against any future salary increase that the employee would receive. The third and final model provides for a combination of the first two models. Although the employer is making payment of the employee's contribution under models 2 and 3, and therefore increasing the employee's retirement salary, the PERS models indicate that an employer does not need to subject the employer sponsored pick-ups to FICA taxation.

BACKGROUND:

In 1999-2000, the IRS began an audit of the Fargo School District No. 1. The IRS initially sought to audit Fargo's 403(b) plan, which is a deferred compensation plan similar to the state's 457 plan. Once the IRS began the audit, it expanded the audit to cover almost all aspects of compensation, including the manner in which Fargo "picked-up" the employees' TFFR and PERS contributions. At the time, Fargo picked-up its employees' contributions through an offset against future salary increases (a method similar to that of the state), which they determined did not subject the picked-up contributions to FICA taxation. Thus, Fargo was not withholding FICA taxes based on those picked-up contributions. In April, 2000, Fargo notified TFFR that the IRS auditor believed the manner in which Fargo picked-up the employees' contributions did subject the picked-up amounts to FICA taxation.

After becoming aware of the position of the regional IRS auditor, the PERS and TFFR boards of trustees ("boards") retained Carol Calhoun, an employee benefits tax specialist, as a Special Assistant Attorney General, to aid them in resisting the IRS' position. Ms. Calhoun advised the boards of what she deemed to be the best approach to handling the situation. Initially, the boards provided Fargo with support and guidance in rebutting the IRS attorney's position within the IRS district office. The two reasons that the boards decided to get involved in the Fargo matter were: 1) to ensure that all of the favorable arguments were presented to the IRS; and 2) to minimize the school district's costs in pursuing this matter, so that Fargo would be less inclined to come to a settlement which might create an unfavorable precedent for other covered employers (such as the state). At the end of the day, the IRS chose not to press the issue, although it never formally revoked its disagreement with the position held by Fargo and the state (PERS and TFFR).

Due to new regulations and advisories recently issued on this topic, TFFR and PERS staff instructed me to ask Special Assistant Attorney General, Carol Calhoun, to revisit the issue (as she did in 2000 and 2004), and again determine whether her opinion on the matter has changed. I will first discuss the initial legal reasoning for the position taken in 2000, and then I will discuss the arguments presented by Carol Calhoun as to why this position is still valid.

LEGAL REASONING FOR 2000 POSITION:

In general, all payments of remuneration by an employer for services performed by an employee are subject to FICA taxes, unless the payments are specifically exempted from the term "wages" or the services are specifically exempted from the term "employment." As referenced previously, 26 U.S.C. § 414(h)(2) authorizes employers to

pick-up contributions using the same three methods the state authorizes: 1) through a reduction in salary; 2) as an offset against future salary increases; or 3) a combination of the two. As is the case now, the controversy in 2000 applied only to those employers, such as the Fargo school district and the State of North Dakota, which elect to fund the employer pick-up through an offset against future (as yet undetermined) salary increases and whether those employer pick-ups were entitled to be exempted from FICA taxation.

The federal statute which subjects pick-ups to FICA taxation, 26 U.S.C. § 3121(v)(1)(b), was enacted in 1983. Its original wording included for FICA taxation purposes "any amount treated as an employer contribution under section 414(h)(2)." In 1984, Congress amended § 3121(v)(1)(b) to include "any amount treated as an employer contribution under section 414(h)(2) where the pickup referred to in such section is pursuant to a salary reduction agreement (whether evidenced by a written instrument or otherwise.)" **The question therefore became: What constitutes a "salary reduction agreement" for the purposes of Code Section 3121(v)(1)(b)?** Simple answer, the legal determination in 2000 was that the term "salary reduction agreement" did not encompass employer pick-ups in lieu of salary increases, when no fixed amount of salary increase had been provided for. Part of the legal reasoning behind the foregoing determination was that while the 1983 version appeared to encompass all pick-ups, the 1984 amendment specifically included only salary reduction pick-ups, and did not include pick-ups in lieu of salary increases. By not including pick-ups in lieu of salary increases, those pick-ups do not appear to be subject to FICA taxation.

In reaching the decision stated above, the boards also looked to IRS positions taken in documents released by the IRS. Quite often the IRS will issue Private Letter Rulings. These letters are sent by the IRS in response to a request for clarification or interpretation of a tax law as it applies to a specific question or situation. While a Private Letter Ruling is not binding on the IRS except with regard to the taxpayer that requested it, it can be useful in gauging the thinking of the IRS with respect to a particular issue. In one such IRS Private Letter Ruling (Private Letter Ruling 9836005), the IRS' discussed the interpretation of the "salary reduction" language from a federal court case entitled Public Employees' Retirement Board v. Shalala (10th Circuit Federal Appeals Court). The IRS drafter noted that the Shalala "Court held that a salary reduction agreement contemplates an actual reduction in the members' salaries." (Emphasis added). The Private Letter Ruling goes on to discount the argument that the subject pick-up arrangement (made in lieu of future salary increase) "could be viewed as providing an increase in a member's salary by the prescribed annual amount, followed by a salary reduction in the amount of the member contribution picked up." Therefore, in reviewing the IRS ruling, it was the interpretation of the parties involved in the 2000 review that the IRS specifically differentiated between a salary reduction and an offset of future salary increases, and in doing so, supported the idea that the 1984

Congressional amendment exempted pick-ups made in lieu of salary increases from FICA taxation.

Unfortunately, the IRS attorney that was advising the IRS auditor did not agree with the foregoing interpretation. Instead, a memo issued by the IRS attorney stated in part, "[t]he pickup contributions paid by the Fargo School District, whether funded by salary reductions or by offset of salary increases are pursuant to a salary reduction agreement" and are subject to FICA taxes. However, in stating his opinion, the IRS attorney did not address the arguments, referenced above, supporting the position taken by Fargo and PERS/TFFR boards. Although the informal position taken by the IRS agents involved was fairly clear, the IRS position with respect to Fargo School District No. 1 was never made the basis for any formal IRS action. Had the IRS attempted to collect additional FICA taxes from Fargo based on its position, Fargo would have had an opportunity to rebut the IRS' position internally within the local IRS district office, and/or by requesting technical advice from the national IRS office.

LEGAL REASONING TO UPHOLD 2000 POSITION:

Upon being asked to revisit the advice given in 2000 and 2004, Ms. Calhoun provided me with the following information, lending support to her previous position, that the term "salary reduction agreement" as used in Code Section 3121(v)(1)(b) does not encompass employer pick-ups made in lieu of future salary increases. And more specifically, that the models currently being used by PERS, as relating to this issue, are defensible under current federal tax law.

Ms. Calhoun has noted two developments that have had a significant impact on the issue currently before the board: a) the issuance of new Treas. Reg. § 31.3121(a)(5)-2, dealing with the FICA taxation of contributions to 403(b) plans, and b) the issuance of a Chief Counsel Advisory dealing specifically with the FICA taxation of 414(h)(d) contributions. It is the position of Ms. Calhoun that these developments would further bolster the position taken by the board back in 2000. Each development is addressed in more detail below.

Treasury Regulations are the tax regulations issued by the IRS. These regulations are the United States Treasury Department's official interpretations of the Internal Revenue Code and are one source of U.S. Federal income tax law. Federal Treasury Regulation § 31.3121(a)(5)-2 states that the term "salary reduction agreement" for FICA purposes includes (1) a plan or arrangement whereby a payment will be made if the employee elects to reduce his or her compensation pursuant to a cash or deferred election as defined at § 1.401(k)-1(a)(3) of the Income Tax Regulations, (2) a plan or arrangement whereby a payment will be made if the employee elects to reduce his or her compensation pursuant to a one-time irrevocable election made at or before the time of

initial eligibility to participate in such plan or arrangement (or pursuant to a similar arrangement involving a one-time irrevocable election), and (3) a plan or arrangement whereby a payment will be made if the employee agrees as a condition of employment (whether such condition is set by statute, contract, or otherwise) to make a contribution that reduces the employee's compensation. Although the regulation deals specifically with contributions to a 403(b) program, similar principles should apply to contributions to a qualified plan. This being said, it would appear that payments, like those made under an employer pick-up of employee contributions in lieu of future salary increases, would not fit into any of the categories listed above.

In addition, a Chief Counsel Advisory was issued on December 21, 2006, dealing with FICA taxes on 414(h)(2) contributions. As the chief legal advisor to the IRS Commissioner on all matters pertaining to the interpretation, administration and enforcement of the Internal Revenue Laws (as well as all other legal matters) the Chief Counsel provides legal guidance and interpretive advice to the IRS, Treasury and to taxpayers. In the advisory, the Chief Counsel addressed whether an employer's contributions under Internal Revenue Code § 414(h)(2), paid on behalf of employees in lieu of contributions by employees, are paid pursuant to a salary reduction under Code § 3121(v)(1)(B), and are wages for FICA tax purposes.

The Advisory describes a situation in which an employer pays the employee mandatory contributions to a Retirement System from funds used to pay employees' salaries, without a current reduction in employee salary, and in addition to annual salary increases. The drafter of the Advisory concludes that the contributions were not paid pursuant to a salary reduction, and are not wages subject to FICA taxation. The drafter reasoned that the mere possibility of a salary increase, unsupported by the facts and circumstances determining the employee's compensation, does not demonstrate that the employer contributions were made pursuant to a salary reduction under § 3121(v)(1)(B). Additionally, the drafter held that the fact that a state taxpayer pays the employee contributions from the source of funds used to pay the employee's salary does not demonstrate that the amounts would have been currently included in wages for FICA tax purposes, but for the employer contribution.

Based in part on the foregoing, it is the opinion of Carol Calhoun, Special Assistant Attorney General, that the PERS board may continue to instruct employers to maintain the current employer payment models (referenced above). Carol will be available for questioning at the PERS board meeting.

vkk

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Memorandum

TO: PERS Board

FROM: Rebecca

DATE: May 6, 2008

SUBJECT: **New Federal Special Tax Notice Regarding Plan Payments**

NDPERS received notice that the federal Special Tax Notice Regarding Plan Payments had been revised due to federal law changes. The revised notice has been attached for your reference (Attachment 1). These changes will impact the NDPERS Defined Benefit Plan. Staff has been working with Segal regarding the changes and what NDPERS needs to do to remain in compliance. The following is an outline of the changes that impact the plan:

1) The plan is required to permit a rollover out of the plan to a Roth IRA. However, the plan is not responsible for determining whether an employee is eligible for such a rollover based on the income rules.
2) If you force out distributions of refunds, then you must provide an automatic rollover to an IRA of any accounts being forced out that are greater than $1,000.

Item # 1 above only requires that we permit these types of rollovers and that we update the special tax notice to indicate the option to participants. Staff has made changes to the tax notice and will be replacing the older version of the notice with the new notice.

Item # 2 will require additional implementation steps. Current state law under NDCC 54-52-17(7) requires that the plan automatically refund a member's account balance if the member has completed less than three years of eligible employment… A member may waive the refund if the member submits a written statement to the board, within thirty days after termination, requesting that the member's account balance remain in the fund. However, if a member does not waive the refund in writing, we are required to do a force out distribution and thus, are subject to the change in federal law. With the change, any non-vested member who does not make a written election regarding their account will have their account balance rolled into an automatic rollover if their account balance is greater than $1,000. Accounts that are less than $1,000 will not be affected by this change and will continue to be paid as an automatic refund directly to the member.

Staff has determined both short-term and long-term implementation steps are needed for Item # 2.

Short-term implementation:

1) Select a custodian IRA for automatic rollovers. Melanie has provided guidance (Attachment 2) on satisfying fiduciary responsibilities which will be used in selecting the custodian IRA. Staff recommends contacting Fidelity investments to determine if they would be willing to provide this service.
2) Revise the special tax notice to reflect the automatic rollover provision once the custodian IRA has been determined.
3) Revise procedures when processing automatic distributions to determine the $1,000 threshold.
4) Develop notice to affected member's regarding automatic rollover.
5) Develop notice to IRA custodian of upcoming automatic rollover.

Long-term implementation:

Staff recommends updating state law to address $1,000 threshold for non-vested members so that automatic rollovers would not be required. Specifically, staff would recommend changing state law so that the only types of accounts that are forced out would be those that are for non-vested members with an account balance less than $1,000 at the time of termination. These would continue to be an automatic refund to the member unless they waived in writing this distribution.

Staff Recommendation:
Approve short-term and long-term implementation steps for automatic rollovers as outlined by staff.

Board Action Requested:
Approve or disapprove implementation steps for automatic rollovers as outlined by staff.

SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS UNDER GOVERNMENTAL 401(a) PLANS

This notice explains how you can continue to defer federal income tax on your retirement savings in the **North Dakota Public Employees Retirement System** (the "Plan") and contains important information you will need before you decide how to receive your Plan benefits.

This notice is provided to you by the North Dakota Public Employees Retirement System (your "Plan Administrator") because all or part of the payment that you will soon receive from the Plan may be eligible for rollover by you or your Plan Administrator to an IRA or an eligible employer plan. A rollover is a payment by you or the Plan Administrator of all or part of your benefit to another plan or IRA that allows you to continue to postpone taxation of that benefit until it is paid to you. Your payment cannot be rolled over to a SIMPLE IRA or a Coverdell Education Savings Account (formerly known as an education IRA). An "eligible employer plan" includes a plan qualified under section 401(a) of the Internal Revenue Code, including a 401(k) plan, profit-sharing plan, defined benefit plan, stock bonus plan, and money purchase plan; a section 403(a) annuity plan; a section 403(b) tax-sheltered annuity; and an eligible section 457(b) plan maintained by a governmental employer (governmental 457 plan). Note that for a distribution made after December 31, 2007, your payment also can be rolled over to a section 408A Roth IRA subject to the same limits that apply to rollovers from a traditional IRA to a Roth IRA (i.e., for tax years prior to January 1, 2010, your adjusted gross income cannot exceed $100,000 and you must not be married filing separately).

An eligible employer plan is not legally required to accept a rollover. Before you decide to roll over your payment to another employer plan, you should find out whether the plan accepts rollovers and, if so, the types of distributions it accepts as a rollover. You should also find out about any documents that are required to be completed before the receiving plan will accept a rollover. Even if an eligible employer plan accepts rollovers, it might not accept rollovers of certain types of distributions, such as after-tax amounts. If this is the case, and your distribution includes after-tax amounts, you may wish instead to roll your distribution over to an IRA or split your rollover amount between the employer plan in which you will participate and an IRA. If an eligible employer plan accepts your rollover, the plan may restrict subsequent distributions of the rollover amount or may require your spouse's consent for any subsequent distribution. A subsequent distribution from the plan that accepts your rollover may also be subject to different tax treatment than distributions from this Plan. Check with the administrator of the plan that is to receive your rollover prior to making the rollover.

If you have additional questions after reading this notice, you can contact your Plan Administrator at (800) 803-7377 or (701) 328-3900.

SUMMARY

There are two ways you may be able to receive a Plan payment that is eligible for rollover:

1) Certain payments can be made directly to an IRA that you establish or to an eligible employer plan that will accept it and hold it for your benefit ("DIRECT ROLLOVER"); or

2) The payment can be PAID TO YOU.

If you choose a DIRECT ROLLOVER to a *traditional* IRA or an eligible employer plan:

1) Your payment will not be taxed in the current year and no income tax will be withheld. (See Special Rules for Rollovers to Roth IRAs below).

2) You choose whether your payment will be made directly to your traditional IRA or to an eligible employer plan that accepts your rollover. Your payment cannot be rolled over to a SIMPLE IRA or a Coverdell Education Savings Account because these are not traditional IRAs. (See Special Rules for Rollovers to Roth IRAs below.)

3) The taxable portion of your payment will be taxed later when you take it out of the traditional IRA or the eligible employer plan. Depending on the type of plan, the later distribution may be subject to different tax treatment than it would be if you received a taxable distribution from this Plan.

Special Rules for Rollover to Roth IRAs. Note that for a distribution made after December 31, 2007, you can choose a rollover to a Roth IRA subject to the same limits that apply to rollovers from a traditional IRA to a Roth IRA (i.e., for tax years prior to January 1, 2010, your adjusted gross income cannot exceed $100,000 and you must not be married filing separately). If you make a rollover of your distribution to a Roth IRA, the taxable amount of your distribution will be included in your taxable income (except for any portion of the distribution that represents a return of your after-tax contributions to the Plan). You may be able to elect to delay recognizing the distribution as part of your taxable income until 2011 and 2012 if you elect a rollover to a Roth IRA in the 2010 taxable year. A rollover of your distribution to a Roth IRA avoids the 10% tax on early distributions received prior to the date you reach age 59-1/2, become disabled, or retire under the terms of the Plan, subject to rules on conversions. Note: The Plan Administrator is not responsible for assuring your eligibility to make a rollover to a Roth IRA. (IRS Notice 2008-30.) You should consult your tax advisor if you are interested in rolling over your distribution to a Roth IRA.

Rollover Payments Paid to You. If you choose to have a Plan payment that is eligible for rollover PAID TO YOU:

1) You will receive only 80% of the taxable amount of the payment, because the Plan Administrator is required to withhold 20% of that amount and send it to the IRS as income tax withholding to be credited against your taxes.

2) The taxable amount of your payment will be taxed in the current year unless you roll it over. Under limited circumstances, you may be able to use special tax rules that could reduce the tax you owe. However, if you receive the payment before age 59-1/2, you may have to pay an additional 10% tax. See special note below for qualified public safety employees.

3) You can roll over all or part of the payment by paying it to your IRA or to an eligible employer plan that accepts your rollover within 60 days after you receive the payment. The amount rolled over to a traditional IRA or eligible employer plan will not be taxed until you take it out of the traditional IRA or the eligible employer plan.

4) If you want to roll over 100% of the payment to a traditional IRA or an eligible employer plan, you must find other money to replace the 20% of the taxable portion that was withheld. If you roll over only the 80% that you received, you will be taxed on the 20% that was withheld and that is not rolled over.

Qualified Public Safety Employees. On and after August 18, 2006, if you are a "qualified public safety employee" who terminates employment in the calendar year in which you are age 50 or older, and receive an eligible rollover distribution, you will not have to pay the additional 10% tax on a payment that is eligible for rollover and PAID TO YOU. You are a "qualified public safety employee" if you are an employee of a State or political subdivision of a State (such as a county or city) whose principal duties include services requiring specialized training in the area of police protection, firefighting services, or emergency medical services for an area within the jurisdiction of the State or political subdivision.

Your Right to Waive the 30-Day Notice Period. Generally, neither a direct rollover nor a payment can be made from the plan until at least 30 days after your receipt of this notice. Thus, after receiving this notice, you have at least 30 days to consider whether or not to have your withdrawal directly rolled over. If you do not wish to wait until this 30-day notice period ends before your election is processed, you may waive the notice period by making an affirmative election indicating whether or not you wish to make a direct rollover. Your withdrawal will then be processed in accordance with your election as soon as practical after it is received by the Plan Administrator.

Your Failure to Make an Election. If your payment from the Plan is eligible for rollover and you do not complete the distribution election forms and return them to the Plan Administrator on a timely basis, the payment will be rolled over to a traditional IRA with TO BE DETERMINED [insert the name of the trustee or issuer of the IRA].

MORE INFORMATION

I. PAYMENTS THAT CAN AND CANNOT BE ROLLED OVER

II. DIRECT ROLLOVER

III. PAYMENT PAID TO YOU

IV. RETIRED PUBLIC SAFETY OFFICERS

V. SURVIVING SPOUSES AND ALTERNATE PAYEES

VI. BENEFICIARIES

VII. SPECIAL RULES FOR SURVIVING SPOUSES, ALTERNATE PAYEES, AND OTHER BENEFICIARIES

VIII. HOW TO OBTAIN ADDITIONAL INFORMATION

I. PAYMENTS THAT CAN AND CANNOT BE ROLLED OVER

Payments from the Plan may be "eligible rollover distributions." This means that they can be rolled over to a traditional IRA or to an eligible employer plan that accepts rollovers, or beginning January 1, 2008, they can be rolled over to a Roth IRA. Payments from a plan cannot be rolled over to a SIMPLE IRA or a Coverdell Education Savings Account. Your Plan Administrator should be able to tell you what portion of your payment is an eligible rollover distribution.

After-tax Contributions. If you made after-tax contributions to the Plan, these contributions may be rolled into either a traditional IRA or to certain employer plans that accept rollovers of the after-tax contributions. The following rules apply:

(a) ***Rollover into a Traditional IRA.*** You can roll over your after-tax contributions to a traditional IRA either directly or indirectly. Your plan administrator should be able to tell you how much of your payment is the taxable portion and how much is the after-tax portion.

If you roll over after-tax contributions to a traditional IRA, it is your responsibility to keep track of, and report to the IRS on the applicable forms, the amount of these after-tax contributions. This will enable the nontaxable amount of any future distributions from the traditional IRA to be determined.

Once you roll over your after-tax contributions to a traditional IRA, those amounts CANNOT later be rolled over to an employer plan.

(b) ***Rollover into an Employer Plan.*** Beginning January 1, 2007, you can roll over after-tax contributions from an employer plan that is qualified under Code section 401(a) or 403(a) to another such plan or to a Code section 403(b) annuity contract using a direct rollover if such other plan or annuity contract (defined contribution or defined benefit) provides separate accounting for amounts rolled over, including separate accounting for the after-tax employee contributions and earnings on those contributions. If you want to roll over your after-tax contributions to an employer plan that accepts these rollovers, you cannot have the after-tax contributions paid to you first. You must instruct the Plan Administrator of this Plan to make a direct rollover on your behalf. You can also roll over after-tax contributions from an employer plan that is qualified under Code section 401(a) or 403(a) to a traditional IRA; however, you cannot first roll over after-tax contributions to a traditional IRA and then roll over that amount into an employer plan. You CANNOT roll over after-tax contributions to a governmental 457 plan.

The following types of payments *cannot* be rolled over:

Payments Spread over Long Periods. You cannot roll over a payment if it is part of a series of equal (or almost equal) payments that are made at least once a year and that will last for:

1) your lifetime (or a period measured by your life expectancy), or

2) your lifetime and your beneficiary's lifetime (or a period measured by your joint life expectancies), or

3) a period of 10 years or more.

Required Minimum Payments. Beginning when you reach age 70-1/2 or retire, whichever is later, a certain portion of your payment cannot be rolled over because it is a "required minimum payment" that must be paid to you.

Corrective Distributions. A distribution that is made because legal limits on certain contributions were exceeded cannot be rolled over.

The Plan Administrator of this Plan should be able to tell you if your payment includes amounts which cannot be rolled over.

II. DIRECT ROLLOVER

A DIRECT ROLLOVER is a direct payment of the amount of your Plan benefits to an IRA or an eligible employer plan that will accept it. You can choose a DIRECT ROLLOVER of all or any portion of your payment that is an eligible rollover distribution, as described in Part I above. Except a direct rollover to a Roth IRA on or after January 1, 2008, you are not taxed on any taxable portion of your payment for which you choose a DIRECT ROLLOVER until you later take it out of the traditional IRA or eligible employer plan. In addition, no income tax withholding is required for any taxable portion of your Plan benefits for which you choose a DIRECT ROLLOVER.

DIRECT ROLLOVER to an IRA. You can open a traditional IRA, or beginning January 1, 2008, a Roth IRA, to receive the direct rollover. If you choose to have your payment made directly to an IRA, contact an IRA sponsor (usually a financial institution) to find out how to have your payment made in a direct rollover to an IRA at that institution. If you are unsure of how to invest your money, you can temporarily establish an IRA to receive the payment. However, in choosing an IRA, you may wish to make sure that the IRA you choose will allow you to move all or a part of your payment to another IRA at a later date, without penalties or other limitations. See IRS Publication 590, Individual Retirement Arrangements, for more information on IRAs (including limits on how often you can roll over between IRAs).

DIRECT ROLLOVER to a Plan. If you are employed by a new employer that has an eligible employer plan, and you want a direct rollover to that plan, ask the plan administrator of that plan whether it will accept your rollover. An eligible employer plan is not legally required to accept a rollover. Even if your new employer's plan does not accept a rollover, you can choose a DIRECT ROLLOVER to an IRA. If the employer plan accepts your rollover, the plan may provide restrictions on the circumstances under which you may later receive a distribution of the rollover amount or may require spousal consent to any subsequent distribution. Check with the plan administrator of that plan before making your decision.

DIRECT ROLLOVER of a Series of Payments. If you receive a payment that can be rolled over to an IRA or an eligible employer plan that will accept it, and it is paid in a series of payments for less than 10 years, your choice to make or not make a DIRECT ROLLOVER for a payment will apply to all later payments in the series until you change your election. You are free to change your election for any later payment in the series.

Change in Tax Treatment Resulting from a DIRECT ROLLOVER. The tax treatment of any payment from the eligible employer plan or IRA receiving your DIRECT ROLLOVER might be different than if you received your benefit in a taxable distribution directly from the Plan. For example, if you were born before January 1,

1936, you might be entitled to ten-year averaging or capital gain treatment, as explained below. However, if you have your benefit rolled over to a section 403(b) tax-sheltered annuity, a governmental 457 plan, or an IRA in a DIRECT ROLLOVER, your benefit will no longer be eligible for that special treatment. See the sections below entitled "Additional 10% Tax if You Are under Age 59-1/2 " and "Special Tax Treatment if You Were Born before January 1, 1936."

III. PAYMENT PAID TO YOU

If your payment can be rolled over (see Part I above) and the payment is made to you in cash, it is subject to 20% federal income tax withholding on the taxable portion (state tax withholding may also apply). The payment is taxed in the year you receive it unless, within 60 days, you roll it over to an IRA or an eligible employer plan that accepts rollovers. If you do not roll it over, special tax rules may apply.

Income Tax Withholding:

Mandatory Withholding. If any portion of your payment can be rolled over under Part I above and you do not elect to make a DIRECT ROLLOVER, the Plan is required by law to withhold 20% of the taxable amount. This amount is sent to the IRS as federal income tax withholding. For example, if you can roll over a taxable payment of $10,000, only $8,000 will be paid to you because the Plan must withhold $2,000 as income tax. However, when you prepare your income tax return for the year, unless you make a rollover within 60 days (see "Sixty-Day Rollover Option" below), you must report the full $10,000 as a taxable payment from the Plan. You must report the $2,000 as tax withheld, and it will be credited against any income tax you owe for the year. There will be no income tax withholding if your payments for the year are less than $200.

Voluntary Withholding. If any portion of your payment is taxable but cannot be rolled over under Part I above, the mandatory withholding rules described above do not apply. In this case, you may elect not to have withholding apply to that portion. If you do nothing, an amount will be taken out of this portion of your payment for federal income tax withholding. To elect out of withholding, ask the Plan Administrator for the election form and related information.

Sixty-Day Rollover Option. If you receive a payment that can be rolled over under Part I above (except after-tax amounts), you can still decide to roll over all or part of it to an IRA or to an eligible employer plan that accepts rollovers. If you decide to roll over, you must contribute the amount of the payment you received to an IRA or eligible employer plan within 60 days after you receive the payment. Unless you roll over your distribution to a Roth IRA, the portion of your payment that is rolled over will not be taxed until you take it out of the IRA or eligible employer plan. If you roll over to a Roth IRA, the distribution will be included in your taxable income for the year in which it was paid to you.

If you want to roll over a payment you received to a traditional IRA or eligible employer plan, you can roll over up to 100% of your payment (that can be rolled over as explained under Part I above), including an amount equal to the 20% of the taxable portion that was withheld. If you choose to roll over 100%, you must find other money within the 60-day period to contribute to the traditional IRA or the eligible employer plan, to replace the 20% that was withheld. On the other hand, if you roll over only the 80% of the taxable portion that you received, you will be taxed on the 20% that was withheld.

> ***Example:*** The taxable portion of your payment that can be rolled over under Part I above is $10,000, and you choose to have it paid to you. You will receive $8,000, and $2,000 will be sent to the IRS as income tax withholding. Within 60 days after receiving the $8,000, you may roll over the entire $10,000 to a traditional IRA or an eligible employer plan. To do this, you roll over the $8,000 you received from the Plan, and you will have to find $2,000 from other sources (your savings, a loan, etc.). In this case, the entire $10,000 is not taxed until you take it out of the traditional IRA or an eligible employer plan. If you roll over the entire $10,000, when you file your income tax return you may get a refund of part or all of the $2,000 withheld.
>
> If, on the other hand, you roll over only $8,000, the $2,000 you did not roll over is taxed in the year it was withheld. When you file your income tax return, you may get a refund of part of the $2,000 withheld. (However, any refund is likely to be larger if you roll over the entire $10,000.)

Additional 10% Tax If You Are under Age 59-1/2. If you receive a payment before you reach age 59-1/2 and you do not roll it over, then, in addition to the regular income tax, you may have to pay antra tax equal to 10% of the taxable portion of the payment. The additional 10% tax generally does not apply to (1) payments that are paid after you separate from service with your employer during or after the year you reach age 55, (2) payments that are paid because you retire due to disability, (3) payments that are paid as equal (or almost equal) payments over your life or life expectancy (or your and your beneficiary's lives or life expectancies) after you separate from service, (4) payments that are paid directly to the government to satisfy a federal tax levy, (5) payments that are paid to an alternate payee under a qualified domestic relations order, (6) payments that do not exceed the amount of your deductible medical expenses, (7) payments to a qualified public safety employee who separates from service during or after the year reaching age 50, or (8) a qualified reservist distribution from a deemed IRA or attributable to elective deferrals under a 401(k) plan or 403(b) annuity. See IRS Form 5329 for more information on the additional 10% tax.

Special Tax Treatment If You Were Born before January 1, 1936. If you receive a payment from a plan qualified under section 401(a) that can be rolled over under Part I and you do not roll it over to a traditional IRA or an eligible employer plan, the payment will be taxed in the year you receive it. However, if the payment qualifies as a "lump sum distribution," it may be eligible for special tax treatment. A lump sum distribution is a payment, within one year, of your entire balance under the Plan (and certain other similar plans of the employer) that is payable to you after you have reached age 59-1/2 or because you have separated from service with your employer (or, in the case of a self-employed individual, after you have reached age 59-1/2 or have become disabled). For a payment to be treated as a lump sum distribution, you must have been a participant in the plan for at least five years before the year in which you received the distribution. The special tax treatment for lump sum distributions that may be available to you is described below.

Ten-Year Averaging. If you receive a lump sum distribution and you were born before January 1, 1936, you can make a one-time election to figure the tax on the payment by using "10-year averaging" (using 1986 tax rates). Ten-year averaging often reduces the tax you owe.

Capital Gain Treatment. If you receive a lump sum distribution and you were born before January 1, 1936, and you were a participant in the Plan before 1974, you may elect to have the part of your payment that is attributable to your pre-1974 participation in the Plan taxed as long-term capital gain at a rate of 20%.

There are other limits on the special tax treatment for lump sum distributions. For example, you can generally elect this special tax treatment only once in your lifetime, and the election applies to all lump sum distributions that you receive in that same year. You may not elect this special tax treatment if you rolled amounts into this Plan from a 403(b) tax-sheltered annuity contract, a governmental 457 plan, or from an IRA not originally attributable to a qualified employer plan. If you have previously rolled over a distribution from this Plan (or certain other similar plans of the employer), you cannot use this special averaging treatment for later payments from the Plan. If you roll over your payment to an IRA, governmental 457 plan, or 403(b) tax-sheltered annuity, you will not be able to use special tax treatment for later payments from that IRA, plan, or annuity. Also, if you roll over only a portion of your payment to an IRA, governmental 457 plan, or 403(b) tax-sheltered annuity, this special tax treatment is not available for the rest of the payment. See IRS Form 4972 for additional information on lump sum distributions and how you elect the special tax treatment.

IV. RETIRED PUBLIC SAFETY OFFICERS

If you are an "eligible retired public safety officer" (as defined by the Pension Protection Act of 2006 ("PPA")), you may make an election to exclude from federal gross income up to $3,000 of your retirement plan benefits paid directly from the plan to an insurer or provider for "qualified" health insurance or long term care insurance premiums. If you receive all retirement benefits directly and then use those funds to pay for qualified premiums, you are not eligible for this tax exclusion. An eligible public safety officer must be separated from service due to disability or attainment of normal retirement age. Consult your tax preparer to determine if you qualify for the PPA definition of public safety officer and to determine which premium payments qualify.

If you want to take advantage of this exclusion, you must report the amount claimed on Form 1040. The instructions to Form 1040 explain that the taxable amount received from the Plan, reduced by the amount of

qualified premiums deducted and paid by the Plan (not to exceed $3,000), must be entered on line 16b of the Form 1040. Next to the entry, in the margin, you must write the letters "PSO." This is an annual election—you will need to report the exclusion for each year in which you want to claim the exclusion. Note: The Form 1099-R that you receive from the Plan Administrator will report this amount as taxable.

V. SURVIVING SPOUSES AND ALTERNATE PAYEES

In general, the rules summarized above that apply to payments to employees also apply to payments to surviving spouses of employees and to spouses or former spouses who are "alternate payees." You are an alternate payee if your interest in the Plan results from a "qualified domestic relations order," which is an order issued by a court, usually in connection with a divorce or legal separation.

If you are a surviving spouse or an alternate payee, you may choose to have a payment that can be rolled over, as described in Part I above, paid in a DIRECT ROLLOVER to an IRA or to an eligible employer plan or paid to you. If you have the payment paid to you, you can keep it or roll it over yourself to an IRA or to an eligible employer plan. Thus, you have the same choices as the employee.

VI. BENEFICIARIES

If you are a beneficiary other than a surviving spouse or an alternate payee and receive a distribution on or after January 1, 2007, you can choose to be paid in a DIRECT ROLLOVER to a traditional IRA, which will be treated as an inherited IRA subject to the minimum distribution rules applicable to beneficiaries. Beginning January 1, 2008, you may choose a DIRECT ROLLOVER to an inherited Roth IRA. You cannot choose a direct rollover to an eligible employer plan, and you cannot roll over the payment yourself.

If you choose to have the distribution PAID TO YOU, the mandatory withholding rules described in Part III above do not apply to you.

VII. SPECIAL RULES FOR SURVIVING SPOUSES, ALTERNATE PAYEES, AND OTHER BENEFICIARIES

If you are a surviving spouse, an alternate payee, or another beneficiary, your payment is generally not subject to the additional 10% tax described in Part III above, even if you are younger than age 59-1/2.

If you are a surviving spouse, an alternate payee, or another beneficiary, you may be able to use the special tax treatment for lump sum distributions, as described in Part III above. If you receive a payment because of the employee's death, you may be able to treat the payment as a lump sum distribution if the employee met the appropriate age requirements, whether or not the employee had 5 years of participation in the Plan.

VIII. HOW TO OBTAIN ADDITIONAL INFORMATION

This notice summarizes only the federal (not state or local) tax rules that might apply to your payment. The rules described above are complex and contain many conditions and exceptions that are not included in this notice. Therefore, you may want to consult with the Plan Administrator or a professional tax advisor *before* you take a payment of your benefits from your Plan. Also, you can find more specific information on the tax treatment of payments from qualified employer plans in IRS Publication 575, *Pension and Annuity Income*, and IRS Publication 590, *Individual Retirement Arrangements*. These publications are available from your local IRS office, on the IRS's Internet Web Site at www.irs.gov, or by calling 1-800-TAX-FORMS.

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: May 8, 2008

SUBJECT: Insurance Department

Michael Fix, Director/Actuary - Life & Health Division of the North Dakota Insurance Department will be at the next board meeting to provide you background on two subjects.

The first subject relates to our Long Term Care voluntary insurance product and a new program relating to these policies. North Dakota now participates in what is called the "Partnership Program". Mike will review this with you. Our present product does not qualify. The question staff will be seeking your direction on is if we should start reviewing our present product, approach and procedures in light of this new option.

The second subject relates to the health insurance plan. With our renewal beginning this summer and since Mike is with us I asked him to share the Insurance Departments insights on health insurance trends, issues and developments in North Dakota as background information for you as we start this process.

Board Action Requested

Should staff start reviewing the LTC product?

North Dakota
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Memorandum

TO: PERS Board

FROM: Sparb

DATE: May 8, 2008

SUBJECT: Advance Member Notice

BCBS will be at the next board meeting to review the attached and answer any questions you may have. This is informational only at this time.

ADVANCE MEMBER NOTICE (AMN)
Summary Information

Description: An AMN is used when a member requests services potentially not covered by BCBSND due to lack of medical necessity, and for the provider to bill BCBSND so the member gets an Explanation of Benefits (EOB) to use for flexible spending or other purposes. The member is responsible for payment to the provider since the service is not medically necessary. Examples of services where this is appropriate include full body MRI scans or Physical Therapy outside the treatment window period established by BCBSND, just to name a few.

History: Medicare has had an Advance Beneficiary Notice (ABN) policy for many years. The Medicare ABN was revised in March with a September 2008 effective date for providers.

BCBSND has not had a formal waiver policy but has developed policies for specific situations like intraocular lens (IOL) and durable medical equipment (DME) upgrades in response to provider and member requests for services not medically necessary but desired by members.

Proposal: BCBSND is proposing the implementation of a formal Advance Member Notice form and policy later this year to address ongoing member requests for services that may not be covered by BCBSND. Today these services are typically handled on a self-pay basis (and thus are not part of either the Member's Benefit Plan or the Provider's Contract with BCBSND), but may be determined to be medically necessary and thus covered if BCBSND gets a claim for those services. Implementing an AMN form and policy for all fully insured and self-funded members will allow for BCBSND to more closely monitor these services, determine medical necessity, and allow for members to get EOB's showing their liability. This is good for both members and providers.

The draft policy and form will be discussed with providers at the Health Care Forums on May 28-29. Their feedback will be incorporated into the policy where appropriate and a final document will be promulgated later this year.

At this time a final determination has not been made as to whether this is a significant enough change to Member's benefits that it needs to be part of the 2009 Rewrite; if so, implementation will be delayed and included in Rewrite.

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Memorandum

TO: PERS Board

FROM: Sparb

DATE: May 8, 2008

SUBJECT: Rx Costs

At the last meeting we heard from the North Dakota Pharmacy Association concerning their suggestions on how to save money on Rx costs. They suggested three items. Increase generic utilization, encourage pill splitting and getting our members more involved.

BCBS will be at this meeting to review the attached information with you. This presentation will review with you the programs that have been put in place regarding generic utilization, including how they encourage physicians to participate.

BCBS will also review what the implications for encouraging people to use generic equivalents versus generic alternatives.

The last part of the presentation is a new member information program BCBS has developed about using generics. It consists of emails and webcasts.

Staff Recommendation

Implement the member information program.

Board Action Requested

Determine how staff should proceed

BCBSND Discontinues Pill Splitting Program

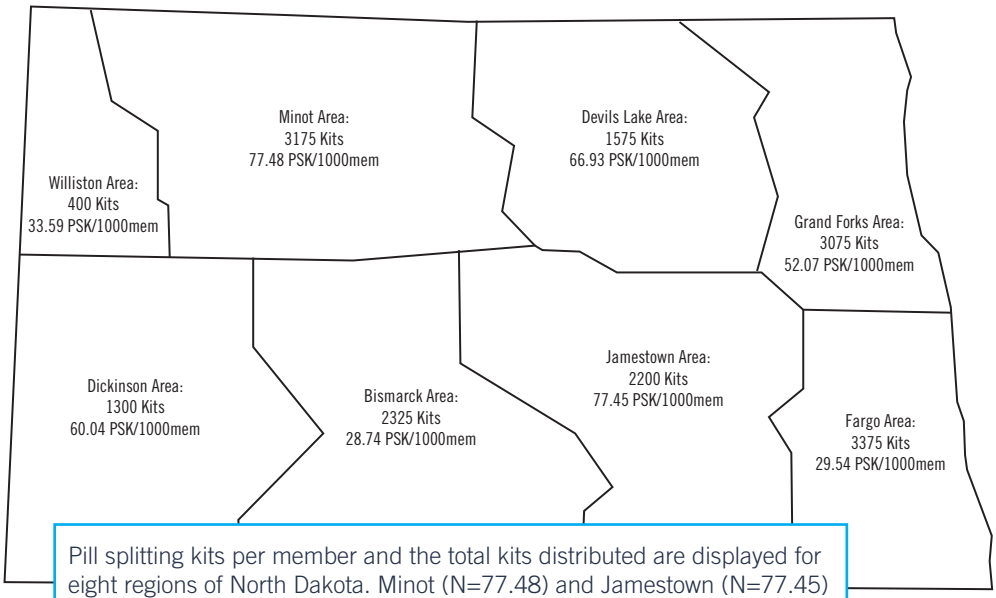
Recent changes in the generic drug market prompted Blue Cross Blue Shield of North Dakota (BCBSND) to re-evaluate its Pill Splitting Program. Because most of the brand-name drugs it targeted now have generic alternatives, BCBSND has decided to discontinue the program. At this point, patients save more by going with generic alternatives than by splitting pills.

The Pill Splitting Program was introduced in November 2004 to help members on high-cost brand-name drugs reduce their out-of-pocket expenses. Within the first six months, more than half of the pharmacies and clinics contacted had ordered Pill Splitting kits. Demand also remained steady through 2006.

A 2005 analysis of prescription drug claims showed the splitting rate had increased more than 10 percent during the first year of the program. In 2006, claims data identified more than 6,000 members who appeared to be splitting their medications; however, the rates of pill splitting hit a plateau as several generic drugs came to market in 2006. The extensive distribution of kits—40,000 to date—also indicated the majority of the potential for savings has been realized.

Thank you for helping make the Pill Splitting Program successful. BCBSND appreciates your active role in keeping prescription medications affordable for North Dakotans.

State Wide Distribution of Pill Splitting Kits as of 7/25/05



Pill splitting kits per member and the total kits distributed are displayed for eight regions of North Dakota. Minot (N=77.48) and Jamestown (N=77.45) had the highest pill splitting rate per 1000 members.

BlueCross BlueShield of North Dakota

An independent licensee of the Blue Cross & Blue Shield Association

Noridian Mutual Insurance Company

Why patients should use generics

1. Clinical guidelines list generic drugs as first-line therapy for patients with depression, hypertension, hyperlipidemia, gastroesophageal reflux disease and arthritis.
2. Within the drug classes, generic drugs have the longest safety record.
3. Patients pay less for generic drugs, making it more likely that they can afford to comply with their medication regimens.
4. The savings from generic drugs positively affects the affordability of health care coverage.

Managing drug costs

BCBSND's Pill Splitting Program was successful because you ordered kits and distributed them to patients. Even though this program is being discontinued, we still need your help managing drug costs.

Between 1993 and 2003, prescription drug prices increased more than 13 percent each year. U.S. pharmacies offer the newest pharmaceutical therapies that Americans want, but cost is a major concern for many people.

Pill splitting is one way to help patients afford treatment. They can save as much as 50 percent on a prescription, easily recouping the money they spend on a pill splitter. Generic drugs, however, offer the greatest potential for savings. The medications mentioned in our pill splitting kits now have several generic alternatives that cost 70 percent to 80 percent less than the brand-name versions.

As the generic market expands, drivers of drug spending will continue to evolve. Several popular drugs that once were a significant cost burden are now available as generics. At the same time, new and expensive drug therapies are being developed, offering hope for patients who have historically been the most difficult to treat. The vitality of our aging population, thanks to modern pharmaceuticals, also necessitates continued stewardship of affordable medications for everyone. Please continue to consider pill splitting, generic substitution, medication counseling and price-sensitive prescribing valuable services for your patients.

CUT YOUR RX COSTS
PILL SPLITTING PROGRAM

2003

The need for the Pill Splitting Program is identified.

2004

- **July** The objective and scope of the program is identified. A team is assembled to develop the program.
- **Aug.** 10,000 pill splitters are ordered.
- **Sept.** The program and materials are developed.
- **Nov.** The Pill Splitting Program is introduced to providers.
- **Dec.** 5,000 additional pill splitters are ordered.

2005

- **Apr.** Another 5,000 pill splitters are ordered.
- **June** Analysis of claims shows the program broke even in April of that year.
- **Nov.** 22,750 pill splitting kits have been distributed to 144 doctors and 142 pharmacies in 77 North Dakota cities.

2006

Generic versions of Zocor, Zoloft and Pravachol become available.

2007

- **Feb.** BCBSND evaluates the Pill Splitting Program.
- **July** BCBSND discontinues Pill Splitting Program.

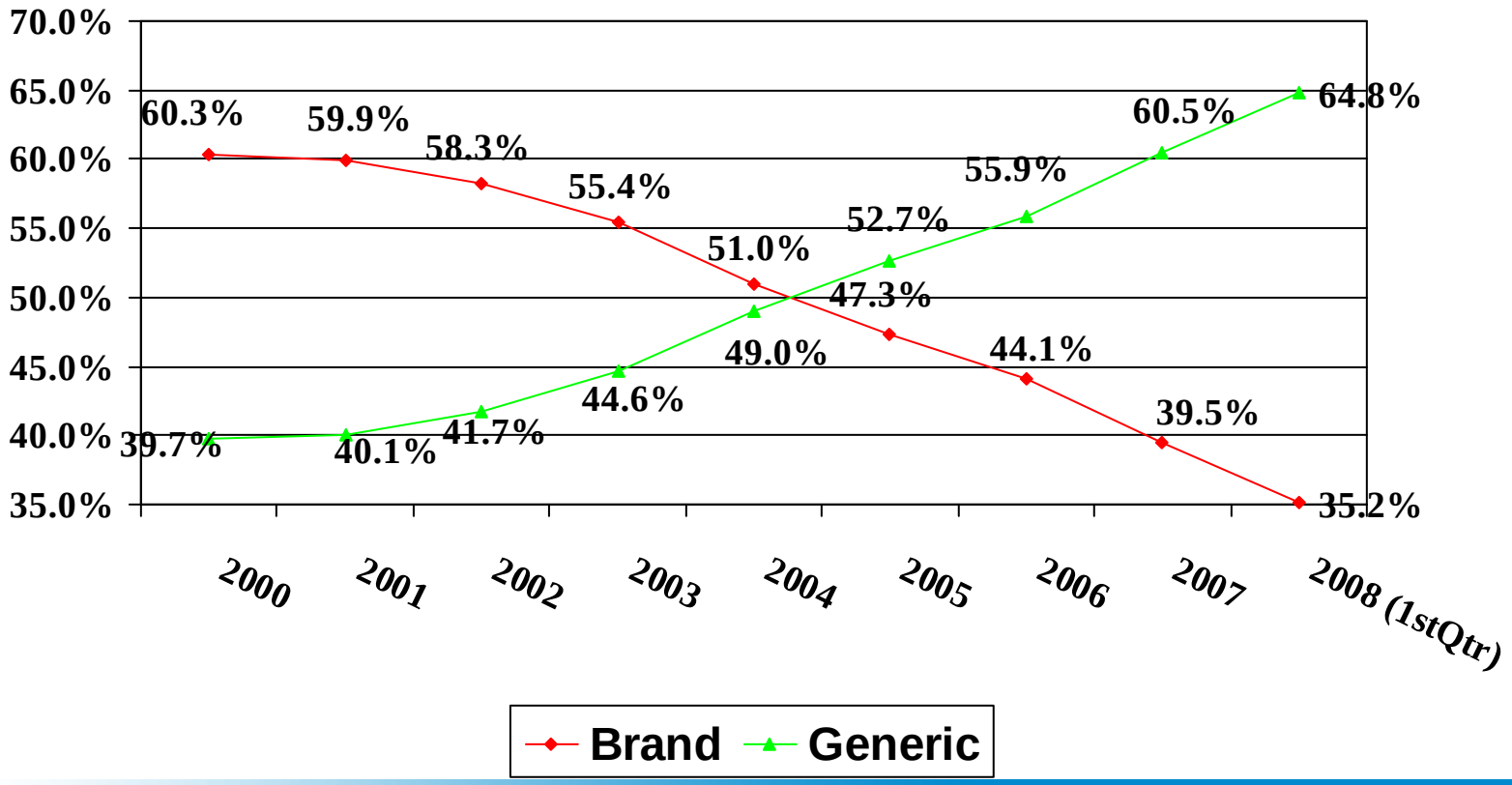
NDPERS Drug Trends & Generic Promotion

May 15, 2008

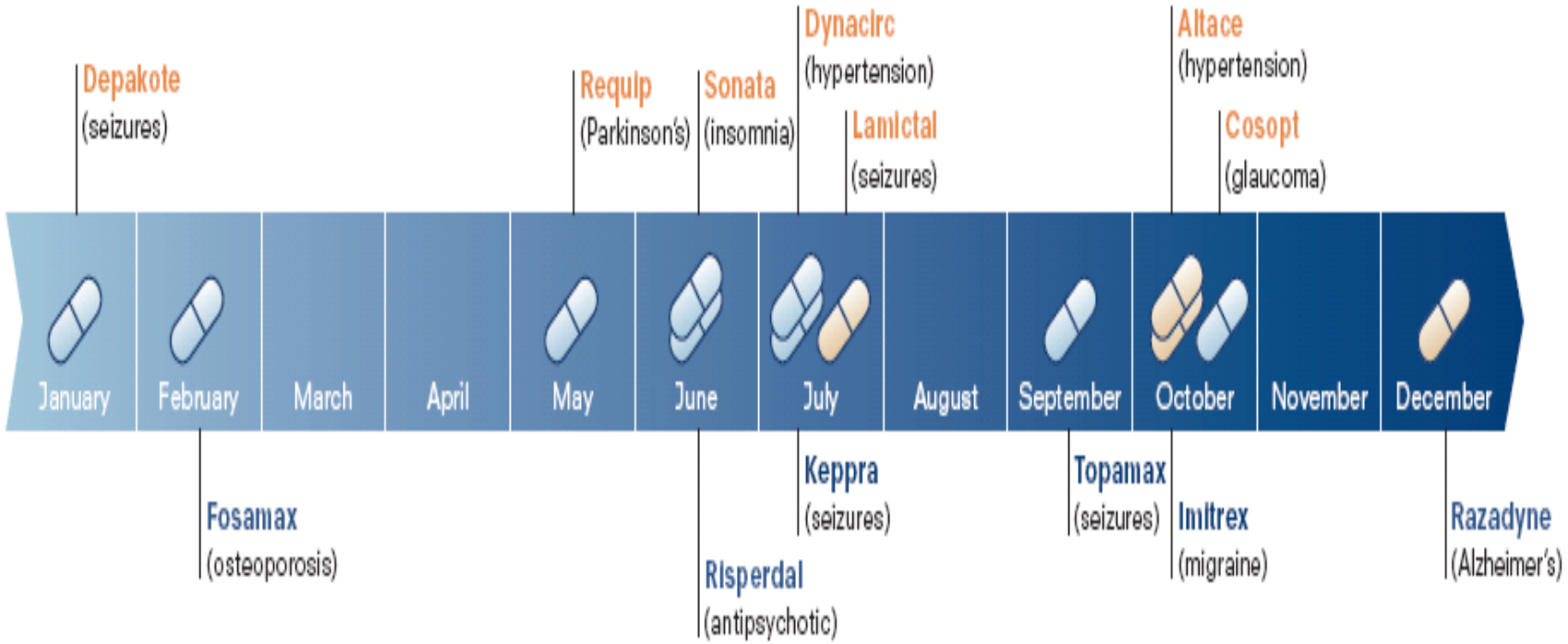
Drug Program Trends

NDPERS Brand vs Generic Dispensing Rates

- In recent years generic drugs have come to dominate the prescription market



Anticipated Generics in 2008



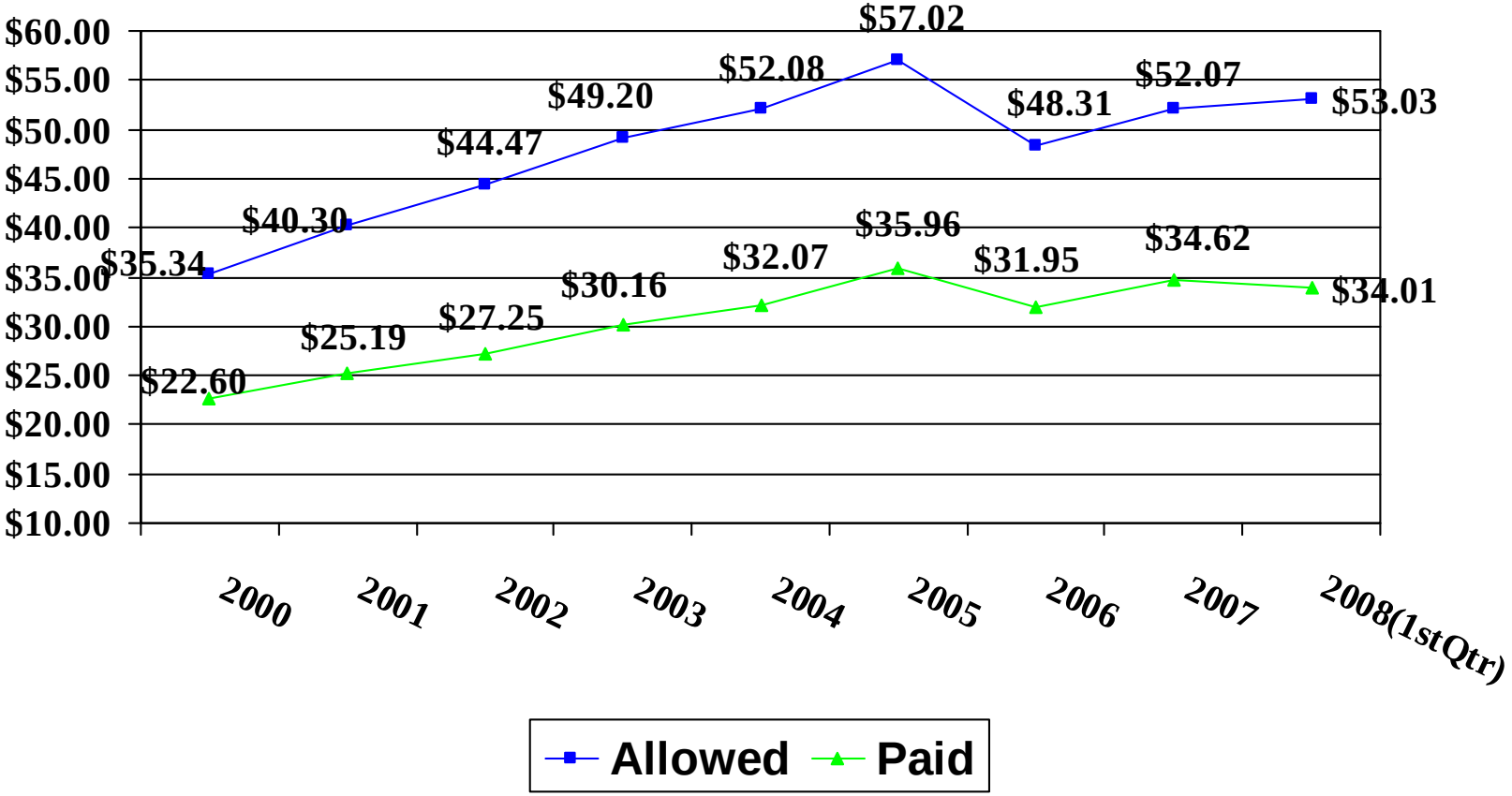
Single Generic Manufacturer
Expect 10-20% price reduction for 6 months

Multiple Generic Manufacturers
Expect 50-80% price reduction shortly following launch

Orange = Launch very likely
Blue = Launch likely

NDPERS Long-term Drug PMPM Cost Trend

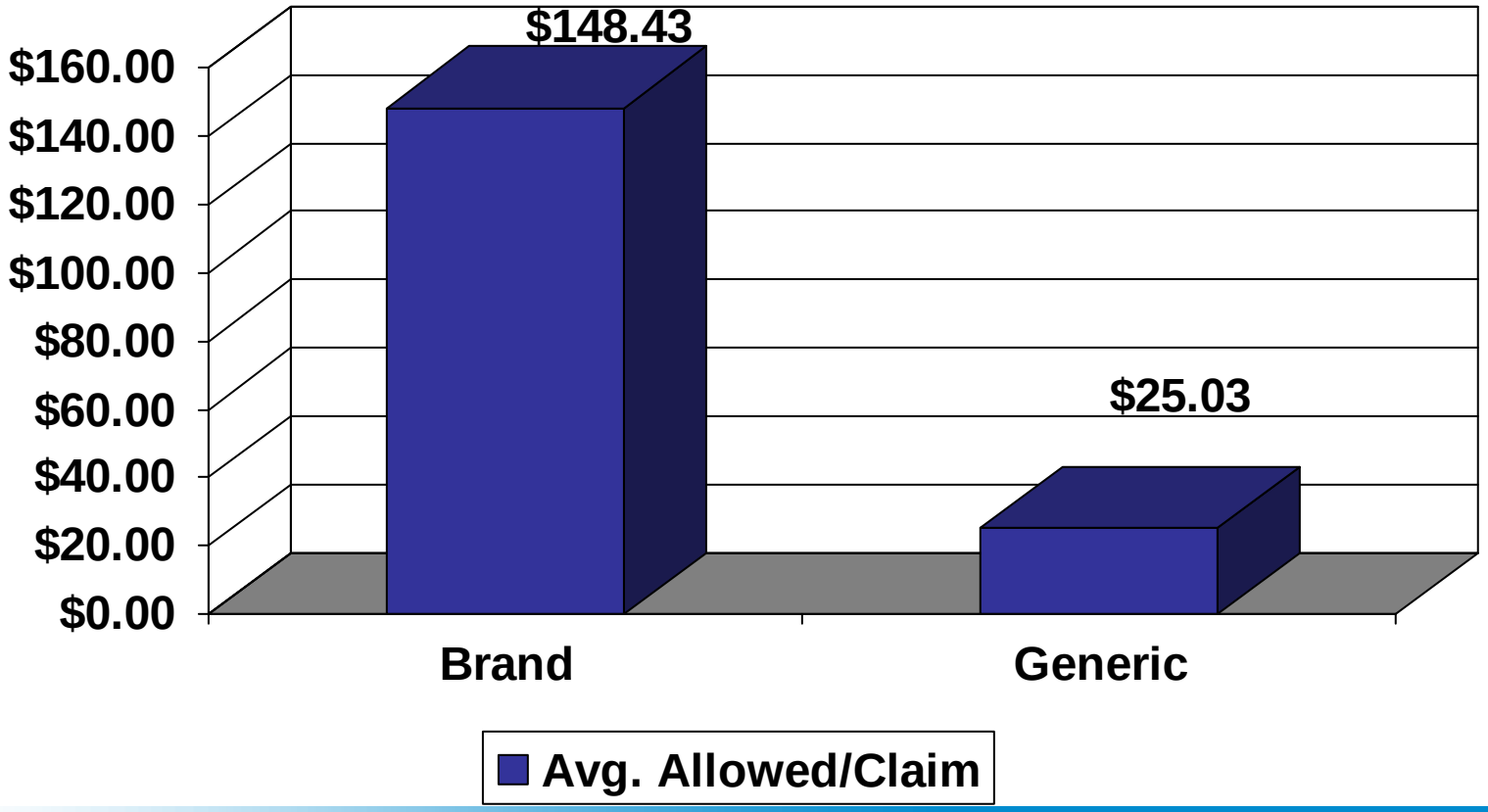
Generic dispensing rates have had a significant impact on drug PMPM trends



NDPERS Allowed Per Claim 2008

YTD 1st Qtr

- The impact of generics on long term trends is due to their lower cost



Generic Terminology

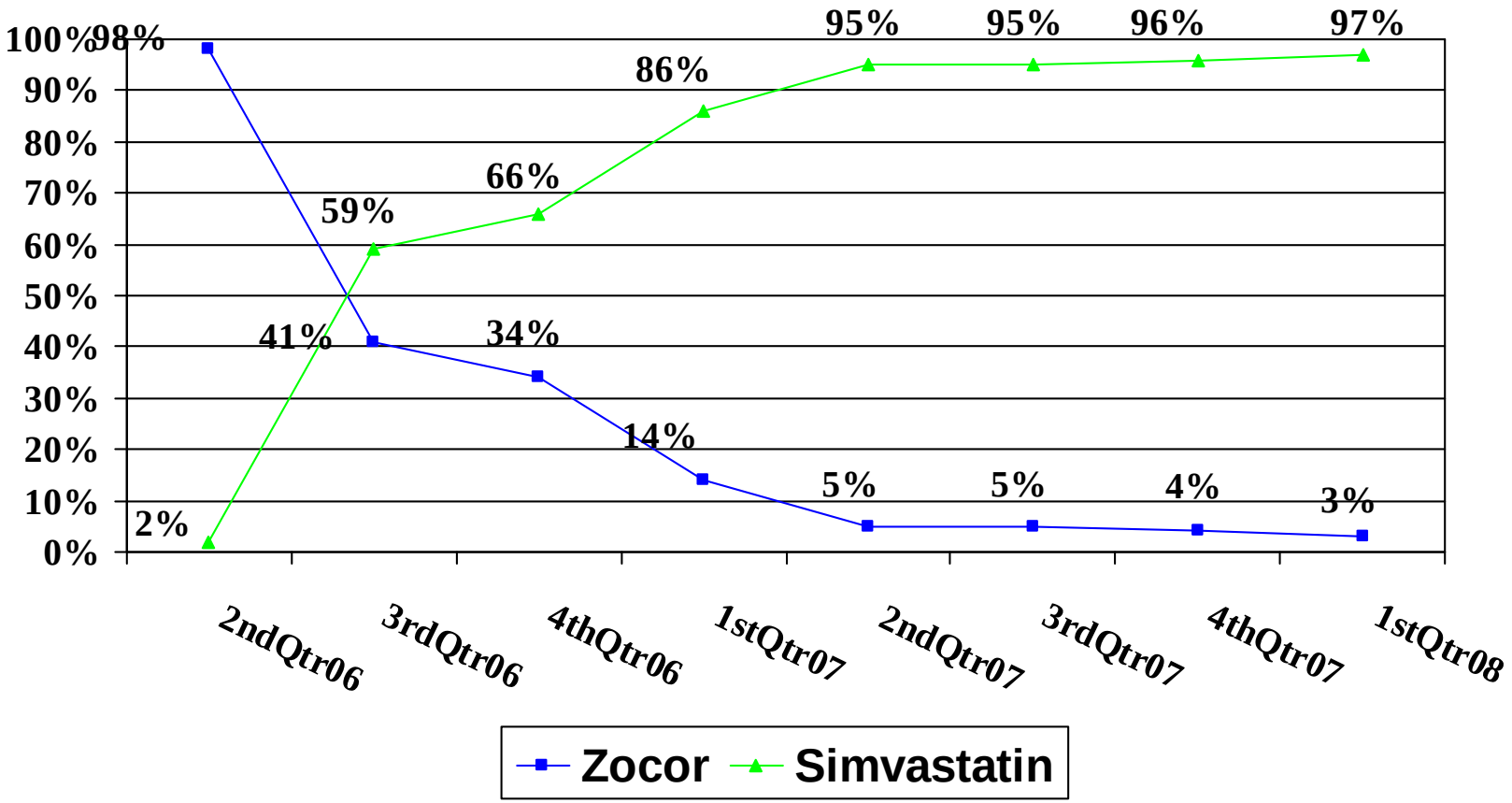
- Generic substitution (Generic Equivalent)
  - Substituting a chemically identical generic drug for the same brand drug that has lost patent protection
    - Generally allowed under state law unless specifically prohibited by the prescriber and the patient agrees to accept a generic substitute

Generic Terminology

- Therapeutic substitution (Generic Alternative)
  - Substituting a chemically different generic drug from the same therapeutic class as a brand drug still under patent protection
    - Requires a new prescription from the prescriber

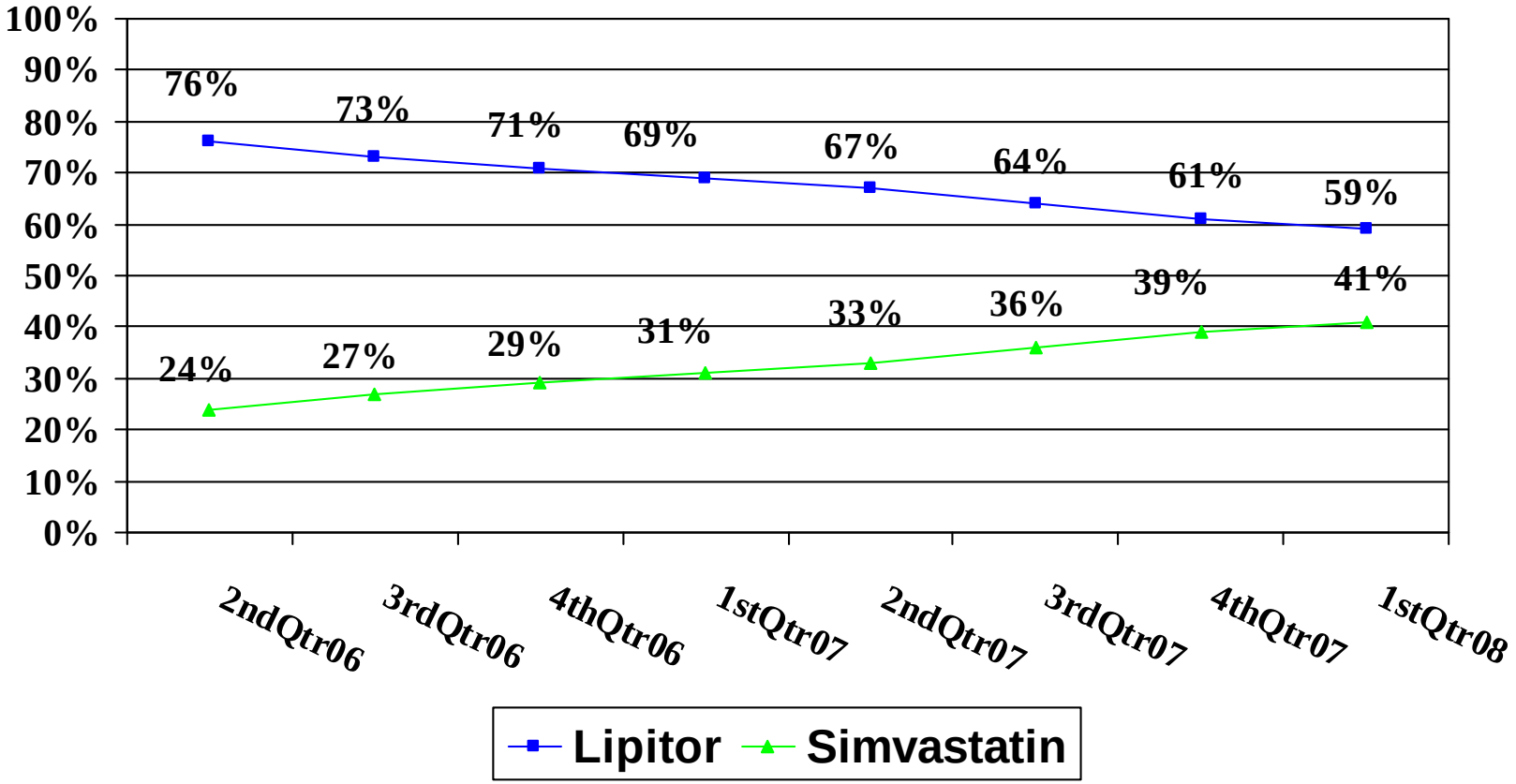
Impact of a Generic Substitute

The relative brand/generic market share for a specific drug shifts rapidly when a generic equivalent becomes available



Impact of a Generic Alternative

The entry of a generic alternative erodes the market share of brand drugs under patent protection



Generic Promotion

Provider Letters

‘Statin’ campaign

- Letter described new generics available-included a chart showing % LDL lowering of different agents
- Initial letter sent July 2006; another sent with price reduction in January 2007;
- Reinforced April 2008

BlueCross BlueShield of North Dakota

An independent licensee of the Blue Cross & Blue Shield Association

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

January 15, 2007

Dear Provider,

In July 2006, we notified you of two generic entries in the “statin” class of cholesterol medications, pravastatin (Pravachol) and simvastatin (Zocor). At that time, pravastatin and simvastatin were priced roughly 10 percent lower than the cost of brand statin products. As is often the case with generics, these drugs have now decreased significantly in price due to additional generic competitors entering the market. Generic pravastatin and simvastatin are now up to 70 percent off the brand price. This price reduction will undoubtedly be good news to your patients on these medications as their out-of-pocket costs decrease at the pharmacy.

Although not appropriate in all instances, generic pravastatin and simvastatin are a reasonable first-line option for many patients. In addition, some patients taking a brand name statin such as Crestor, Lipitor, etc., may be able to switch to a generic product. We have included a dose conversion chart for your convenience.

LDL Reduction (adjusted mean %)					
Statin Drug	5mg	10mg	20mg	40mg	80mg
atorvastatin (Lipitor) F	n/a	39%	43%	50%	60%
lovastatin (Mevacor) F	n/a	21%	27%	31%	n/a
pravastatin (Pravachol) F	n/a	22%	32%	34%	37%*
simvastatin (Zocor) F	26%	30%	38%	41%	47%
simvastatin/ezetimibe (Vytorin) F	n/a	45%	52%	55%	60%
fluvastatin (Lescol) NF	n/a	n/a	22%	25%	35%
rosuvastatin (Crestor) NF	45%	52%	55%	63%	n/a

F=Formulary NF=Non-Formulary
*80 mg available as brand only

BlueCross BlueShield of North Dakota

An independent licensee of the Blue Cross & Blue Shield Association

HMGs and corresponding expected reductions in LDL cholesterol

Expected Reduction In LDL cholestorol	Statin Dose						
	Formulary					Nonformulary	
	lovastatin	pravastatin	simvastatin	Lipitor	Vytorin	Crestor	Lescol, Lescol XL
20-30%	10-20 mg	10 mg	5-10 mg				20-40 mg
31-40%	40 mg	20-80 mg	20 mg	10 mg			80 mg XL
41-50%			40-80 mg	20-40 mg	10/10 mg	5 mg	
>50%				80 mg	10/20-10/80 mg	10-40 mg	

References

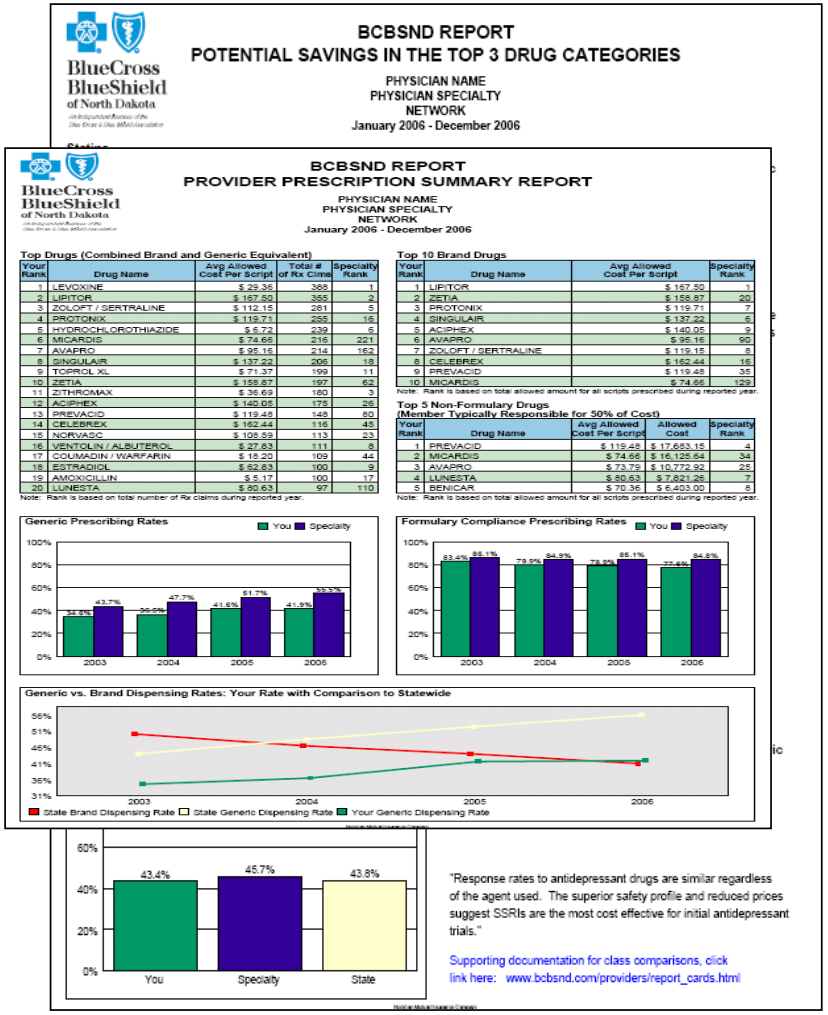
Crestor tablets. [Package insert]. Willmington, DE: AstraZeneca LP; August 2005. Lescol tablets. [Package insert]. East Hanover, NJ: Novartis Pharmaceuticals Corp.; May 2003. Lipitor tablets. [Package insert]. Morris Plains, NJ: Parke Davis; September 2005. Mevacor tablets. [Package insert]. West Point, PA: Merck & Co.; November 2005. Pravachol tablets. [Package insert]. Princeton, NJ: Bristol-Myers Squibb Co.; December 2004. Vytorin tablets. [Package insert]. North Wales, PA: Merck & Co.; November 2005. Zocor tablets. [Package insert]. West Point, PA: Merck & Co.; August 2005.

29309409 Noridian Mutual Insurance Company (3155)7-06

Generic Report Cards

BCBSND Generic Report Cards

- Individualized generic utilization and formulary compliance statistics
- Allows prescriber to compare themselves to others in specialty
- Provides cost information on generic substitutes and alternatives



BlueCross BlueShield of North Dakota

BCBSND REPORT
POTENTIAL SAVINGS IN THE TOP 3 DRUG CATEGORIES

PHYSICIAN NAME
PHYSICIAN SPECIALTY
NETWORK
January 2006 - December 2006

BlueCross BlueShield of North Dakota

BCBSND REPORT
PROVIDER PRESCRIPTION SUMMARY REPORT

PHYSICIAN NAME
PHYSICIAN SPECIALTY
NETWORK
January 2006 - December 2006

Top Drugs (Combined Brand and Generic Equivalent)

Your Rank	Drug Name	Avg Allowed Cost Per Script	Total # of Rx Clms	Specialty Rank
1	LEVOXINE	$ 29.35	388	1
2	LIPITOR	$ 167.50	355	2
3	ZOLOFT / SERTRALINE	$ 112.15	281	5
4	PROTONIX	$ 119.71	255	16
5	HYDROCHLOROTHIAZIDE	$ 5.72	239	5
6	MICARDIS	$ 74.66	216	221
7	AVAPRO	$ 95.16	214	162
8	SINGULAIR	$ 137.22	206	18
9	TOPROL XL	$ 71.37	199	11
10	ZETIA	$ 158.87	197	62
11	ZITHROMAX	$ 36.69	180	3
12	ACIPHEX	$ 140.05	175	26
13	PREVACID	$ 119.48	148	80
14	CELEBREX	$ 162.44	116	45
15	NORVASC	$ 108.59	113	23
16	VENTOLIN / ALBUTEROL	$ 27.83	111	8
17	COUMADIN / WARFARIN	$ 18.20	109	44
18	ESTRADIOL	$ 62.83	100	9
19	AMOXICILLIN	$ 5.17	100	17
20	LUNESTA	$ 80.63	97	110

Note: Rank is based on total number of Rx claims during reported year.

Top 10 Brand Drugs

Your Rank	Drug Name	Avg Allowed Cost Per Script	Specialty Rank
1	LIPITOR	$ 167.50	1
2	ZETIA	$ 158.87	20
3	PROTONIX	$ 119.71	7
4	SINGULAIR	$ 137.22	6
5	ACIPHEX	$ 140.05	9
6	AVAPRO	$ 95.16	90
7	ZOLOFT / SERTRALINE	$ 119.15	8
8	CELEBREX	$ 162.44	16
9	PREVACID	$ 119.48	35
10	MICARDIS	$ 74.66	129

Note: Rank is based on total allowed amount for all scripts prescribed during reported year.

Top 5 Non-Formulary Drugs
(Member Typically Responsible for 50% of Cost)

Your Rank	Drug Name	Avg Allowed Cost Per Script	Allowed Cost	Specialty Rank
1	PREVACID	$ 119.48	$ 17,683.15	4
2	MICARDIS	$ 74.66	$ 16,125.64	34
3	AVAPRO	$ 73.79	$ 10,772.92	25
4	LUNESTA	$ 80.63	$ 7,821.26	7
5	BENICAR	$ 70.36	$ 6,403.00	8

Note: Rank is based on total allowed amount for all scripts prescribed during reported year.

Generic Prescribing Rates — You / Specialty
2003: 34.8% / 43.7%; 2004: 39.9% / 47.7%; 2005: 41.6% / 51.7%; 2006: 41.9% / 53.3%

Formulary Compliance Prescribing Rates — You / Specialty
2003: 83.4% / 86.1%; 2004: 79.9% / 84.9%; 2005: 78.9% / 85.1%; 2006: 77.4% / 84.8%

Generic vs. Brand Dispensing Rates: Your Rate with Comparison to Statewide
State Brand Dispensing Rate; State Generic Dispensing Rate; Your Generic Dispensing Rate

You 43.4%; Specialty 45.7%; State 43.8%

"Response rates to antidepressant drugs are similar regardless of the agent used. The superior safety profile and reduced prices suggest SSRIs are the most cost effective for initial antidepressant trials."

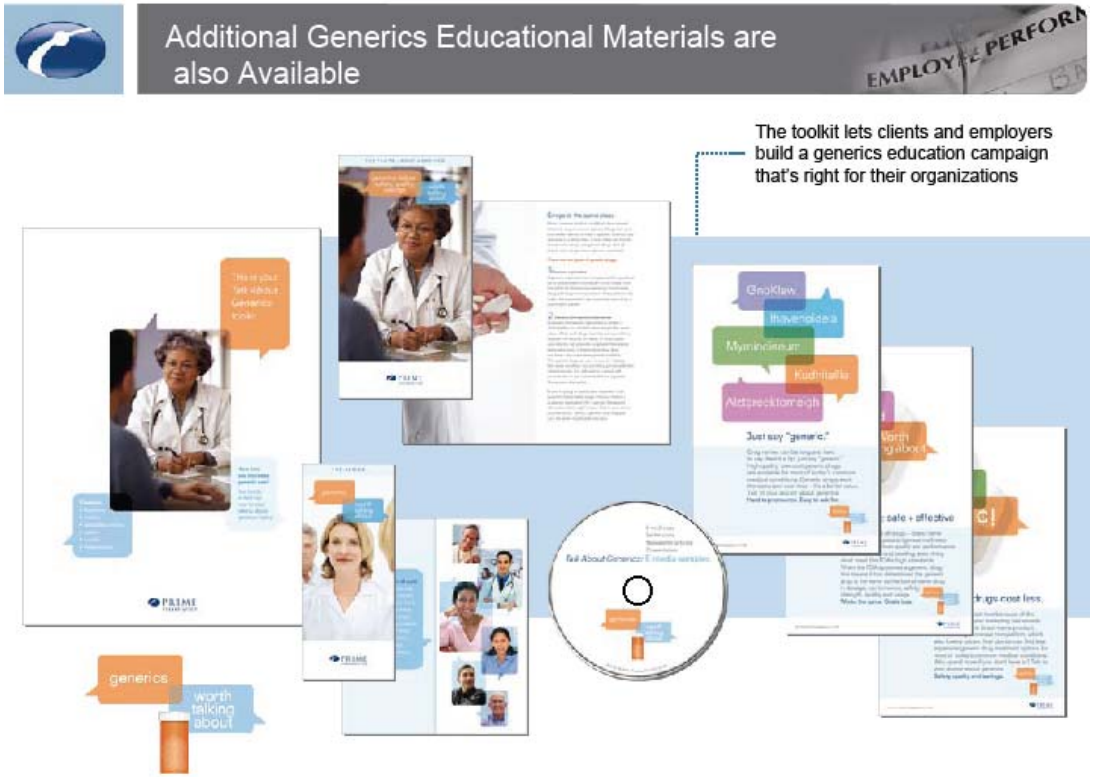
Supporting documentation for class comparisons, click link here: www.bcbsnd.com/providers/report_cards.html

Academic Detail Programs Emphasize Generic Utilization

Program	Main points
Acute Otitis Media (AOM)	- Discuss appropriate antibiotic use - Stress “watchful waiting” as an option
Asthma	- New guidelines for treatment continue to emphasize use of inhaled corticosteroids - Discuss appropriate use of Singulair & Xolair
Depression	- Emphasize use of generic SSRIs first-line - There is no documented safety or efficacy advantage for Brand drug over Generic options
Generics as First-Line	- Using a generic does not mean therapeutic trade-off - Office poster shows cost comparisons of common brands vs. generics
Hyperlipidemia	- Generic simvastatin is valid option for most patients
Insomnia	- Review differences between agents for insomnia
Migraine	- Review appropriate use of rescue medications

Talk About Generics

- **Prime *Talk About Generics* Toolkit**
  - **Brochures**
  - **Posters**
  - **Newsletter articles**
  - **Letter templates**



Questions?

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: May 8, 2008

SUBJECT: Health Club Credit Program

The following are comments received from members relating to the health club credit program. These comments are copied directly from member emails staff received.

1. I wanted to send this e-mail to ask that you consider accepting the BCBS of ND offer to pay for $20/month of a health club membership if you work out 12 times per month. This would be a great benefit to the employees of the state of North Dakota and be a preventive maintenance measure also. I understand our policy doesn't renew until 2009, but if possible, it would be great to have something in place before then. If I can help in this endeavor, please let me know.

2. To whom it may concern: I am writing in support of the fitness incentive program where $20.00 is applied toward our membership at a fitness facility. I would love to see that become an option through NDPERS and Ward County. Thank you for any assistance in making this happen.

3. As an employee of the University of North Dakota I would love to voice my interest there being an option for state employees to have part of their health club membership covered by health insurance. I believe this to be an effective way to get more people interested in going a health facility in order to promote their own health.

The other thing that I would be interested in having happen is that a part of that policy, if and when it would take effect as an option for ND state employees, would cover membership to such organizations as Weight Watchers.

If other campuses, such as UND are stressing health for all employees as much as UND, why not give us a policy like this to take part in to promote our own health and take away yet another excuse to not go to the gym? I believe this to be the number one reason people don't go to the gym, "it's too expensive." Thank you for your consideration.

4. I have been notified that UND's health insurance plan is up for renewal the Summer of 2009.
There has been much talk at my gym of Blue Cross/Blue Shield of ND now reimbursing for health club memberships. This is something that I think should be looked into as an option for UND. The more people work out, the less likely they are to get sick and have to use their insurance. Thank you for your time.

5. I would like to express an interest in reimbursement for health club membership fees. I know this is something that other BC/BS plans provide

6. I am an employee at the University of North Dakota and insured by NDPERS (administered by BC/BS). I understand that BC/BS of ND has started to reimburse health club memberships to people insured directly by BC/BS. I would like to strongly encourage NDPERS to implement a similar policy for UND employees. Maybe even something directly with our UND Wellness Center. I am currently a member of our Wellness Center - because they offered a 6-month 50% off trial membership. Even though I believe my participation has increase my healthfulness, I do not know if I will continue when I have to pay a full membership price. Again, I would encourage NDPERS to implement a Wellness/HealthClub membership reimbursement. Thanks for your time.

7. I heard about the health club reimbursement program on the news a few weeks ago and contacted Blue Cross Blue Shield and learned that the NDPERS plan to which I belong was not eligible. Since then I have joined a health club. During my orientation my trainer stated that he believed that starting in April all Blue Cross Blue Shield members would be eligible for the reimbursement. Can you please shed some light on this for me? Thank you very much,

8. 1 - ALL Colon procedures to check for cancer. 2 - Health credit toward memberships to Health Clubs Thank you.

9. I've heard where Blue Cross is offering a fitness incentive where they're going to pay for part of a gym membership. Is this going to be offered to State Employees as well? Thanks

10. I wanted to send this e-mail to ask that you consider accepting the BCBS of ND offer to pay for $20/month of a health club membership if you work out 12 times per month. This would be a great benefit to the employees of the state of North Dakota and be a preventive maintenance measure also. I understand our policy doesn't renew until 2009, but if possible, it would be great to have something in place before then. If I can help in this endeavor, please let me know.

11. I work at the Southeast Human Service Center in Fargo, ND. Myself and several of employees here are wondering if NDPERS is planning to add the gym reimbursement piece to the NDPERS insurance policy. I have heard of several other people w/BCBS of ND who have this option through thier employers. Any information regarding this will be helpful. Thanks

12. These were questions posed to me by an employee and I am following up on them.
#1 - Is NDPERS going to offer money back to participants for joining a gym and going X many times per month like BSBS does? #2 - An employee heard of a new law that students can be covered under their parents health insurance plan up until age 23 or 24. Is that correct? Thanks

13. Hello: I was told by Gold's Gym that you offer an incentive program for state employees to join Gold's Gym. $20/month. How do I sign up for this? I am a Gold's Gym member. Thanks!

14. On the radio this morning I heard that Blue Cross Blue Shield is reimbursing members for $20.00 toward their monthly health club fees if they work out at least 12 times per month. I work at NDSU and was wondering if I am eligible for this. Thanks!

15. I am an employee of the UND Alumni Association and Foundation. I work out regularly at the Wellness Center on campus. I went to the Wellness Center yesterday hoping that they were participating in the Blue Cross Blue Shield of North Dakota's exercise reimbursement program. They told me that they were not set up for this, and were just taking names to see who would be interested. Being UND supports wellness I would hope they would participate in this program. I am just writing to you today to please consider UND and the Alumni Association's insurance program to fall into this category of helping our personal wellness pursuits.

16. Hi Kathy-I called PERS and was told to email you re: questions I had on possible gym membership reimbursement for attending a certain number of times per month. I understand the plan is as is for another year until renegotiated, but I think it would definitely be a good thing if that could be added to the legislative request for next session. I think it would definitely motivate people to attend a gym, or attend MORE than they usually would with a financial incentive. Also, the health benefits and less doctor visits would be a natural outcome of people getting/keeping in shape. I understand there are other plans that do cover this right here in town (Bismarck). Thank you for your consideration.

17. I am checking on the following information sent to me today: "if you go to the fitness center 12 times per month, they'll give you a $20 discount on your BC/BS insurance policy every month. you sign a form at the center and they report it to the insurance co. " My question is, does this apply to our Pers plan, could Barnes County employees take advantage of this?

18. I heard from my cousin that her North Dakota Blue Cross Blue Shield is now paying $20 towards her monthly fitness center fees. She is not a state employee. I am an employee with the ND Highway Patrol. I'm wondering if our plan is going to do the same anytime in the near future????

19. I am employed at the State Library. I am a member of Anytime Fitness and there is a new benefit—if you attend twelve times a month, BCBSND gives $20 towards your gym membership but we have to find out if it is part of our coverage first. Is this something that is covered in our health care plan?

20. An employee in my department brought in a form today from YMCA regarding discounts for BCBS members. Is this something your office would know about or is it through COSE?

21. I would love to have this benefit added to the BCBS ND PERS insurance program. I would take advantage of it and know of several others who would too!

22. A question was brought forward in regards to possible gym membership reimbursement for attending a certain number of times per month. Some think it would defi nitely be a good thing if it could be added to the legislative request for next session. It would defi nitely motivate people to attend a gym, or attend MORE than they usually would with a fi nancial incentive. Also, the health benefi ts and less doctor visits would be a natural outcome of people getting/keeping in shape. I understand there are other plans that do cover this right here in town (Bismarck).

23. I firmly believe in the pro-active approach to a person's health – isn't it better to pay for screening tools than to pay for a disease that was not detected? The same would go for a financial incentive for a membership – with monitored attendance – to improve our health. Simply being on a walking plan has helped maintain my weight and flexibility … it likely eliminates doctor visits for strains/sprains that might otherwise occur when not in shape. Please consider adding this as a financial incentive to the ND Pers Health Plan for state employees.

24. My family is a member of the Pers health insurance plan. I am also a Blue Cross insurance agent, and have been notified that BCBS members are eligible for reimbursement of their wellness club membership fees if they utilize the club. Does NDPERS offer this reimbursement, or will they in the future? I think this would be a valuable benefit to offer your members. It would be a positive and powerfull incentive to your members to get and stay active and well. Thanks.

25. I found out about this feature of BCBS through Gold's Gym but was disappointed when I found out that the State plan does not offer it. I would be in favor of having this service so anything you can do would be appreciated. Thanks.

26. It was brought to our attention that under some insurance plans reimbursement for health club memberships is possible. I understand that the NDPERS plan is only administered by Blue Cross/Blue Shield and we should contact you if we would be interested in this option. While I realize that our plan is not up for renewal until the summer of 2009, I wanted to let you know that I am very interested in this option and would appreciate this option being considered in the next insurance plan. We have a work well incentive program and encouragement to get active and physically fit but it is always at a personal expense and personal time yet it benefits the insurance companies, places of employment as well as the individual working out. This would be a wonderful incentive to join a health club and stay active. Please consider reimbursing the entire health club membership fee.

27. I just have a question in regards to a wellness benefit being offered to some Blue Cross Blue Shield plan holders. A few of my friends (not state employees) received a letter from BCBS- ND stating that if they exercise x-amount of days at a gym they are paying a membership fee to, they will receive $20 off their gym membership. My question is, is the state going to be participating in this same program being offered by BCSB-ND?

Also, I currently have a YMCA membership in Fargo, and asked about a state discount for my membership there. They weren't able to give me a discount. However, after checking the PERS discount website, I noticed that the Bismarck YMCA offers a discount to state employees. Would you consider contacting the YMCA in Fargo to ask for a discount on their gym membership fee?

28. I've heard some interest in having reimbursements available for gym membership as a part of our health plan. Just thought I'd pass on my interest. I think it would be a huge incentive and a way to get people active.

29. We need to stay healthy and fit.We need preventive measures in our medical lives. We need the fitness program BCBS approves.

30. Can you tell me if NDPers is part of the new BCBS State wide wellness program, this consist of a $20.00 credit to a fitness center or points on e-fitness to be eligible for a gift card at the end of the year. it was just launched yesterday. Please let me know?

31. I would just like to express my interest (hoping) in having Blue Cross/Blue Shield of North Dakota, PERS, adding benefits for members for fitness center membership fees. I think this would be a great incentive for people to join a fitness center to improve their health condition.

32. The following is a wellness website with incentives for BCBSND members. I called and asked about it and was told that it was not available to State Employees. I was told that perhaps the PERS Board will allow us to participate in July 2009 but that it is up the PERS board to decide. Please explain why as State Employees we are not allowed to participate in this program. I will pass the information on to our employees here in the Land Department. It says on the website that it is for BCBSND members which I understand is our plan.

33. I am the employee wellness coordinator. I received a question from one of our employees regarding a letter he received from the YMCA. I received this letter myself as I am also a member. The bolded area below is the employee question. If you are able to answer the quesion please give me a call or send an email. I am not aware of any news from NDPERS about this as of yet, but I may have missed it!

Thank you for your assistance.

34. I am a member of the YMCA and I received a newsletter that stated that Blue Cross/Blue Shield members may receive up to $20 off their monthly memberships at the Y or fitness center if they come to work out 12 or more times each month. I asked the YMCA if I was eligible and they said I should have received a letter from BCBS, but I did not. I then called BCBS and found out that NDPERS has not contributed or 'okayed' the program, but the contract is due to be renewed this July I believe and then they may approve. I am wondering if you know anything of this or if you know of who I may ask to hopefully get fitness people a discount.

35. This is telling me that to get the benefit of a decreased club membership or the other points award it would increase premiums, but if this is a health benefits and less people are going to need to go to the doctor would premiums not go down due to people being healthier. Also, why can this not be rolled into our wellness program would this not be a better benefit to a company and it would get more participation from other agencies that are not currently doing this. Just some opinions

36. We have had some inquiries about the Health Club Credit Program and if our Fitness Center is participating. We offer memberships to our community for our School Fitness Center. Members are issued keys to the school and the Fitness Center so they can use the facility 24/7 "at their own risk". The Fitness Center is monitored by a camera so we can review tape if there should be a concern. Members sign in upon arrival and sign out before leaving. We do not have an attendant on duty. Therefore, we would not have anyone to sign or verify each time someone used the Fitness Center unless we went back and watched the video. So our question is if a BCBSND member were participating in the Health Club Credit Program, can we sign off on their participation based on their signing in and out each time they visited? If this works, then how do we sign up to be a provider? Thank you for your assistance.

37**.** Could you please send me more information regarding what the definition of 'approved club' is? We have employees who are members of a privately owned key-club (Southgate Raquetball and Fitness Center) and would like to know if allowances are made for those of us who already have paid memberships in clubs like or similar to this. I look forward to your response.

38. This doesn't make much sense so, to get the $20.00 we would end up paying more then 20.00 to get the coverage or am I reading it wrong.

39. Regarding this information…this sounds like a great program. However, how would it work when both husband and wife work for the state, the health plan is covered by the husband's agency, but the wife is the one working out at a health club? Would that be covered under this program? Just wondering…

40. I would be very pleased if this benefit was added to our next plan design.

41. What good does a Health Club Credit Program do in a town that does not have a health club? NDPERS should be looking at ways to decrease the premiums and/or the deductibles so as to not lose any members. Once my son in out of college, I can save the City some money by having a single policy and my wife taking the single policy offered from her employer. Why can't NDPERS offer a "couple" policy that is priced the same as two single policy's?

42. Obviously, this is another revenue source for BCBS. How can BCBS justify any increase when all of the medical community advocates exercise as a healthy lifestyle and one which reduces disease, disability and insurance claims? There is a small financial benefit to users depending on the number of insured using this credit. Would the 20 dollars, for example, be credited per month of dues? If we exercised on our own would we be reimbursed for our efforts? It would be discriminatory to not recognize those who were self-motivated and did not require the services of an "approved club".

43**.** I can walk for free and pay for a health club myself if I'm so inclined. It is far more important that lab work be covered, which it currently isn't. Thank you for letting me express an opinion.

44. I need to respectfully comment that this scheme is **a total rip-off**. For every BCBS client who exercises at least 12 times per month, BCBS will save tons of dollars in claims they don't have to pay out for that person's future illnesses. There is NO way that BCBS should be allowed to make any premium increase to "pay for" a Health Club "benefit," because BCBS will be the entity receiving the huge financial benefit! Furthermore, it is absolutely, positively NO "benefit" for me to pay an extra $26.28 - $87.60 per year in order to receive a measly $20/year as some kind of rebate. Just exactly how stupid does BCBS think people are? This is simply yet-another cynical scheme for BCBS to grab more money. Probably you've concluded by now that I am adamantly opposed to the PERS board's giving any serious consideration to imposing this on its members.

45. This discount for health club participation is discriminatory against the rural counties and people with home gyms. For me to go to the nearest commercial gym, I'd need to spend 1 1/2 hours on the road, round trip, which time I could use for work or housekeeping. I also don't earn enough to pay for the gas and the cell phone I'd need to take the calls, given that I'm on call 24/7 and also pay 2/3 of my salary to student loans. I do own a recumbent stationery bike, an elliptical, stationary weights, and an aerodyne type stationery bike in my home. I'd guess many other county employees have home gyms too. No one, however, is here to monitor times of usage so the discount can be invoked.

46. Question then. Is there a list of approved facilities? I go to the Sports Center in Fargo. Not going so much at the moment but this would be more of an incentive.

47. Thank you for sending the information about the Health Club Credit Program. I am however concerned coming from a small town (County) where there is no Health Clubs available. If PERS chooses to go this route does this mean small towns will have the rate increase but not the benefit?

I would really appreciate being kept in the loop on this one as I may be interpretting the premium increase incorrectly as well.

48. I understand that increasing premiums are always a concern and upset many policy holders and companies. Research proves that exercise prevents, improves, and even treats many medical conditions. Research has repeatedly shown this in studies done on hypertension, diabetes, heart disease, and depression. As a wellness coordinator I am sure you have reviewed many of these research articles. I feel a premium increase would not be needed as the money saved by not paying out benefits for chronic diseases would more than offset the cost of this benefit. A second point on this subject is that as public health and role models for others in our respective communities, we should set the standard of promoting health in providing a wellness benefit to NPERS members. Thank you

49. In our small communities, most employers have PERS BCBS. Our Ina Mae Rude Aquatic Center is working very diligently to make this benefit available, only to find out that most employees fortunate enough to have insurance coverage are in the PERS program and are not eligible. When are we going to get serious about health promotion and disease prevention?'

50. The "Health Club Credit" is a dynamite incentive! From a health promotion (and prevention) aspect, this is exactly the right kind of approach health insurance organizations should be taking!!

51. I have a question. The ratio of $2.19 per month premium increase for 6% utilization, all the way to $7.30 for 20% is flat … so if assuming 100% utilization, the premium increase would be $438 per year. Considering the benefit is $20 per month, that amounts to $240 per year. Why would the BCBS pass-through cost of the $240 membership incentive result in a cost to the premium holder of $438? Where did the 82.5% increase come from? This is odd, because in the case of health promotion, actuarial data would indicate a significant decrease in insurance plan payouts, which should result in lower member premiums. Please clarify the approach/method used to come up with these projected cost/benefit results.

51. I think this is outrageous!

52. I find it hard to believe that BCBS is offering this credit and increasing premiums at the same time. I would think their statistics prove that people that exercise on a regular basis as required to receive the credit would have lower health benefit costs to the plan (i.e. covering the cost of providing the benefit). Why else would BCBS being offering this credit? If BCBS is in fact increasing premiums to cover credit, I would like to see NDPERS ask why BCBS is offering this credit and provide this information to all employees.

53. This doesn't seem to be a very good deal. If only 6% (~ 1/17th) of the people use this and we all have to pay an extra $2.19, doesn't that mean we'd be paying $35+ ($2.19 x 17) for a $20 benefit?

Also, if people exercise more then claims are expected to go down. This doesn't appear to be factored in. BCBS could easily factor this in, but they only do this when it benefits them. This appears to be another money making scheme by BCBS.

54. A suggestion regarding this $20 off of joining a fittness center. Some people here walk outside during lunch and after work when the weather is nice or walk at a mall or someplace if the weather is not so nice all year long. I do consider this a step towards becoming healthier.
Was wondering if there would be something available for this kind of exercise other than paying to belong to a fitness center and getting a discount. You don't have to belong to a fitness center to become healthier. Maybe there would be something where you could go into the BCBS website and log your walking, jogging, whatever you do for exercise and go that route and get a benefit of the employee premiums being lowered that way. This is just a suggestion.

55. The email you sent was about the benefit of pay back for a fitness club.

This is what I understand; let me know if I am correct. I am a member of a health club, and it would be an added incentive to be reimbursed if I go at least 12 times a month. What you are saying is for the 20 dollars a month, if the state uses the 60 dollar increase in family deductibles my over all

saving would be 15 dollars a month. Then that only affects the 6% of us at not loosing money because we go to our health clubs. The other 94% of family deductible employees would be paying also even if they don't use the benefit? Do I understand this correctly?

56. Sounds fabulous if you live in an area where a health club is located. The vast majority of North Dakota does not have health club availability in close proximity so,
Does that mean that rural policy holders will in effect pay for the benefit offered to holder who reside in larger communities? Seems like a double negative for us.

57. I would like to know who to contact about the Health Club Credit Program. I understand this program is not available to Higher Ed employees. As a staff member at the University of North Dakota I would like to know why this isn't an option for us. Thank you for your help.

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Public Employees Retirement System
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Executive Director
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FAX: (701) 328-3920 ● EMAIL: NDPERS-info@nd.gov ● www.nd.gov/ndpers

Memorandum

TO: PERS Board

FROM: Sparb

DATE:

SUBJECT: GBS Renewal

Attached please find the proposed renewal for Gallagher Benefit Services. Two items are significant. First they are proposing no increase in the rates for the next two years. Second they are adding to the team an additional individual with an actuarial background. We have reviewed the references for this individual and all are positive.

These two provisions in the renewal combined with the strengths we identified in our review in the last board book combine to make a positive proposal. Consequently staff is recommending that we renew with GBS for the next two years.

Board Action Requested

To approve or disapprove the renewal with GBS

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ND PERS

Gallagher Benefit Services, Inc.
A Subsidiary of Arthur J. Gallagher & Co.

April 22, 2008

Mr. Sparb Collins
Executive Director
North Dakota Public Employees' Retirement System
P. O. Box 1657
Bismarck, North Dakota 58502-1657

Re: Health Consulting and Actuarial Services

Dear Sparb,

As requested, we are providing the following information for NDPERS Board's consideration.

Fee Renewal

Gallagher Benefit Services, Inc. (GBS) proposes to keep its existing time charge schedule in place for the next contract year, which begins July 1, 2008.

Health Plan Renewal Experience

GBS provides health plan renewal consulting and actuarial services to most of our retained clients. GBS Denver provides these services to the following larger public sector clients with over 3,000 employees:

- State of Oklahoma Employee Benefits Council (35,000+ employees/insured)
- State of New Mexico (30,000+ employees/self-funded)
- State of Wyoming (14,000+ employees/retirees/ self-funded)
- University of New Mexico (8,000 employees/retirees/insured and self-funded)
- Albuquerque Public Schools (7,500 employees/self-funded)
- Colorado Higher Education Insurance Benefits Association (CHEIBA) (6,000 employees/retirees/ insured)
- Denver Public Schools (5,000 employees/retirees/insured)
- University of New Mexico Hospitals (4,000 employees/retires/self-funded)
- Colorado State University (3,000 employees/self-funded)
- Colorado Community Colleges (3,000 employees/insured)

As witnessed by the number of large public sector employers for which we provide renewal consulting and actuarial services, GBS Denver is well qualified to provide similar services for NDPERS. Our methodology and processes for developing projected renewal costs are identical between insured and self-funded plans. In the case of insured plans, such as NDPERS, using our in-house underwriting and actuarial resources, we develop our renewal

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Greenwood Village, CO 80111-4949
303.220.7575
Fax 303.220.7010

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projections independent of the insurer. Our findings are then compared to the carrier's. Any material differences are identified and discussed. If we are unable to reconcile the differences to our satisfaction, we advise the client. The client then decides if a competitive bid may be required.

Renewal Project Team

We are proposing the following GBS benefits professionals to be on the NDPERS renewal project team.

- Jerry Rueschhoff, ASA: will manage the renewal project. Jerry was the former Denver health practice leader of a major national consulting and actuarial firm.
- Shawn Adkins, CPA: is GBS Denver's underwriting department manager. He will personally handle the critical renewal underwriting for NDPERS. Shawn has been involved with NDPERS for the past two plus years.
- Glen Volk, FSA: as GBS' principal health actuary, Glen will provide actuarial oversight for the project. Should NDPERS require and actuarial certification, Glen would provide this.

As managing consultant for GBS, I will add historical and legislative input to the team. If required to present our findings to the Board, I will participate along with the appropriate project team personnel.

Resumes of our proposed project team are included for your review.

We look forward to continuing our relationship with NDPERS for another year and providing the needed assistance with your upcoming biennium medical/Rx plan renewal or competitive bidding.

Please let me know if you or the Board require any additional information about our services or qualifications.

Sincerely,

William F. Robinson, Jr.
Area Vice President
bill_robinson@ajg.com

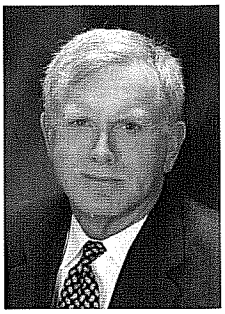
Enclosures

cc: Ted Wood, Area President

Arthur J. Gallagher & Co.

PROFESSIONAL PROFILE

WILLIAM F. ROBINSON, JR.
AREA VICE PRESIDENT



FIELDS OF EXPERTISE

- Public Sector Health Consulting Including:
  - Cost Management Strategies
  - Managed Care
  - Joint Purchasing Initiatives
  - Self-Funding
  - Flex Benefits
  - Competitive Bidding
  - Consumer Directed Health Plans (CDHPs)

AFFILIATION/DESIGNATIONS

- FLMI (Honors)
- RHU
- Licensed in CO, WY, NE, IA, NM, & NV
- Gallagher Public Entity and Scholastic Group Practice Member

EXPERIENCE

- Twenty Years of National Consulting Firm Experience
- Thirteen Years With National Carriers
- Three Years With National UR Firm

CREDENTIALS

- B.A. Economics (honors) Univ. of California
- MBA: Anderson School (UCLA)

CLIENTS

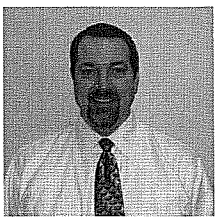
- Albuquerque Public Schools
- Boulder Valley Schools, CO
- City of Des Moines, IA
- National Conference on Public Employers Retirement Systems (NCPERS)
- Sioux City (IA) Schools
- State of Colorado
- State of New Mexico
- State of North Dakota PERS
- State of Oklahoma (EBC)
- State of Wyoming
- University of New Mexico
- University of New Mexico Hospitals

Gallagher Benefit Services, Inc.

Arthur J. Gallagher & Co.

PROFESSIONAL PROFILE

JERRY RUESCHHOFF
SENIOR BENEFIT CONSULTANT



FIELDS OF EXPERTISE

- Global Total Rewards Strategy
- Expansive HealthCare Expertise
- Self-funding
- Retiree Benefits
- Incentive Compensation Design

EXPERIENCE

- Over twenty years experience in healthcare with leadership/consulting positions on all sides of the health care delivery system
- Over seven years of experience in employee benefits
- Over two years experience as global total rewards leader for a large manufacturer and Berkshire Hathaway operating company

CREDENTIALS

- B.S. – University of Nebraska
- Associate of the Society of Actuaries
- Member of the American Academy of Actuaries
- Six Sigma Black belt

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Arthur J. Gallagher & Co.

PROFESSIONAL PROFILE

SHAWN ADKINS
UNDERWRITING MANAGER

FIELDS OF EXPERTISE

- Claims and funding projections
- Development of benefit design and contribution strategies
- Adverse selection pricing
- Benefit plan change pricing
- Claims data analysis & interpretation

AFFILIATION/DESIGNATIONS

- Certified Public Accountant (AR # 6774)
- Certified Employee Benefit Specialist – International Foundation of Employee Benefits & Wharton School of Business
- Certified in Financial Management – Institute of Management Accountants
- Certified Management Accountant – Institute of Management Accountants
- Professional – Academy of Health Care

EXPERIENCE

- Employee Benefits Underwriting Manager since 2000
- Eight years Underwriting and Financial Analysis experience with Major National Insurance Companies
- Budget, Pricing, & Reimbursement Analyst with Major Children's Hospital

CREDENTIALS

- Bachelor of Science – University of Central Florida - Accounting
- MBA – University of Arkansas – Finance
- Masters of Accountancy - Auburn University

REPRESENTATIVE LIST OF CLIENTS

- Acument Global Technologies
- Boulder Valley School District
- City of Henderson
- CoBank
- Colorado College
- Colorado Springs Utilities
- EBC – State of Oklahoma
- IHS
- North Dakota PERS
- Socorro ISD
- State of New Mexico
- University of New Mexico

Gallagher Benefit Services, Inc.

Arthur J. Gallagher & Co.

PROFESSIONAL PROFILE

GLEN VOLK, FSA, MAAA
AREA VICE PRESIDENT
CONSULTING ACTUARY

Glen Volk is a Vice President and Consulting Actuary with the APEX Management Group, a Division of Gallagher Benefit Services, in their Boca Raton, FL office. Glen provides a wide range of actuarial support for Gallagher clients around the country, including forecasting plan expense and developing funding rates and reserves, reviewing stop loss plans and rates, evaluating discounts offered by provider networks, and supporting retiree medical valuations. Public sector clients for whom Glen has provided significant actuarial support in recent years include the Ft. Bend Independent School District, the Woodlands (TX), the cities of Miami Beach and Pembroke Pines, and Gainesville (FL), the School Boards of Broward, Lee, and Monroe counties (FL), Shelby County Schools (TN), Albuquerque Public Schools (NM), and a number of County governments around the country.

From 1992 until April 2000, Glen worked for John Alden Life Insurance Company and its HMO subsidiary Neighborhood Health Partnership (NHP) in Miami, FL. He served as NHP's Chief Actuary from its inception in 1994 until he joined Gallagher benefit Services in 2000. Prior to that, he was a consulting actuary with Foster Higgins in their Dallas, TX office, and he also has worked for the Great American Reserve Insurance Company in Dallas and with Confederation Life Insurance Company in Toronto, Canada.

Glen has a B.S. in Mathematics from the University of Regina in Regina, Saskatchewan, and a Masters degree in Applied Mathematics from the University of Waterloo in Waterloo, Ontario. He is a Fellow of the Society of Actuaries (FSA) and a Member of the American Academy of Actuaries (MAAA).

Gallagher Benefit Services, Inc.

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

Memorandum

DATE: **May 8, 2008**

TO: **NDPERS Board**

FROM: **Kathy Allen**

SUBJECT: **Training Compliance**

At the February 21st meeting, you were notified that Chase and Symetra were out of compliance with our training requirements. Based on this noncompliance, the Board approved a recommendation to issue both providers a notice of intent to suspend participation in the deferred compensation program. On March 26, 2008 both companies were sent a certified letter of intent to suspend. The notice included a request that they submit by April 25, any information they would like the board to review and further stated that no response will be interpreted by the Board as their desire to discontinue provider status in the deferred compensation plan.

As of April 25, I received a response from Symetra which stated that the sales representatives are no longer actively pursuing additional clients. I indicated that we also require that they provide us with the name of the new authorized representative for those clients served by the representatives that are to be removed from our list. I have received no response to that request. I did not receive a response from Chase. Therefore, pursuant to NDCC 71-04-04-09, the Board may apply either of the following two types of suspension with respect to these two companies:

1. *Loss of active provider status. Under this type of suspension, the provider may not enroll any new participants. The provider may continue to receive contributions from existing members.*

2. *Loss of provider status. Under this type of suspension, the provider may not enroll any new participants nor receive any further contributions from existing members.*

Symetra has 36 participants and assets of $854,975.80. Chase has 296 participants and assets of $6,692,899.92

Staff Recommendation:

Staff recommends that the board apply a 'loss of active provider status'.

Board Action Requested

Approve or reject staff's recommendation.

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Memorandum

TO: PERS Board

FROM: Bryan and Sharon

DATE: May 8, 2008

SUBJECT: **PERSLink Project**

Quarterly Report

Attached is the first quarter 2008 PERSLink status report. NDPERS is required to file this report with ITD throughout the duration of our system replacement project. This is the first progress report in the execution stage. Note that the planning phase went well and the project is on time and on budget. Bryan or Sharon will be available at the Board meeting if you have any questions on the report.

Individual Insurance Billing Policy for Delinquent Accounts

We are currently going through the system design sessions for the individual insurance billing system (IBS). This billing applies to any retiree or COBRA contract that is not having the premium deducted from a bank account or from a pension check. We have considered moving to an individual billing and cancellation policy that is more consistent with BCBS; however, due to limitations of our current system, we have not been able to make this change. We do have the opportunity to change our billing system in PERSLink; therefore, we are proposing a policy that is patterned after BCBS procedures. BCBS is required to provide the policyholder with a grace period of thirty-one days for the payment of any premium due except the initial premium. The table below provides an example of the billing cycle.

In addition, we are proposing that new COBRA coverage or new retiree coverage will not be set up until the initial premium payment is received for members who do not elect to have their premium deducted from a pension check or from a bank account. It is BCBS preference to set up coverage with a retroactive effective date rather than set up coverage prior to receiving the initial premium that would then have to be cancelled retroactively.

Billing steps	Date	Sample date
Generate billing for following month	1st working day after the 9th of each month	April 10 (for May premium)
Premium due date	1st day of following month	May 1
Run past due report and send out delinquent letter (Individuals who were billed for the current month prior to the 15th of the month and still owe premium for that month)	2nd night following the 15th of the current month	May 19 for anyone who has not paid May premium in full
Run delinquent cancellation report and cancellation letters(same criteria as past due report)	3rd working day of the next month	June 4 for anyone who has not paid May premium in full
Cancel coverage	End of the grace period month	May 31 (efforts would still need to be made to collect the May premium)

If the decision is made to make this policy change, it would be implemented in October 2010.

BOARD ACTION REQUESTED: Decide if individual insurance billing and delinquency policy should be changed.

Interest on Member Accounts

We are currently going through the system design sessions for the process of awarding interest on the member retirement account balance. In our current system, interest is calculated and credited to the member account balance once a month. The calculation is based on the member's account balance as of that date. In some cases, the member account balance may not include contributions that should have been made for the employee, which results in interest being understated. Or, the account balance may include contributions that were made on ineligible wages, which results in interest being overstated. The system does not have the capability to recalculate interest when these contribution adjustments are made; any interest adjustments are manually calculated and entered into the system. Our current policy is to calculate and award interest on contribution adjustments that are reported 90 or more days from the date they should have originally been reported. No interest is calculated or awarded on contribution adjustments that occur within 90 days of their due date.

PERSLink has the ability to automate the calculation and awarding of interest on adjustments. Because of this new capability, we are proposing that interest on adjustments be added or subtracted from the member's account balance based on the month that the adjustment is effective for.

PERSLink also has the capability to calculate and assess interest to an employer, when the employer is delinquent in reporting contributions. Currently, interest is only collected if the delinquency is 90 or more days. We are proposing that interest be collected from employers on any contributions that are not paid by the end of the month in which the contributions are due.

If the decision is made to make these policy changes, they would be implemented in October 2010.

BOARD ACTION REQUESTED:

1. Decide if the 90 day policy should be changed to calculate interest on all adjustments based on the month that the adjustment is effective for and add/subtract from the member's account balance.
2. Decide if interest should be assessed to an employer on delinquent contributions that are not paid by the end of the month in which the contributions are due.

Project Status Report

Project Name PERSLink *Project Phase EXECUTION*

For period:	***January 1, 2008 – March 31, 2008***
Submitted by:	**Sharon Schiermeister, NDPERS Project Manager**
Green	Strong probability the project will be delivered on time, within budget, and with acceptable quality.
Yellow	Good probability the project will be delivered on time, within budget, and with acceptable quality. Schedule, budget, resource, or scope changes may be needed.
Red	Probable that the project will NOT be delivered with acceptable quality without changes to schedule, budget, resources, and/or scope.

EXECUTIVE SUMMARY

Status Item	Current Status	Prior Status	Summary
Overall Project Status	**Green**	**Green**	*Overall, the project is on time, on budget and within scope. The vendor is producing deliverables that conform to the acceptance criteria included in the Request for Proposal and that adhere to the ITD Enterprise Project Management criteria. The project team exhibits a dedicated, cooperative, and professional approach to the project – focused on producing and accepting deliverables while meeting the project timetables.*
Scope	**Green**	**Green**	*No variance on scope.*
Schedule	**Green**	**Green**	*There have been minor variances on start and completion of UCS documentation creation and review tasks for Pilot 2.1, but no impact on the milestones. A process improvement and action plan is being executed to correct these variances.*
Cost	**Green**	**Green**	*Actual costs are 3.76% less than expected costs primarily due to actual NDPERS staff hours being less than projected.*
Project Risk	**Green**	**Green**	*The risk management log developed during the Planning Phase is maintained in SharePoint and is being reviewed periodically by the project management team. No new High Priority risks and no changes to risks have been identified during this period. One Medium priority risk was added.*

Accomplishments:

During the first three months of the Execution phase the PERSLink Project Team completed all the Joint Application Design (JAD) sessions scheduled for Pilot 1.1 for a total of 8 Use Cases (UCS), completed, reviewed and approved the documentation packages for 5 UCS, and completed technical design, construction and unit testing for 5 UCS. In parallel, the project team also completed JAD sessions for 6 of 14 UCS planned for Pilot 2.1, and completed, reviewed and approved the documentation package for 1 UCS, and completed technical design for 1 UCS. The Project team also started on the Release 1.0 planning, data conversion, interfaces with PeopleSoft and Filenet, and testing plans. The deliverables that were developed, reviewed and approved are listed in the Deliverable Acceptance Log Summary.

The following team building events occurred:

1. *The PERSLink Team met to review the Group Process including a discussion of beneficial behaviors and observations from the team over the past two months. The team also met to review and discuss requirements management.*

2. *Sagitec conducted a Lessons Learned meeting with the project team on the Planning Process and loaded this information into Sharepoint.*
3. *Training was completed on the review of Use Cases, Activity Diagrams and User Interface Definitions for all individuals involved in the review process.*

The following project communications events occurred:

1. *A kickoff meeting was held with NDPERS staff and the staff was given training on the Development Methodology that the vendor (Sagitec) will be using.*
2. *NDPERS Project Manager made a presentation to the NDPERS Employer Advisory Group regarding PERSLink and their involvement in the project*
3. *The January 2008 PERSLink Newsletter was published*
4. *The Concept of Operations Document was presented to the Management Team as required by the RFP and was distributed to the NDPERS Board and all NDPERS staff.*
5. *NDPERS Project Manager presented the start-up report to the Legislative IT Committee.*

Expected Accomplishments:

During the next reporting period the project team plans to accomplish the following:

1. *Complete the following tasks and deliverables:*
   a. *Functional and Technical Design for Pilots 1.1and 2.1*
   b. *Construction and Unit Testing, Conversion, System Testing, Training and System Documentation for Release 1.0 (Pilot 1.1)*
   c. *User Training for User Acceptance Testing and Execution of Pilot 1.1*
2. *Initiate the following tasks and deliverables:*
   a. *Data Conversion, System Testing, and Training and System Documentation for Pilot 2.1*
   b. *User Acceptance Testing for Release 1.0 (Pilot 1.1)*

RISK MANAGEMENT

Status Item	Current Status	Prior Status	Summary
Project Risk	**Green**	**Green**	*One risk and one issue were added during the quarter*

Risk Management Log Summary

Risk #	Description	Response Plan	Owner
21	**Analysis of existing correspondence may impact the scope and schedule of JAD sessions and increase the risk of NDPERS staff burnout.**	**Vendor has provided additional resources to assist NDPERS team, as well as NDPERS assigning a key SME to assist with this project.**	**NDPERS Project Manager**

Comments:
A complete Risk Log is available on PERSLink Project Portal in SharePoint. A total of 17 risks have been identified, prioritized and are being monitored by the PERSLink Project Team.

Issues Log Summary

Issue #	Description	Required Action	Owner
3	**Benefits Division Staffing – As a result of turnover and an upcoming absence for maternity leave, availability of a key SME in the benefits area may be limited.**	**Benefits division is recruiting for staff vacancy and is cross-training benefits staff to provide additional backup during the staff member's maternity leave which should free**	**NDPERS Project Manager**

		up time for key SME to be available for the project	

Comments:

An Issue Management process document was developed and approved during the project planning phase. As areas of risk eventuate an issue is created in the Issue Register (PERSLink Project Portal in SharePoint) and assigned an owner for resolution. At this time, there is only 1 issue outstanding.

SCOPE MANAGEMENT

Status Item	Current Status	Prior Status	Summary
Scope	**Green**	**Green**	*No change control log entries.*

Change Control Log Summary

Change #	Description	Action Accept / Reject	Action Date

Comments:
A Change Management Process document was developed and approved by the PERSLink project team during the Planning Phase. There are no entries in the Change Management Log on the PERSLink Project Portal in SharePoint.

Deliverable Acceptance Log Summary

Deliverable #	Deliverable Name	Action Accept / Reject	Action Date
	Phase 4 Pilot 1.1 Phase SOW	Accept	2/4/08
	Phase 4 Pilot 1.1 WBS	Accept	2/4/08
	Phase 4 Pilot 1.1 Use Case Model	Accept	2/4/08
	Phase 4 Pilot 1.1 Problem/Opportunity Analysis	Accept	2/19/08
	Phase 4 Pilot 1.1 Current/Target Performance Analysis	Accept	2/19/08
	Phase 4 Pilot 1.1 Updated RTM	Accept	2/7/08
	Phase 4 Release 1.0 Transition SOW	Accept	4/4/08
	Phase 4 Release 1.0 Test Plan	Accept	4/4/08
	Phase 4 Release 1.0 System Test Plan	Accept	4/4/08
	Phase 5 Pilot 2.1 Phase SOW	Accept	2/4/08
	Phase 5 Pilot 2.1 WBS	Accept	2/4/08
	Phase 5 Pilot 2.1 Use Case Model	Accept	2/4/08
	Phase 5 Pilot 2.1 Problem/Opportunity Analysis	Accept	2/19/08
	Phase 5 Pilot 2.1 Current/Target Performance Analysis	Accept	2/19/08
	Phase 5 Pilot 2.1 Updated RTM	Accept	2/7/08

Comments:
All PERSLink deliverables are maintained on the PERSLink Project Portal in SharePoint. All accepted deliverables are maintained in the Acceptance Folder in word format and on the Archive folder in pdf format

COST MANAGEMENT

Status Item	Current Status	Prior Status	Summary
Budget	**Green**	**Green**	*At the end of the quarter, actual costs were lower than expected costs.*

Project Budget	Revised Budget (if applicable)	Expenditures to Date	Estimated Cost at Completion
$0.00	**$0.00**	**$0.00**	**$0.00**

Budget Status
As of 3/31/08

	Original Budget	Actual Costs	Expected Costs	Actual vs Expected Variance	Remaining Budget
Sagitec	7,678,360	1,858,587	1,858,587	0	5,819,773
LRWL	1,000,000	92,925	112,499	(19,574)	907,075
Hardware/Software	185,000	0	0	0	185,000
Contingency	730,640	0	0	0	730,640
Total Appropriation	9,594,000	1,951,512	1,971,086	(19,574)	7,642,488
PERS Staffing	908,214	71,616	128,167	(56,550)	836,598
hours	24,000	1,893	3,387	(1,494)	22,108
Total Budget	10,502,214	2,023,128	2,099,253	(76,125)	8,479,086

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Memorandum

TO: PERS Board

FROM: Sparb

DATE: May 8, 2008

SUBJECT: Legislation

Attached for your information is the proposed legislation for next session that was submitted to the Legislative Employee Benefits Committee. The next step in the process is to do the technical and actuarial analysis of the bills. This process has started.

Concerning bill # 90033.03 I referred it to Aaron for his assessment of the bills implications for PERS. The technical/actuarial review of this bill will be different then the others since we will need to determine from a legal perspective what is required of PERS and then have the consultants review address those requirements. What I did note to the committee is that the bill may have broad public policy issues, implications on the state budget not associated with PERS or other effects not directly related to PERS and to the extent that these other implications are in the bill they will not be addressed in the technical/actuarial evaluation since that evaluation only considers the effect on PERS. Therefore on this bill it is important for us to define what is required of PERS and then perform the necessary review. We will need to rely on the legal review to determine what those requirements are.

2009 Legislative Session
North Dakota Public Employees Retirement System

LC Bill Number	Sponsor	Bill Summary
90033.0300	Senator Mathern	A BILL for an Act to provide for establishment of the healthy North Dakota health insurance plan; to amend and reenact section 54-52.1-02 of the North Dakota Century Code, relating to subgroups under the uniform group health insurance plan; to provide an effective date; and to provide a continuing appropriation.
90084.0100	Senator O'Connell	A BILL for an Act to create and enact a new section to chapter 26.1-36 and a new section to chapter 54-52.1 of the North Dakota Century Code, relating to parity for health insurance coverage of prosthetics.
90100.0100	TFFR	A BILL for an Act to amend and reenact sections 15-39.1-04(9), 15-39.1-10(4), 15-39.1-10.6, 15-39.1-19.1(1), 15-39.1-20, and 15-39.1-30 of the North Dakota Century Code, relating to incorporation of federal law changes, procedure relating to benefit limitations, annual hour limit for retiree reemployment, and disclosure of confidential records under the teachers' fund for retirement.
90109.0100	Senator O'Connell	A BILL for an Act to create and enact a new section to chapter 15-39.1 of the North Dakota Century Code, relating to supplemental retiree benefit payments under the teachers' fund for retirement; and to provide an appropriation.
90111.0100	PERS	A BILL for an Act to create and enact a new subsection to section 39-03.1-09 and a new subsection to section 54-52-05 of the North Dakota Century Code, relating to payment of employee contributions under the highway patrolmen's retirement plan and public employees retirement system; and to amend and reenact sections 21-10-01(1), 39-03.1-08.2, 39-03.1-11(8) and (9), 39-03.1-11.2, 54-52-17(6), (8), and (9), 54-52-17.4(6), 54-52-28, 54-52.1-03(7), and 54-52.1-03.4 of the North Dakota Century Code, relating to membership on state investment board, purchase of service credit, member benefit options, Internal Revenue Code compliance, and board elections under the highway patrolmen's retirement plan and public employees retirement system, and participation and employer payments under uniform group insurance program.
90112.0100	PERS	A BILL for an Act to create and enact a new subsection to section 54-52-17.4 of the North Dakota Century Code, relating to purchase of service credit under the public employees retirement system; to amend and reenact sections 39-03.1-10, 39-03.1-11(9), 39-03.1-11.3, 54-52-06, 54-52-17.5, 54-52-17.11, 54-52-17.13, and 54-52.6-09(2) of the North Dakota Century Code, relating to employer contributions, cost of living adjustments and supplemental retiree payments under the highway

LC Bill Number	Sponsor	Bill Summary
		patrolmen's retirement system and public employees retirement system.
90113.0100	PERS	A BILL for an Act to amend and reenact section 54-52.1-02 of the North Dakota Century Code, relating to non-Medicare retiree insurance rates.
90114.0100	PERS	A BILL for an Act to amend and reenact sections 54-52.1-03.2(1) and 54-52.1-03.3(2) of the North Dakota Century Code, relating to the retiree health benefits fund.
90118.0100	Senator Lyson	A BILL for an Act to create and enact a new section to chapter 54-52 of the North Dakota Century Code, relating to participation by peace officers and correctional officers in the defined benefit retirement plan; and to amend and reenact sections 54-52-01(3) and (11), 54-52-05(3), and 54-52-17(3) of the North Dakota Century Code, relating to participation by peace officers and correctional officers in the defined benefit retirement plan.
90124.0100	Rep. Potter	A BILL for an Act to create and enact a new section to chapter 54-52.1 of the North Dakota Century Code, relating to public employees retirement system health insurance coverage of colorectal cancer screening; and to provide an expiration date.
90125.0100	Senator Mathern	A BILL for an Act to create and enact a new subsection to section 54-52-04, a new subsection to section 54-52.1-01, and five new sections to chapter 54-52.1 of the North Dakota Century Code, relating to the expansion of the uniform group insurance program to allow participation by permanent and temporary employees of private sector employers and by any other individual who is otherwise without health insurance coverage; to amend and reenact section 54-52.1-02 of the North Dakota Century Code, relating to subgroups under the uniform group insurance program; to provide an appropriation; to provide a continuing appropriation; and to provide an effective date.

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Memorandum

TO: **NDPERS Board**

FROM: **Election Committee:**
Ron Leingang – Chair
Joan Ehrhardt
Mike Sandal

DATE: **May 6, 2008**

SUBJECT: **Election Update**

There are three nominees for the vacancy on the PERS Board:

Levi Erdmann – Land Department
Ardy Pfaff – ITD
Deon Vilhauer – Department of Transportation

Following is the schedule for the remainder of the election process:

June 1, 2008 – Ballots are sent out to membership

June 13, 2008 – Deadline to return ballots

June 16, 2008 – Ballot canvassing

June 19, 2008 – Presentation of results to Board membership