

# NDPERS BOARD MEETING

## Agenda

**Bismarck Location:**  
ND Association of Counties  
1661 Capitol Way  
**Fargo Location:**  
BCBS, 4510 13<sup>th</sup> Ave SW

**May 21, 2009**

**Time: 8:30 AM**

### **I. MINUTES**

A. April 16, 2009

### **II. Administration**

A. PERSLink Update – Sharon (Information)

### **III. GROUP INSURANCE**

- A. Wellness Program Update – Nancy Vogeltanz Holm (Information)
- B. Gallagher Benefit Services – Sparb (Board Action)
- C. ND Pharmacy Services Corporation Contract – Sparb (Board Action)
- D. Secondary Coverage Eligibility – Sparb (Board Action)
- E. Single Plus Dependent (SPD) Rate – Sparb (Board Action)
- F. EAP Proposals – Bryan (Board Action)
- G. BCBS Letter – Sparb (Information)
- H. Member Bill Audit Program – Sparb (Board Action)
- I. Disability Consultant Contract – Kathy (Board Action)
- J. Dental Plan Renewal – Sparb & Kathy (Board Action)
- K. Surplus/Affordability Update – Bryan (Information)

### **IV. RETIREMENT**

A. New Federal Tax Withholding Tables – Sparb (Information)

### **V. MISCELLANEOUS**

- A. Legislative Update – (Information)
- B. Board Election Update – Kathy (information)
- C. Update on Request for Proposal – Sparb (Information)
- D. SIB Agenda

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



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

**Sparb Collins**  
Executive Director  
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# Memorandum

**TO:** PERS Board

**FROM:** Sharon Schiermeister

**DATE:** May 14, 2009

**SUBJECT:** PERSLink Project Update

Anne Bahr of LR Wechsler will be at the Board meeting to provide an update on the status of the PERSLink Project. In addition, Rick Deshler of Sagitec will provide an overview of the technical quality assurance process they follow when developing systems such as PERSLink.

# North Dakota Public Employees Retirement System

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## NDPERS PERSLink

### Board Presentation

May 21, 2009

“We commit to successfully implement a robust, reliable, secure web-enabled, integrated benefit administration system that improves NDPERS’ business operations and service.”

Presented by:

**L. R. Wechsler, Ltd. (LRWL)**

10394 Democracy Lane

Fairfax, VA 22030

(703) 385-3440

[www.lrwl.com](http://www.lrwl.com)



# Project Status

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- ◆ Start Date: October 1, 2007
- ◆ Project Status – Green
- ◆ Anticipated End Date: October 2010



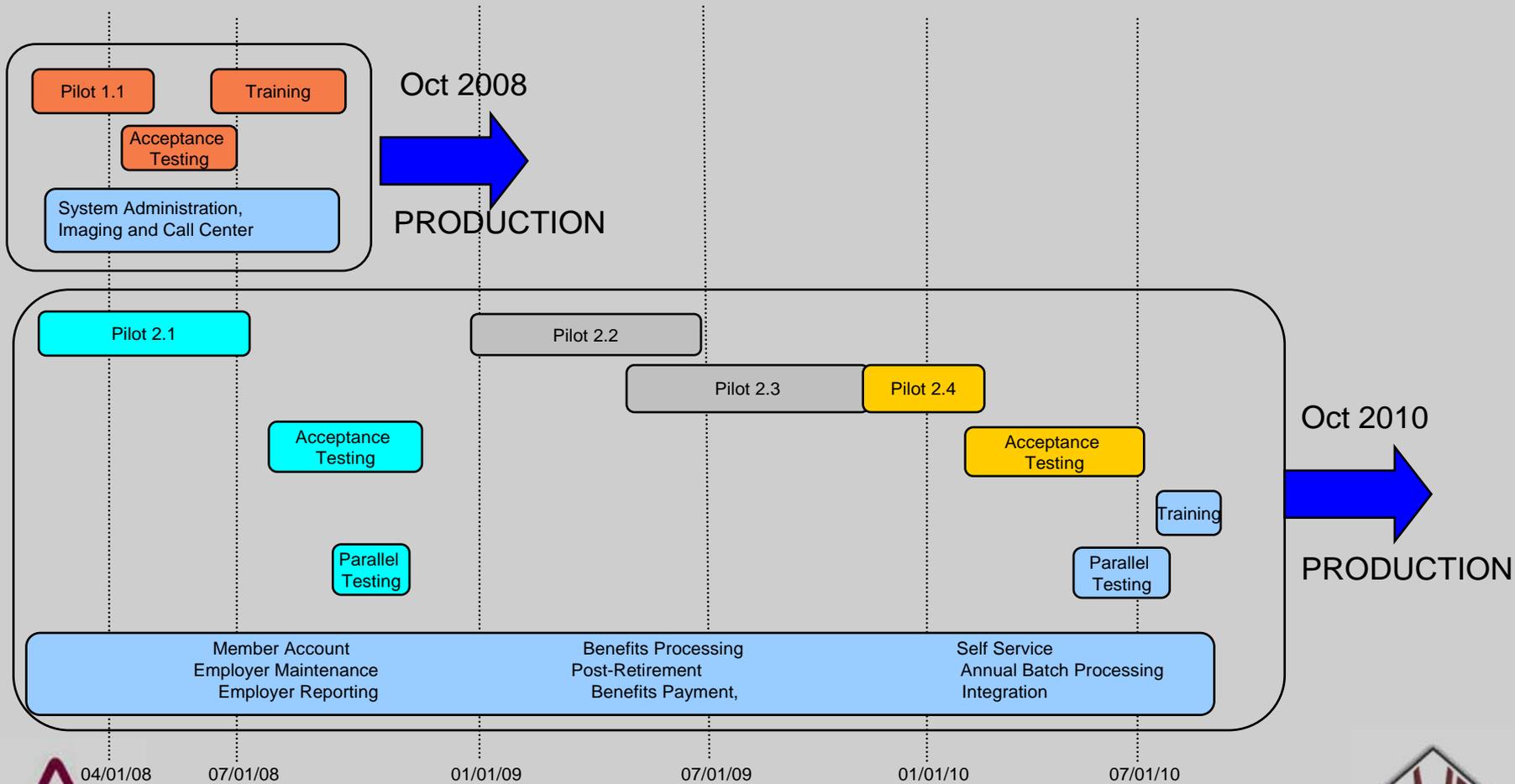
# Accomplishments

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- ◆ October, 2008 Release 1.0
  - Contact Management, Workflow, Security, Front End Imaging
- ◆ January, 2009 Pilot 2.1
  - Employer Reporting, Organization and Person Overview, Insurance Billing, General Ledger Transactions, Service Purchases
- ◆ July, 2009 Pilot 2.2 (anticipated)
  - Retirement application processing, Setting up Payee Accounts and Withholding, QDRO's and Benefit Calculations



# Overall Project Schedule



# Budget Status as of 3/31/2009

	Original Budget	Actual Costs	Expected Costs	Actual vs Expected Variance	Remaining Budget	Cost Performance Index (CPI)	Estimate at Completion (EAC)
Sagitec	7,678,360	4,244,901	4,217,445	27,456	3,433,459	0.99	7,728,346
LRWL	1,000,000	414,668	429,163	(14,496)	585,332	1.03	966,223
Hardware/Software	185,000	12,430	12,430	0	172,570	1.00	185,000
Contingency	730,640	17,820	17,820	0	712,820	1.00	730,640
Total Appropriation	9,594,000	4,689,818	4,676,858	12,960	4,904,182	1.00	9,620,586
PERS Staffing hours	908,214 24,000	291,609 7,706	471,477 12,459	(179,868) (4,753)	616,605 16,294	1.62	561,731
Total Budget	10,502,214	4,981,427	5,148,335	(166,908)	5,520,787	1.03	10,161,734
Explanation of Sagitec variance:							
Pilot 2.3 SOW		(12,780)		(decision was made to not run Pilot 2.2/Pilot 2.3 in parallel so work/payment is delayed)			
Pilot 2.3 Fine Grained Phase WBS		(3,772)		(decision was made to not run Pilot 2.2/Pilot 2.3 in parallel so work/payment is delayed)			
Pilot 2.3 Updated RTM		(15,975)		(decision was made to not run Pilot 2.2/Pilot 2.3 in parallel so work/payment is delayed)			
backfile conversion		59,983		(budgeted \$20,000 for test sample only, project is ahead of schedule)			
		27,456					



# Code Review

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- ◆ **Survey of Other Pension Systems**
- ◆ **Sagitec Tool and Results**
- ◆ **Review results with ITD/Steering Committee**
- ◆ **Input from other Sagitec Installations**



# Post Implementation Support Planning

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- ◆ NDPERS Management, LRWL and Sagitec are assisting IT staff in determining their roles and responsibilities after go live.



# Summary

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- ◆ Project is approximately 50% complete.
- ◆ NDPERS has begun planning for future ongoing maintenance and support



# Questions & Comments

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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** May 13, 2009  
**SUBJECT:** Wellness Program Update

Attached is the report from Dr. Nancy Vogeltanz-Holm relating to the ND Worksite Health Promotion Program along with the Aggregate Report for Year 3. Dr. Holm will be at the Board meeting to review the findings and answer any questions you may have.



# North Dakota Worksite Health Promotion Program: 2006-2008 Health Claims Cost Analyses

## Report to the North Dakota Public Employees Retirement System

Center for Health Promotion & Prevention Research  
University of North Dakota School of Medicine & Health Sciences  
Grand Forks, ND

Dr. Nancy Vogeltanz-Holm, Director  
Dr. Jeffrey Holm, Senior Scientist  
Dr. Dmitri Poltavski, Research Analyst

March 2009

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## Introduction

The North Dakota Worksite Health Promotion Program (HPP) was a pilot program conducted in 2006-2008 that provided 2.5 years of active health promotion services and evaluation of program effectiveness for North Dakota state employees from four agency worksites. The purpose of the program was to develop and implement an evidence-based worksite health promotion program that would potentially improve state employees' health, health behaviors, work productivity, work satisfaction, and decrease healthcare costs. The program was sponsored by the North Dakota Public Employees Retirement System and designed, implemented, and evaluated by health professionals at the University of North Dakota School of Medicine and Health Sciences, Center for Health Promotion and Prevention Research.

The HPP involved employees from *the Office of Management and Budget; the State Historical Society; the Department of Commerce; and the Department of Tax.*

All agency employers/health councils received the following services:

- ◆ Worksite environment and employee needs assessment
- ◆ Recommendations and assistance to health councils
- ◆ Health promotion toolkits and monthly planners for initiating worksite activities
- ◆ Yearly worksite-specific and aggregate evaluation/progress reports

2.5 years of individualized services to all employees included the following:

- ◆ Computerized employee health risk assessments with automated health risk analyses and individualized recommendations for improving health
- ◆ \$25 stipend for completing the health assessment
- ◆ Self-help materials for modifying health risks
- ◆ Comprehensive list of local healthy lifestyle services
- ◆ Worksite Tobacco Cessation classes
- ◆ 4-month worksite fruits & vegetables program
- ◆ Yearly worksite-specific and aggregate evaluation reports

Additionally, employees at two of the worksites received these individualized services:

- ◆ 3 (annual) cycles of Individualized health coaching
- ◆ 2 (annual) worksite health screenings including venipuncture lipid panels (total cholesterol, LDL, HDL, triglycerides) and blood glucose; blood pressure; body mass and waist circumference; and stress/depression screens

Several reports and updates detailing all non-cost related results of the ND Worksite Health Promotion Program were previously provided to NDPERS. *This current report details the methodology and results of changes in healthcare claims costs for the Health Promotion Program employees relative to a large control group of state employees from the Bismarck area.* Additional analyses in this report present cost differences between Health Promotion Program employees receiving higher versus moderate level services.

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**Claims Costs Analyses Method:****Worksite Selection & Design, Intervention Group**

The four worksites selected to participate in the ND Worksite Health Promotion Program were similar in community resources (all located in Bismarck area) and demographics (number of employees, average age, and gender balance), but varied in their health claims costs prior to intervention (two were of higher costs and two were relatively lower costs). One higher cost worksite and one lower cost worksite pair were randomly assigned to receive a higher level of health promotion services (Commerce & Tax). The other two worksites received the moderate level of services (OMB & SHS). The Health Promotion Program employees (hereafter called the *intervention group*) had to be employed for at least one year during 2006 or 2007 to be included in the data analyses ( $N=462$ ). The mean age of the intervention group was 49.0 years. Women comprised 52.4% of the sample.

**Claims Costs Analyses Method:****Worksite Selection & Design, Control Group**

The control group consisted of all NDPERS state and political subdivision employees from the Bismarck-Mandan area not employed in one of the four intervention worksites and who were employed for at least one year during 2006 or 2007 ( $N = 3,371$ ). The mean age of the control group was 47.2 years. Women comprised 54.7% of the sample. The largest number of employees represented in the control group included those from the Departments of Transportation, Human Services, and Health; Bismarck State College; the State Penitentiary; the Information Technology Division; Workforce Safety; the Bank of North Dakota; and the Attorney General's office.

Employees from the Bismarck area were selected as controls because they share the same non-work exposure to health promotion services and health resources, thus providing control for these potential influences on health behavior and health costs. The control group employees were exposed to various levels of worksite health promotion activities due to NDPERS' Statewide Wellness Program which provided incentives for implementing worksite programs. Some additional sites, e.g., the Department of Transportation, provided their employees with specialized wellness services. Most control employees also had the opportunity to participate in no cost or low cost health screenings through worksite programs and/or Wellness fairs held at the State Capitol. *Therefore, our control group represents a high similar comparison group and provides a very conservative (rigorous) test of the intervention.*

**Claims Costs Analyses Method:****Statistical Design**

Intervention and control group employees' health care claims data were obtained from NDPERS for all claims submitted between 1/1/2003 and 6/30/2008. Costs associated with doctor/clinic charges, pharmacy charges, and hospital charges were calculated separately along with a measure of total combined costs. Employees had to be employed for at least one year during 2006 or 2007 to be included in the data analyses. Costs were summed for each calendar year and annualized for the 2008 year by multiplying by two each employee's costs for the six-month period from 1/1/2008 to

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6/30/2008. Next, adjustments were made for inflationary increases in health care costs in 2004, 2005, 2006, 2007, and 2008 based on data provided by NDPERS and BCBS of North Dakota. Therefore, all health care costs presented in this report are based on 2003 dollars.

Baseline costs were established for each employee by summing 2003, 2004, and 2005 costs and obtaining an average by dividing the sum by the number of these years they were employed by a NDPERS benefitted agency. Thus, four longitudinal data points were used in analyzing the claims data: baseline (2003-2005), Intervention Year 1 (2006), Intervention Year 2 (2007), and Intervention Year 3 (first half of 2008, annualized).

Analyses of health care cost data is complicated by its non-normal data distributions including a restricted range (non-negative observations), a “spike” of zero values, and skewness. As expected, the distribution of NDPERS members’ costs contained all these distributional problems. Heavily skewed data represents the most serious problem for linear regression techniques. Our NDPERS data showed that the majority of members had average yearly costs of less than \$700 but a small number of very high cost members greatly distorted the overall mean costs. The solution for analyzing heavily skewed cost data is to logarithmically transform the data which minimizes the effect of extremely skewed data. Because logarithmic transformations result in data that are no longer interpretable in their original cost units (dollars), an additional step in which a “smearing factor” is calculated and applied to the data is required before “re-transforming” the data back into their original units. A two-part smearing factor that provides separate adjustments for the highly skewed upper decile of costs and the remaining 90% of costs was used in the current analyses (Buntin & Zaslavsky, 2004).

All analyses were conducted using Generalized Estimating Equations (GEE) which allows for analysis of longitudinal and correlated data. GEE analyses were conducted in which the intervention and control groups were compared in each of the four time periods on log-transformed (a) total costs; (b) physician/clinic costs; (c) pharmacy costs; and (d) hospital costs (intervention X time interaction effect). Each model also included the main effects of gender and age, the gender X time interaction, and the gender X intervention X time interaction. Graph values for the main and secondary analyses are based on re-transformed (two-factor smearing) mean costs per year, inflation-adjusted to 2003 costs.

Because health care costs studies have shown that almost 80% of all health care costs are incurred by a relatively small percent of individuals in the population, we conducted a second set of analyses comparing the intervention and control group employees who incurred relatively lower average costs across the study periods. These analyses repeated the same statistical design used in the main analyses but excluded the employees who had incurred approximately 80% of the total costs during the 2003-2008 period (average total costs of \$2,000 per year or greater). These analyses therefore included 67.5% of the intervention group employees and 70.2% of the control group employees, all of which had yearly average costs of less than \$2,000. This sample,

however, was also highly skewed (recall that the median of the total sample is approximately \$700 per year) and thus required log-transformations and re-transformations of the data. Re-transformations, however, used only a single smearing factor because there was no extremely high decile of costs.

Finally, a third set of analyses examined potential cost differences between intervention group employees who received the higher level of health promotion services ( $n=218$ ) compared to intervention group employees who received a moderate level of services ( $n=244$ ). GEE models comparing costs between the High- and Moderate-level services worksites used the same statistical design as described above for the main analyses.

### Claims Costs Analyses: Results, Intervention vs. Control Groups

**Total Health Care Costs.** Significant effects were found for gender [ $\chi^2(1)=75.02$ ,  $p < .001$ ], age [ $\chi^2(1)=357.81$ ,  $p < .001$ ], and the intervention X time interaction [ $\chi^2(3)=17.89$ ,  $p < .001$ ] on log normal transformed total health care costs. Women had significantly greater total health care costs than men across all years (see figure 1), and total health care costs significantly increased with employees' ages (see figure 2). Intervention group employees showed significantly greater decreases in total health care costs from the baseline measurement through 2008 compared to control employees (see figure 3).

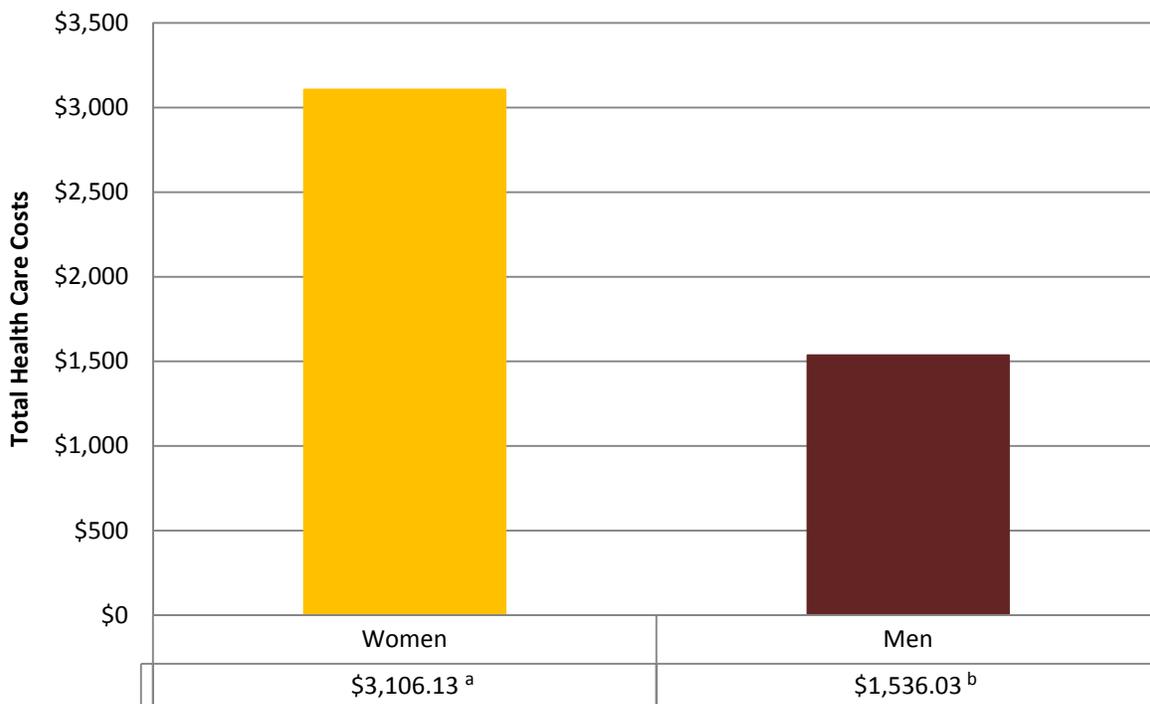


Figure 1: Gender differences in total health care costs adjusted for inflation (in 2003 dollars) for all employees ( $N=3,833$ ). Means with different superscripts are statistically different at  $p < .05$ .

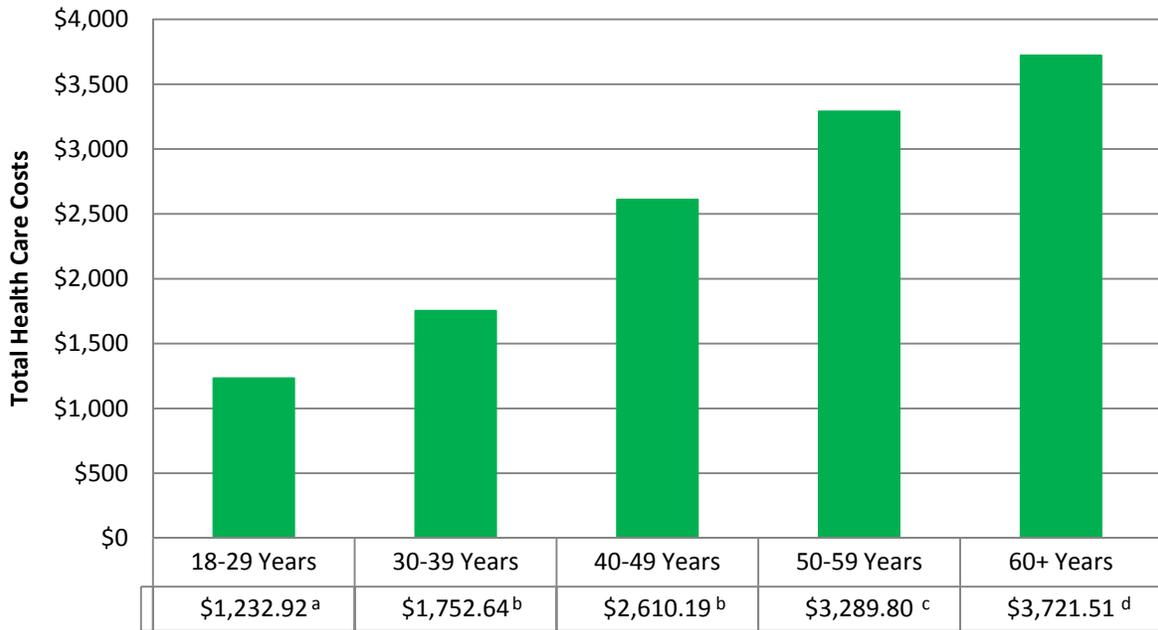


Figure 2: Age differences in total health care costs adjusted for inflation (in 2003 dollars) for all employees ( $N=3,833$ ). Means with different superscripts are statistically different at  $p < .05$ .

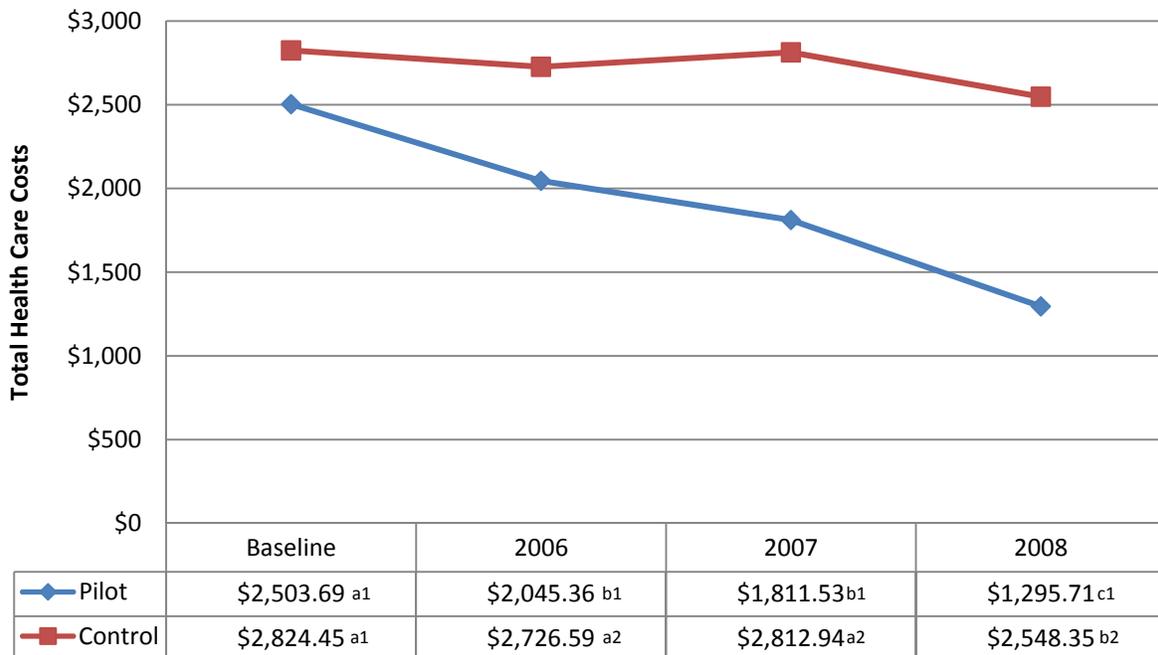


Figure 3: Differences in total health care costs across time adjusted for inflation (in 2003 dollars) for intervention ( $n=462$ ) and control employees ( $n=3,371$ ). Means in the same row with different letter superscripts are significantly different ( $p < .05$ ) and means in the same column with different number superscripts are significantly different ( $p < .05$ ).

**Doctor/Clinic Health Care Costs.** Significant effects were found for gender [ $\chi^2(1)=133.60, p < .001$ ], age [ $\chi^2(1)=159.29, p < .001$ ], and the intervention X time interaction [ $\chi^2(3)=20.69, p < .001$ ] on log normal transformed doctor/clinic health care costs. Women had significantly greater doctor/clinic costs than men across all years (see figure 4), and doctor/clinic costs significantly increased with employees' ages (see figure 5). Intervention group employees showed greater decreases in doctor/clinic costs from the baseline measurement through 2008 than did control employees (see figure 6).

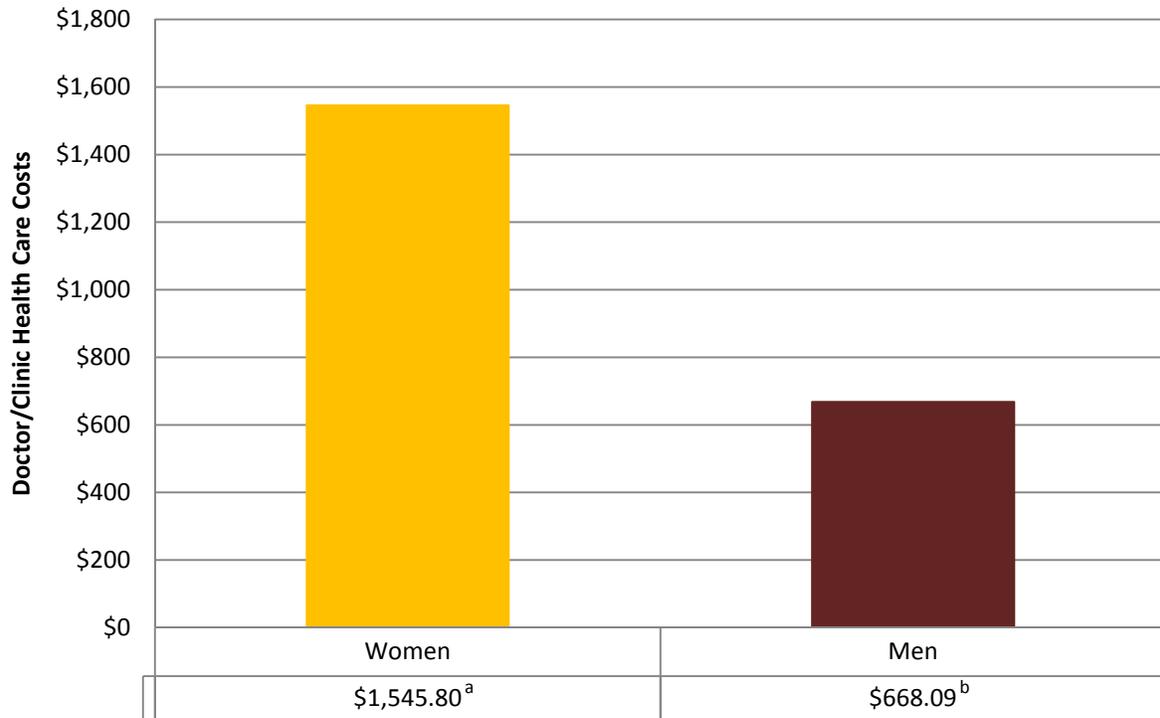


Figure 4: Gender differences in doctor/clinic health care costs adjusted for inflation (in 2003 dollars) for all employees ( $N=3,833$ ). Means with different superscripts are statistically different at  $p < .05$ .

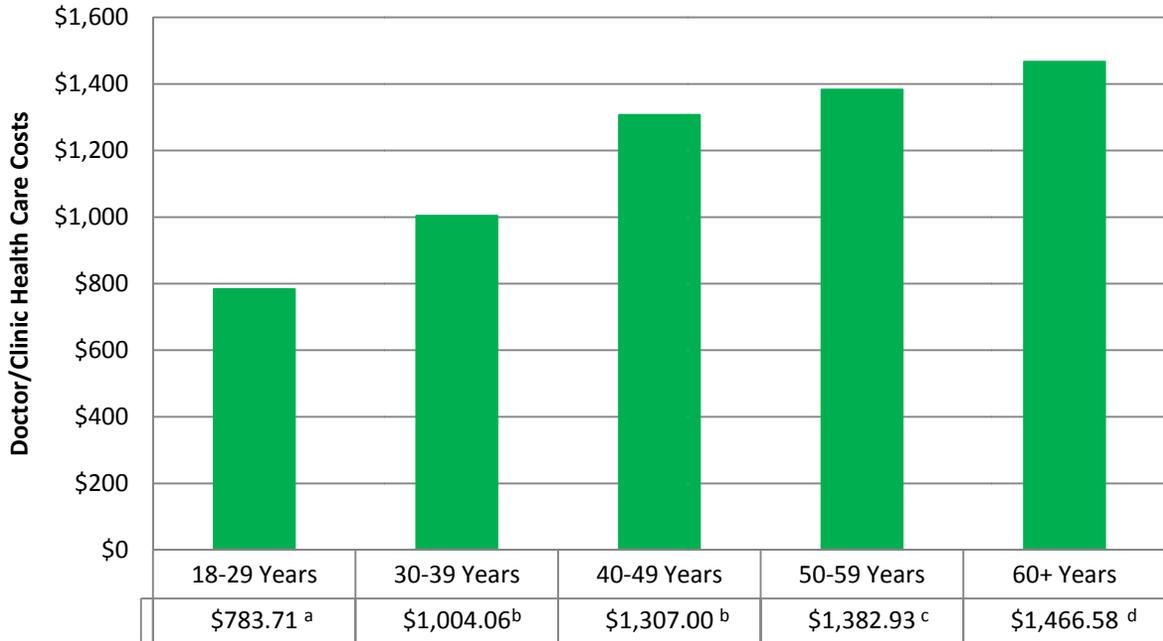


Figure 5: Age differences in doctor/clinic health care costs adjusted for inflation (in 2003 dollars) for all employees (N=3,833). Means with different superscripts are statistically different at  $p < .05$ .

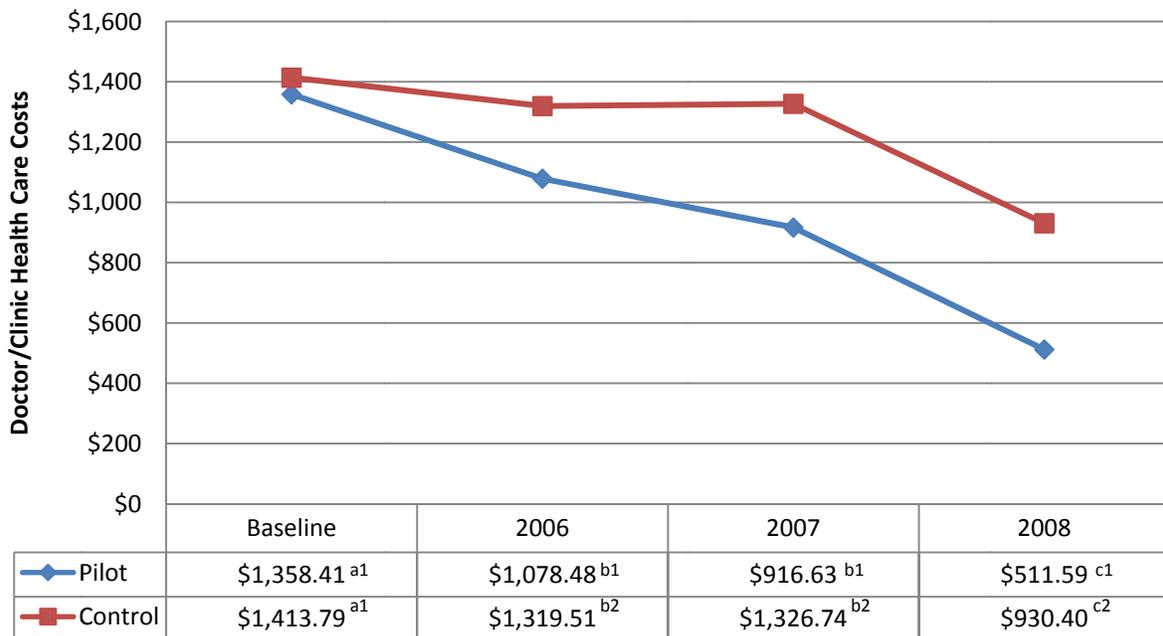


Figure 6: Differences in doctor/clinic health care costs across time adjusted for inflation (in 2003 dollars) for intervention (n=462) and control employees (n=3,371). Means in the same row with different letter superscripts are significantly different ( $p < .05$ ) and means in the same column with different number superscripts are significantly different ( $p < .05$ ).

**Pharmacy Costs.** Significant effects were found for gender [ $\chi^2(1)=40.58, p < .001$ ] and for age [ $\chi^2(1)=414.80, p < .001$ ] on log normal transformed pharmacy costs. There was no significant intervention X time interaction effect [ $\chi^2(3)=5.46, p = .141$ ]. Women had significantly greater pharmacy costs than men across all years (see figure 7) and pharmacy costs significantly increased with employees' ages (see figure 8).

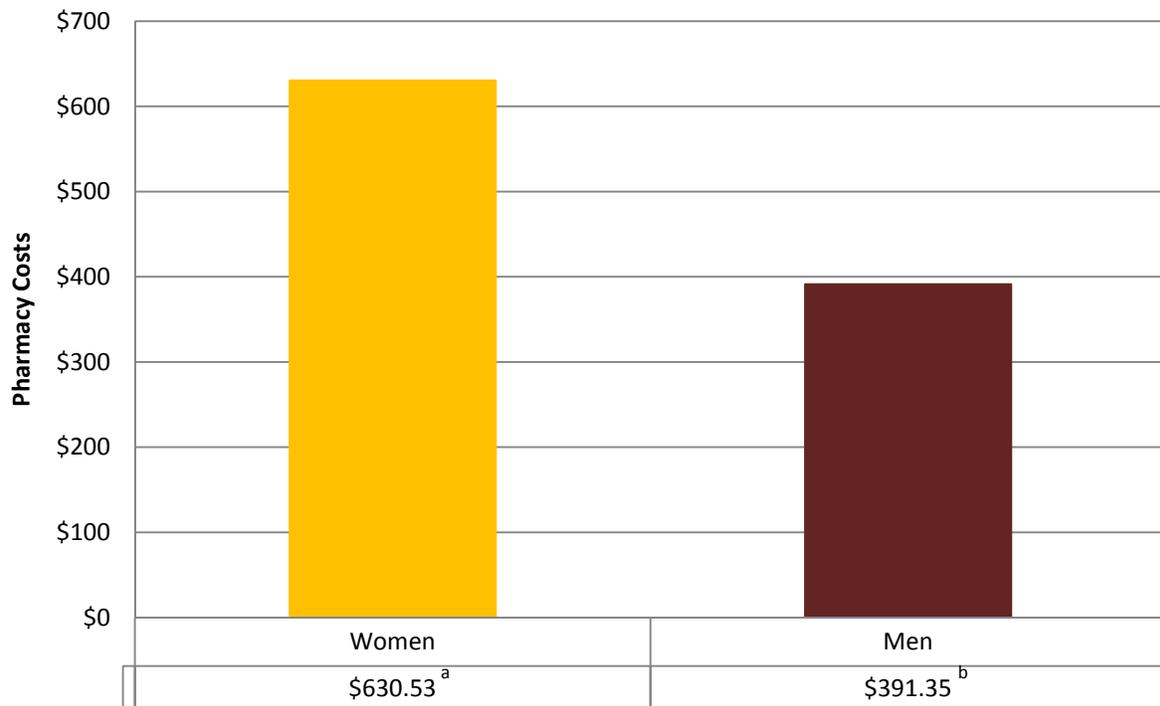


Figure 7: Gender differences in pharmacy costs adjusted for inflation (in 2003 dollars) for all employees ( $N=3,833$ ). Means with different superscripts are statistically different at  $p < .05$ .

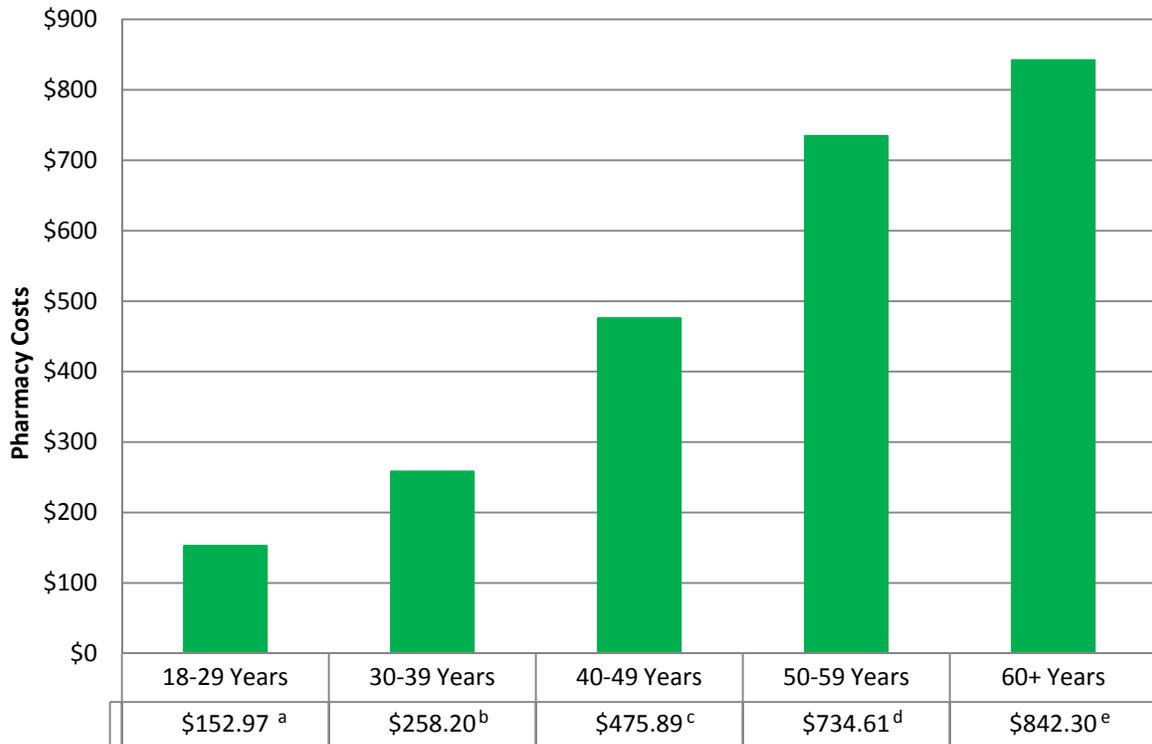


Figure 8: Age differences in pharmacy costs adjusted for inflation (in 2003 dollars) for all employees ( $N=3,833$ ). Means with different superscripts are statistically different at  $p < .05$ .



**Hospital Costs.** Significant effects were found for gender [ $\chi^2(1)=12.20, p < .001$ ] and age [ $\chi^2(1)=171.60, p < .001$ ] on log normal transformed hospital costs. There was no significant intervention X time interaction effect [ $\chi^2(3)=3.59, p = .309$ ]. Women had significantly greater hospital costs than men across all years (see figure 9), and hospital costs significantly increased with employees' ages (see figure 10).

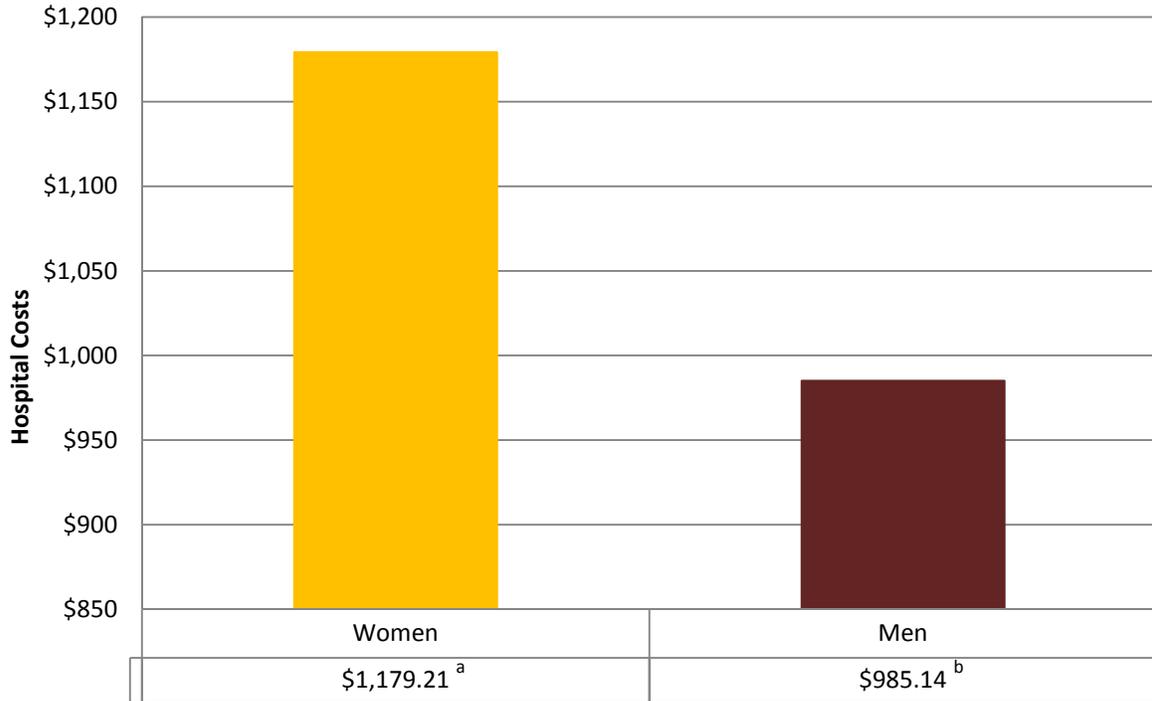


Figure 9: Gender differences in hospital costs adjusted for inflation (in 2003 dollars) for all employees ( $N=3,833$ ). Means with different superscripts are statistically different at  $p < .05$ .



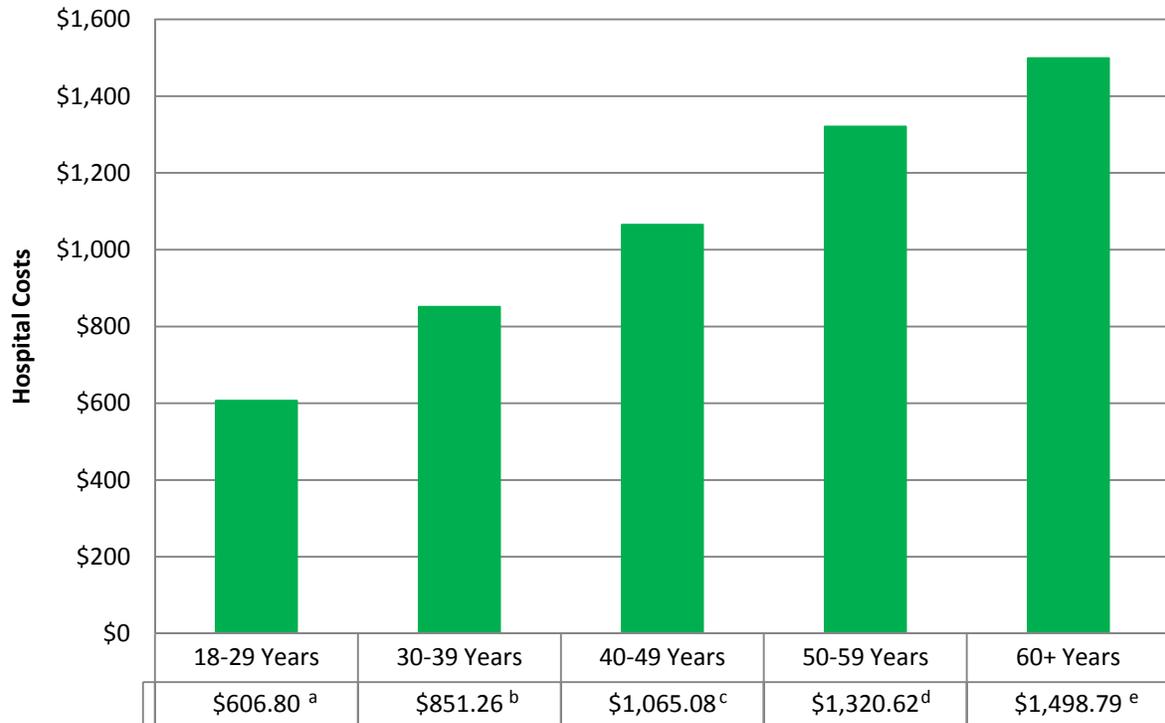


Figure 10: Age differences in hospital costs adjusted for inflation (in 2003 dollars) for all employees ( $N=3,833$ ). Means with different superscripts are statistically different at  $p < .05$ .



### Claims Costs Analyses: Results, Intervention vs. Control Groups, Employees Without High Health Care Costs

GEE analyses examined the effect of the worksite health promotion intervention across time, controlling for gender and age on total health care costs, doctor/clinic costs, pharmacy costs, and hospital costs in a sample of employees that did not have high health care costs across the study periods. This sample excluded those employees who had incurred approximately 80% of the average total costs during the 2003-2008 period (average total costs of \$2,000 per year or greater). These analyses therefore included 67.5% of the intervention group employees ( $n = 312$ ) and 70.2% of the control group employees ( $n = 2,365$ ), all of which had yearly average costs of less than \$2,000. This sample, however, was also highly positively skewed and thus required log-transformations and re-transformations of the data using the process described for the main analyses.

**Total Health Care Costs.** Significant effects were found for gender [ $\chi^2(1)=65.40$ ,  $p < .001$ ], age [ $\chi^2(1)=160.89$ ,  $p < .001$ ], and the intervention X time interaction [ $\chi^2(3)=17.00$ ,  $p < .001$ ] on log normal transformed total health care costs for the employees who had yearly average costs of less than \$2,000. Women had significantly greater total health care costs than men across all years (see figure 11), and total health care costs significantly increased with employees' ages (see figure 12). Intervention employees showed greater decreases in total health care costs from the baseline measurement through 2008 than did control employees (see figure 13).

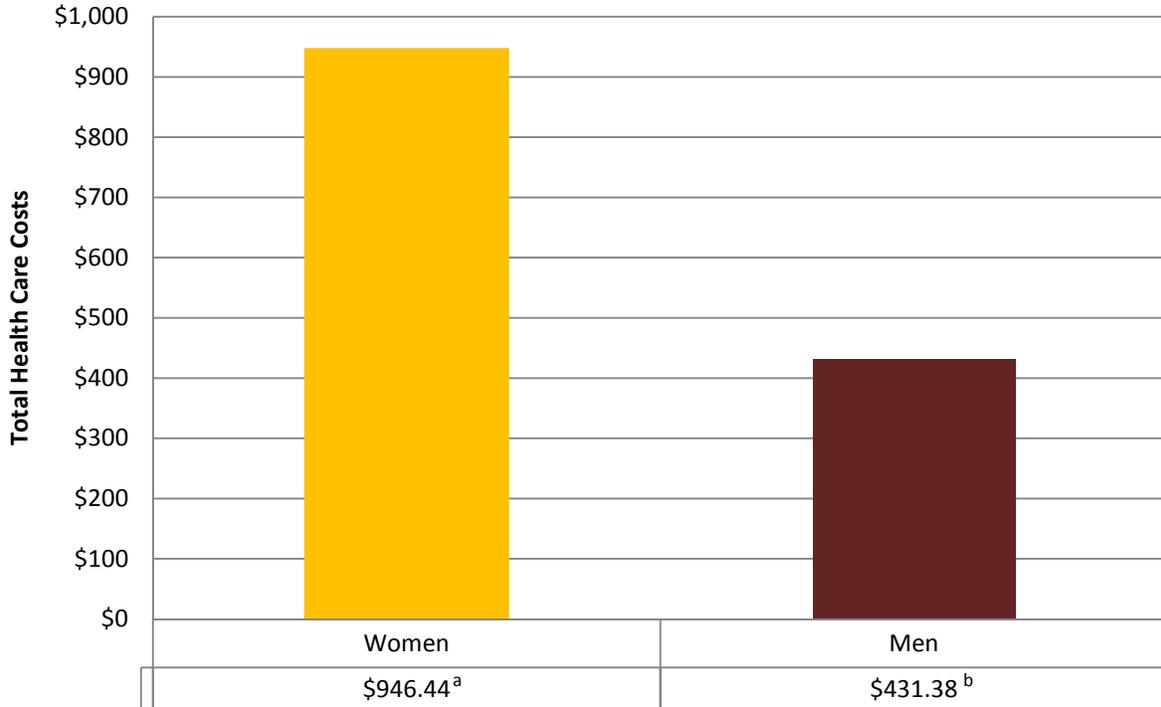


Figure 11: Gender differences in total health care costs adjusted for inflation (in 2003 dollars) for employees with yearly average health care costs < \$2,000 ( $N=2,677$ ). Means with different superscripts are statistically different at  $p < .05$ .

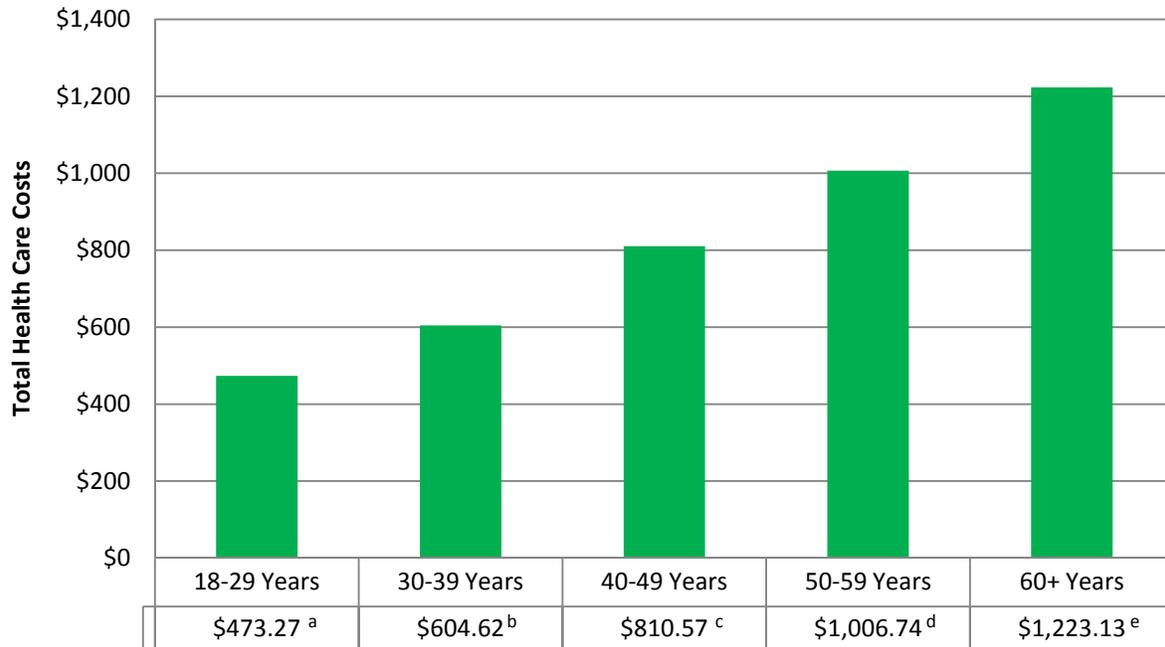


Figure 12: Age differences in total health care costs adjusted for inflation (in 2003 dollars) for employees with yearly average health care costs < \$2,000 (N=2,677). Means with different superscripts are statistically different at  $p < .05$ .

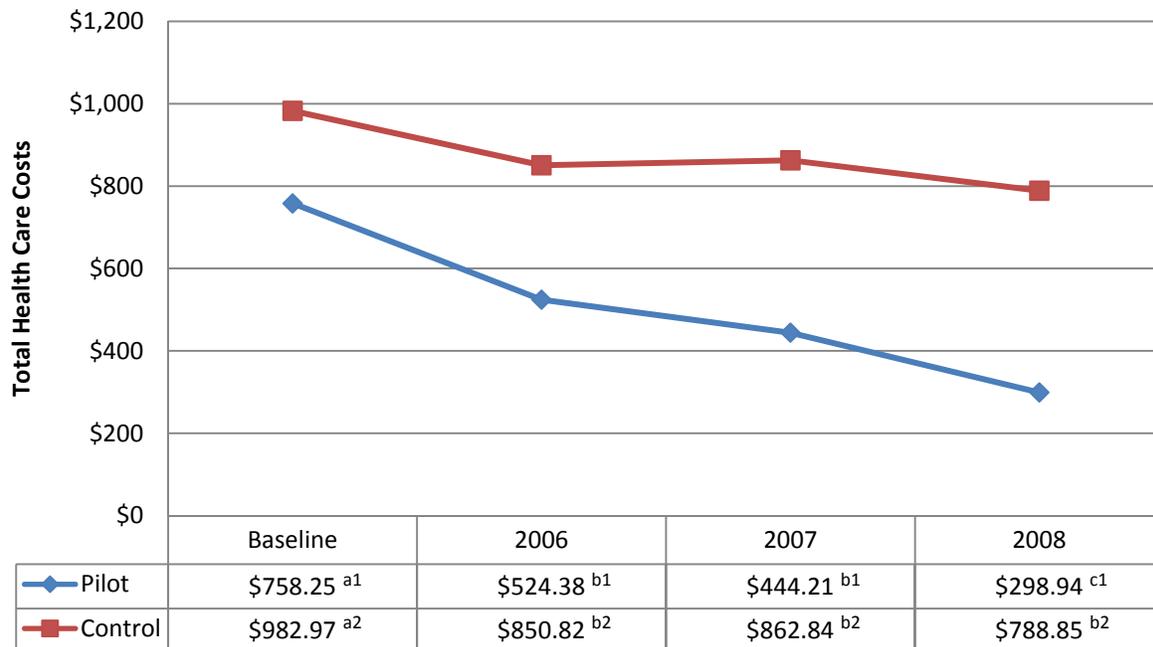


Figure 13: Differences in total health care costs across time adjusted for inflation (in 2003 dollars) for intervention (n=312) and control employees (n=2,365) with yearly average health care costs < \$2,000. Means in the same row with different letter superscripts are significantly different ( $p < .05$ ) and means in the same column with different number superscripts are significantly different ( $p < .05$ ).

**Doctor/Clinic Health Care Costs.** Significant effects were found for gender [ $\chi^2(1)=113.95, p < .001$ ], age [ $\chi^2(1)=42.46, p < .001$ ], and the intervention X time interaction [ $\chi^2(3)=20.23, p < .001$ ] on log normal transformed doctor/clinic health care costs for employees who had yearly average costs of less than \$2,000. Women had significantly greater doctor/clinic costs than men across all years (see figure 14), and doctor/clinic costs significantly increased with employees' ages (see figure 15). Intervention employees showed greater decreases in doctor/clinic health care costs from the baseline measurement through 2008 than did control employees (see figure 16).

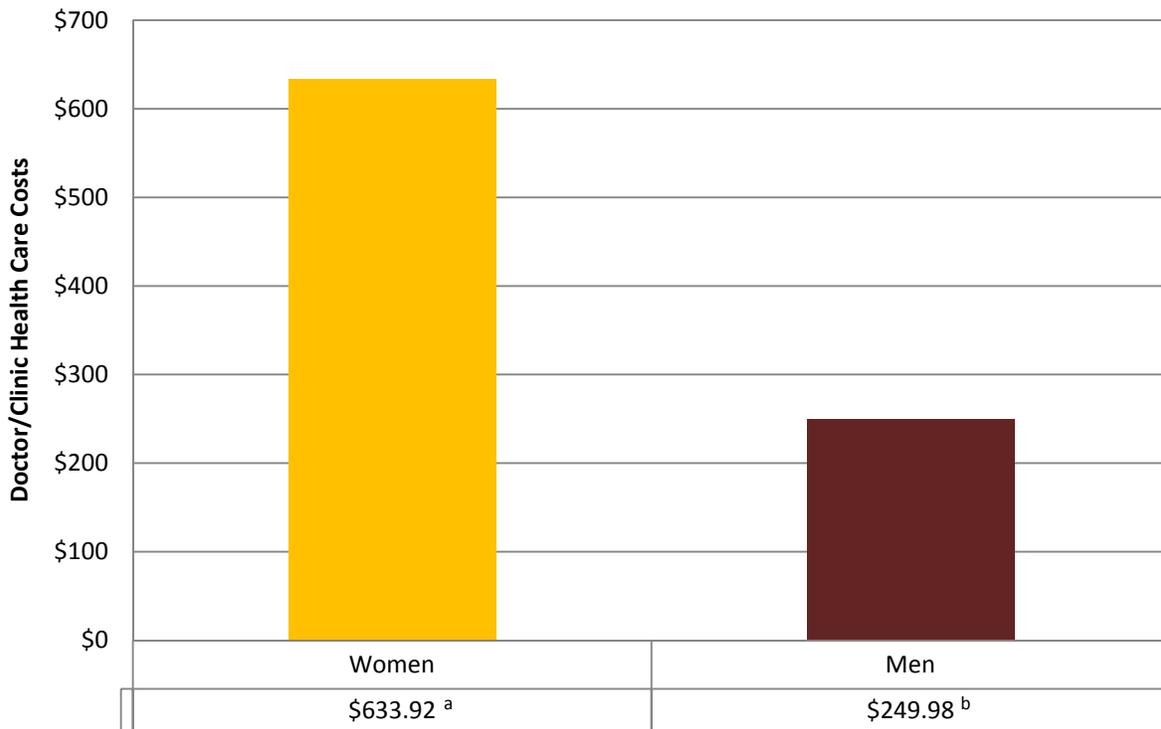


Figure 14: Gender differences in doctor/clinic health care costs adjusted for inflation (in 2003 dollars) for employees with yearly average health care costs < \$2,000 ( $N=2,677$ ). Means with different superscripts are statistically different at  $p < .05$ .

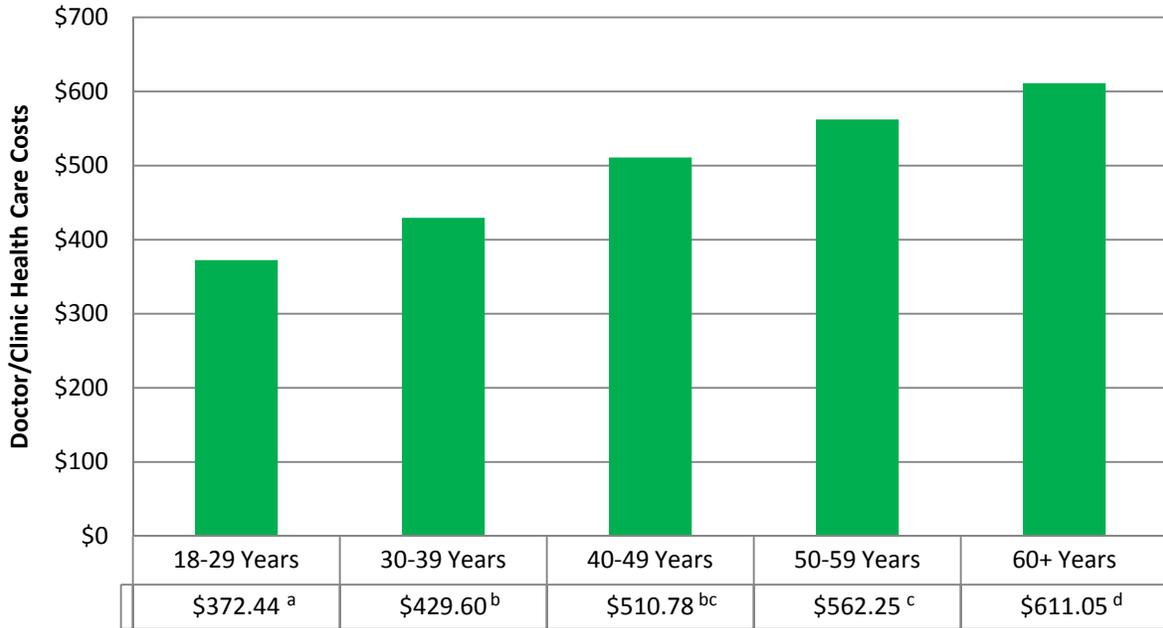


Figure 15: Age differences in doctor/clinic health care costs adjusted for inflation (in 2003 dollars) for employees with yearly average health care costs < \$2,000 (N=2,677). Means with different superscripts are statistically different at  $p < .05$ .

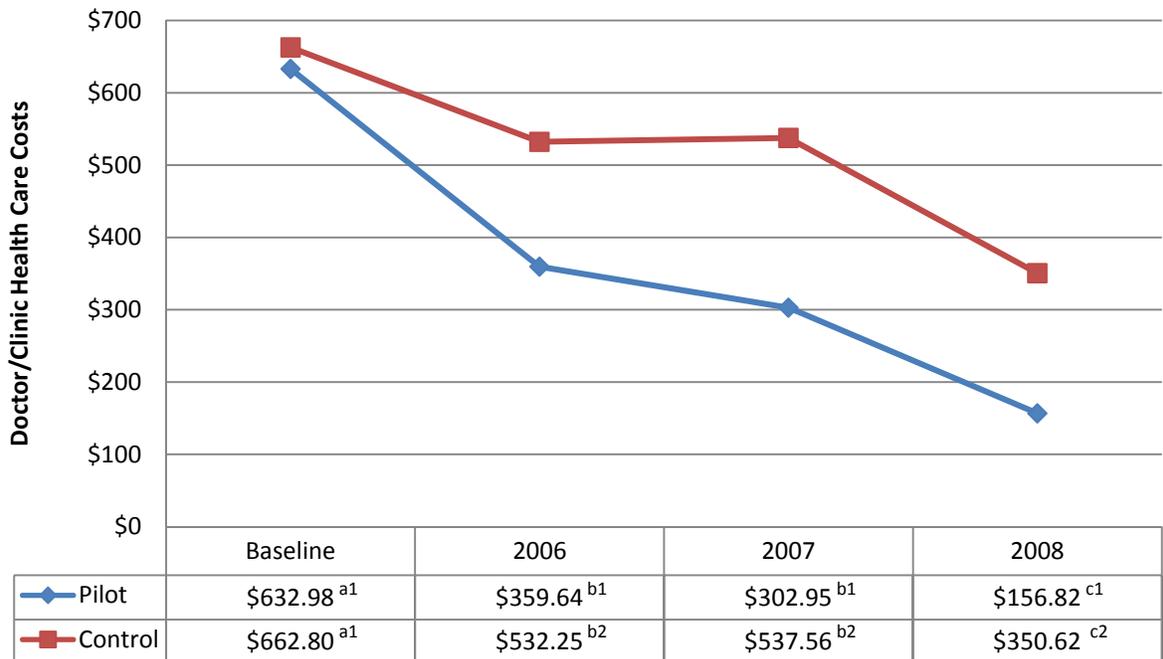


Figure 16: Differences in doctor/clinic health care costs across time adjusted for inflation (in 2003 dollars) for intervention ( $n=312$ ) and control employees ( $n=2,365$ ) with yearly average health care costs < \$2,000. Means in the same row with different letter superscripts are significantly different ( $p < .05$ ) and means in the same column with different number superscripts are significantly different ( $p < .05$ ).

**Pharmacy Costs.** Significant effects were found for gender [ $\chi^2(1)=24.83, p < .001$ ] and age [ $\chi^2(1)=191.34, p < .001$ ] on log normal transformed pharmacy costs for employees who had yearly average costs of less than \$2,000. Women had significantly greater pharmacy costs than men across all years (see figure 17), and pharmacy costs significantly increased with employees' ages (see figure 18). Although the intervention X time interaction was not statistically significant [ $\chi^2(3)=6.66, p = .083$ ], there was a trend for intervention employees to show greater decreases than control employees in pharmacy costs from the baseline measurement through 2008 (see figure 19).

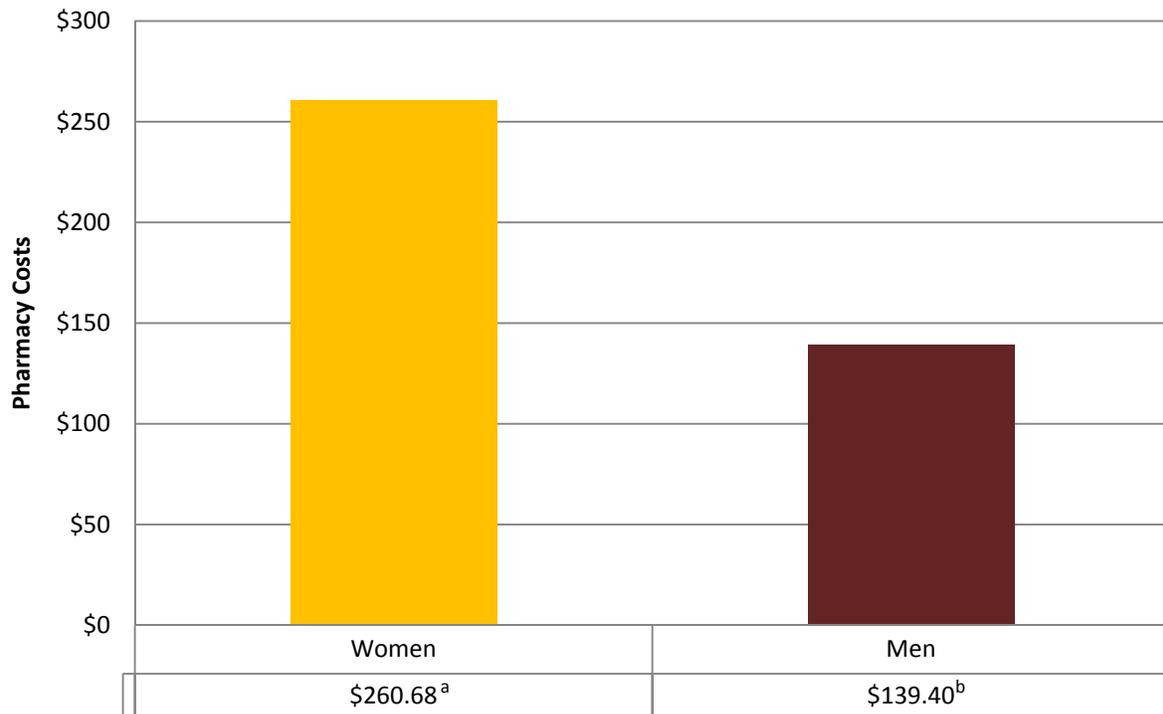


Figure 17: Gender differences in pharmacy costs adjusted for inflation (in 2003 dollars) for employees with yearly average health care costs < \$2,000 ( $N=2,677$ ). Means with different superscripts are statistically different at  $p < .05$ .

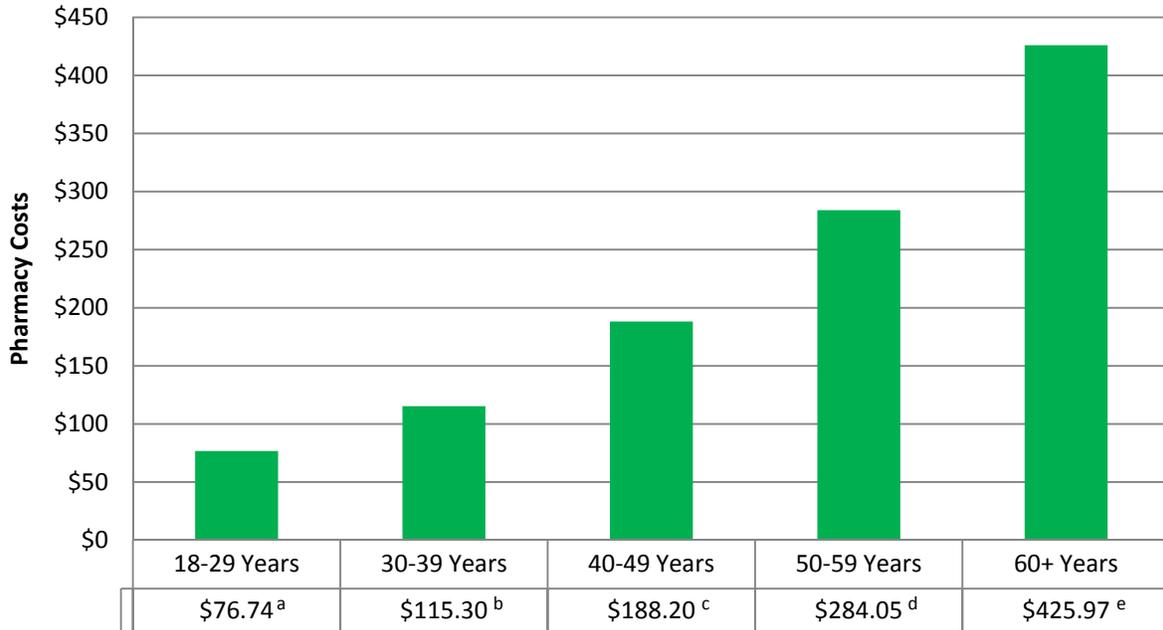


Figure 18: Age differences in pharmacy costs adjusted for inflation (in 2003 dollars) for employees with yearly average health care costs < \$2,000 (N=2,677). Means with different superscripts are statistically different at  $p < .05$ .

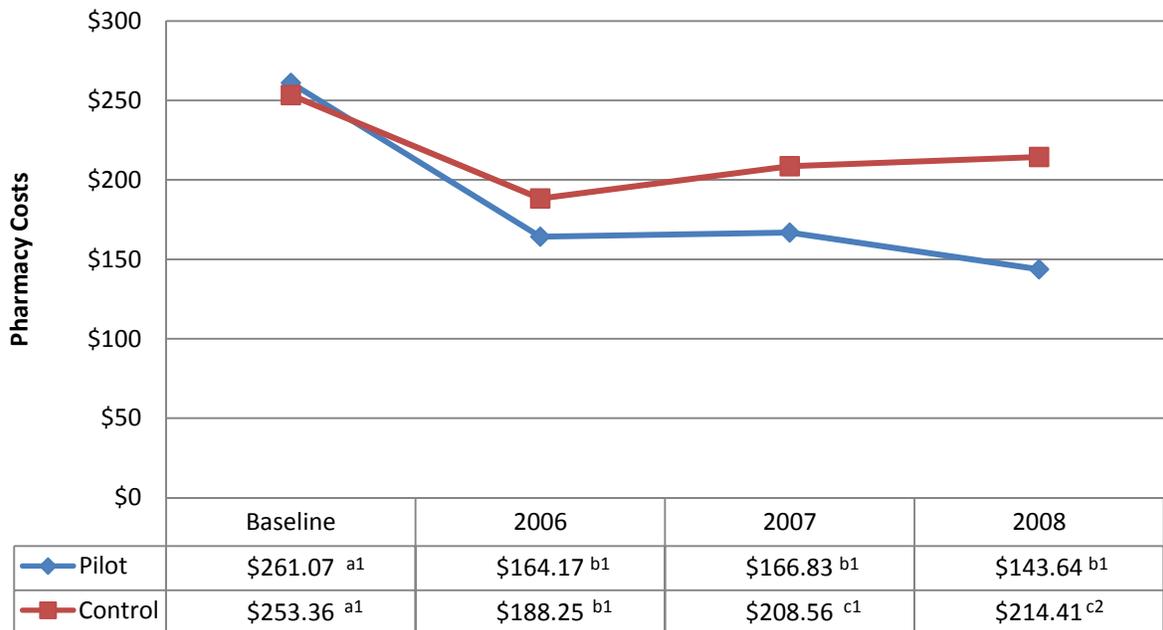


Figure 19: Differences in pharmacy costs across time adjusted for inflation (in 2003 dollars) for intervention (n=312) and control employees (n=2,365) with yearly average health care costs < \$2,000. Means in the same row with different letter superscripts are significantly different ( $p < .05$ ) and means in the same column with different number superscripts are significantly different ( $p < .05$ ).

**Hospital Costs.** A significant effect was found for age [ $\chi^2(1)=53.91$ ,  $p < .001$ ], but there were no significant effects of gender [ $\chi^2(1)=2.61$ ,  $p = .106$ ] or the intervention X time interaction [ $\chi^2(3)=3.69$ ,  $p = .297$ ] on log normal transformed hospital costs for the employees who had yearly average costs of less than \$2,000. Hospital costs significantly increased with employees' ages (see figure 20).

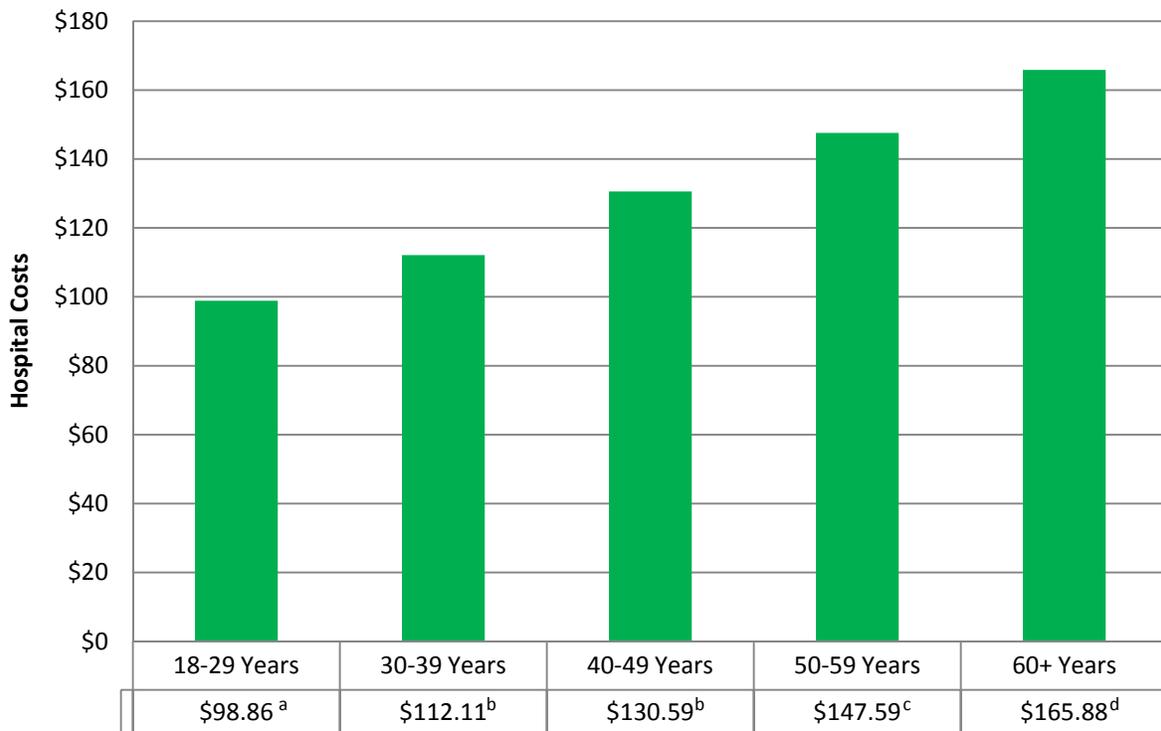


Figure 20: Age differences in hospital costs adjusted for inflation (in 2003 dollars) for employees with yearly average health care costs < \$2,000 ( $N=2,677$ ). Means with different superscripts are statistically different at  $p < .05$ .

**Claims Costs Analyses: Results, Higher vs. Moderate Level Interventions**

GEE analyses compared health care costs across the study periods for intervention employees who were exposed to the higher level of health promotion services (n = 218) to intervention employees who were exposed to the moderate level of health promotion services (n=244). Gender and age were controlled in all analyses. Analyses were for total health care costs, doctor/clinic costs, pharmacy costs, and hospital costs.

**Total Health Care Costs.** Significant effects were found for gender [ $\chi^2(1)=27.79, p < .001$ ] and for age [ $\chi^2(1)=28.46, p < .001$ ], but not for the higher vs. moderate level intervention X time interaction [ $\chi^2(3)=6.21, p = .102$ ] on log normal transformed total health care costs. Women in the intervention group had significantly greater total health care costs than men across all years (see figure 21). Total health care costs significantly increased with employees' ages (see figure 22).

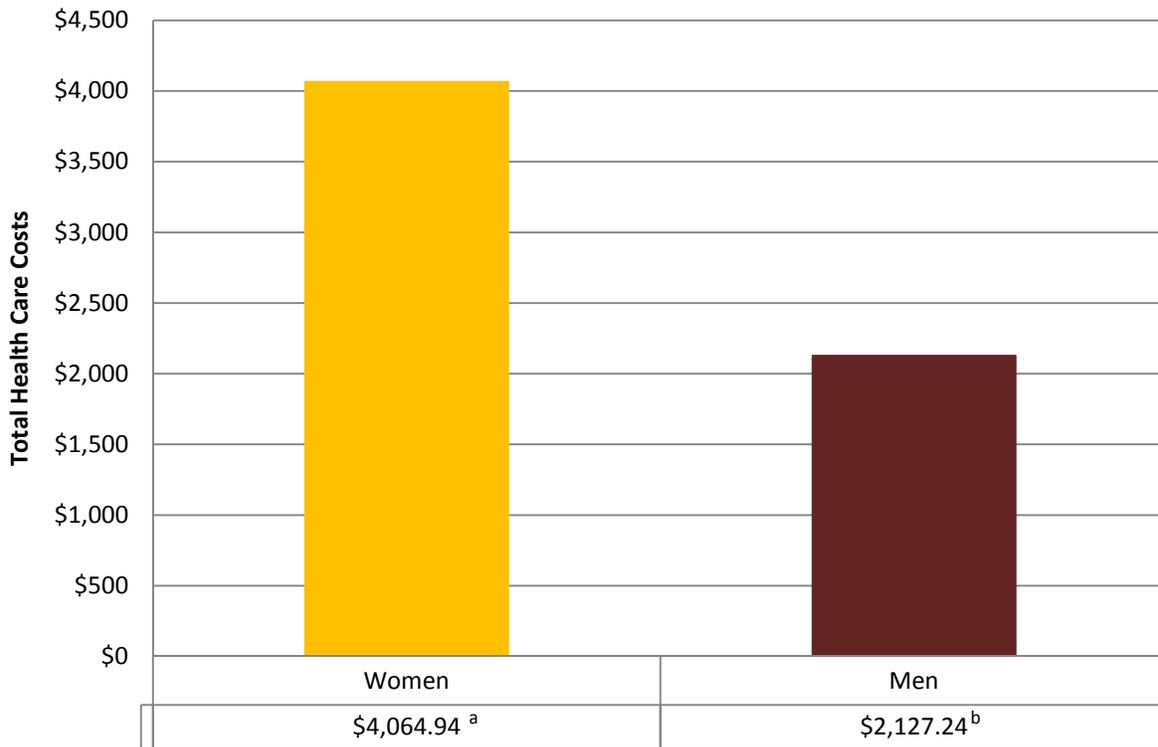


Figure 21: Gender differences in total health care costs adjusted for inflation (in 2003 dollars) for intervention employees (N=462). Means with different superscripts are statistically different at  $p < .05$ .

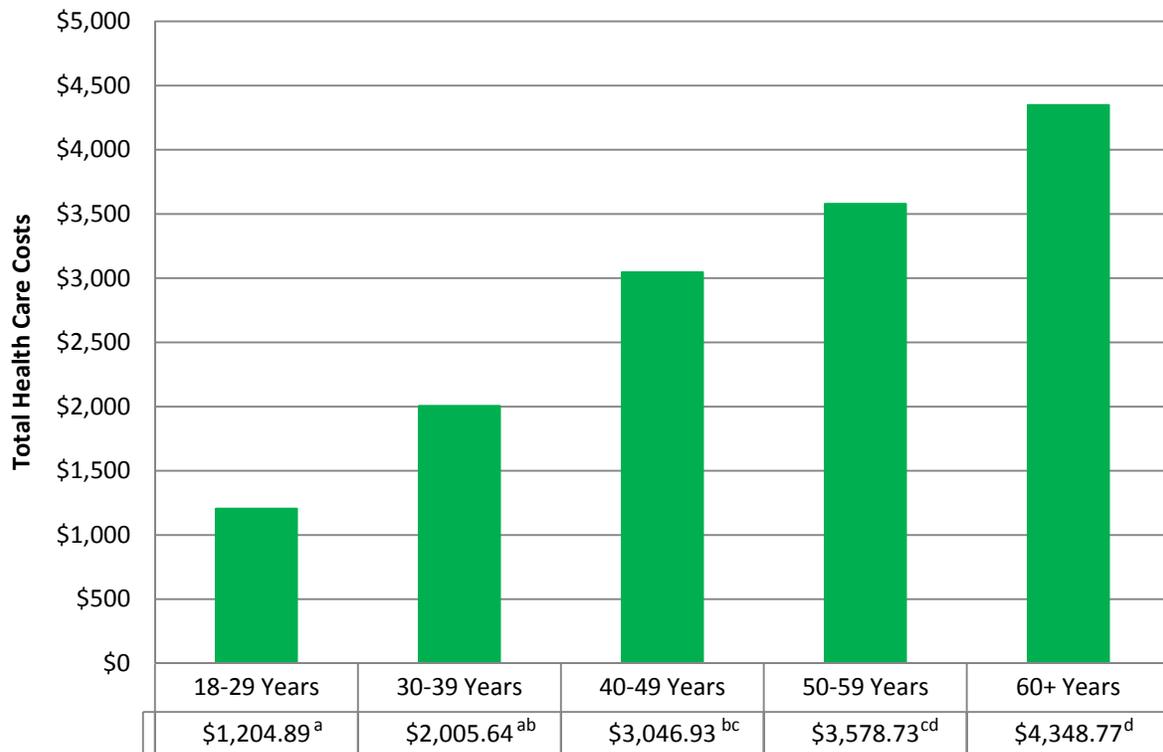


Figure 22: Age differences in total health care costs adjusted for inflation (in 2003 dollars) for intervention employees ( $N=462$ ). Means with different superscripts are statistically different at  $p < .05$ .

**Doctor/Clinic Health Care Costs.** Significant effects were found for gender [ $\chi^2(1)=45.25, p < .001$ ] and for age [ $\chi^2(1)=19.83, p < .001$ ], but not for the higher vs. moderate level of intervention X time interaction [ $\chi^2(3)=4.61, p = .203$ ] on log normal transformed doctor/clinic health care costs. Women in the intervention group had significantly greater doctor/clinic costs than men across all years (see figure 23). Doctor/clinic costs significantly increased with employees' ages (see figure 24).

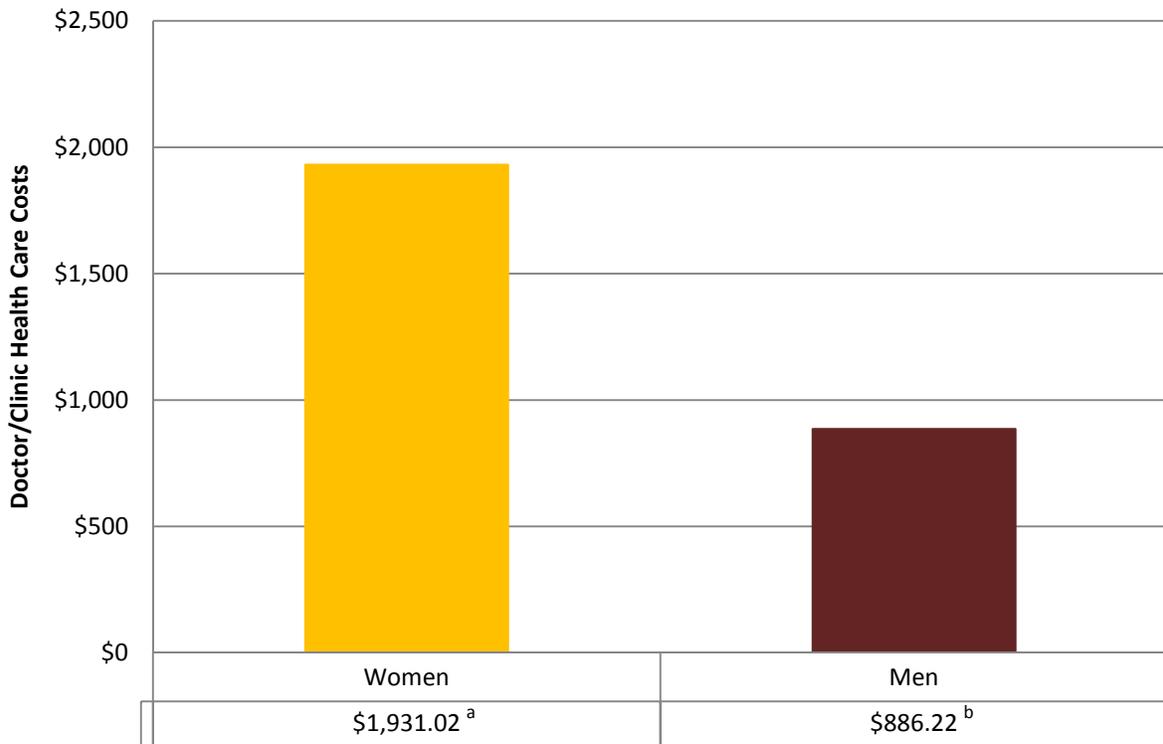


Figure 23: Gender differences in doctor/clinic health care costs adjusted for inflation (in 2003 dollars) for intervention employees (N=462). Means with different superscripts are statistically different at  $p < .05$ .

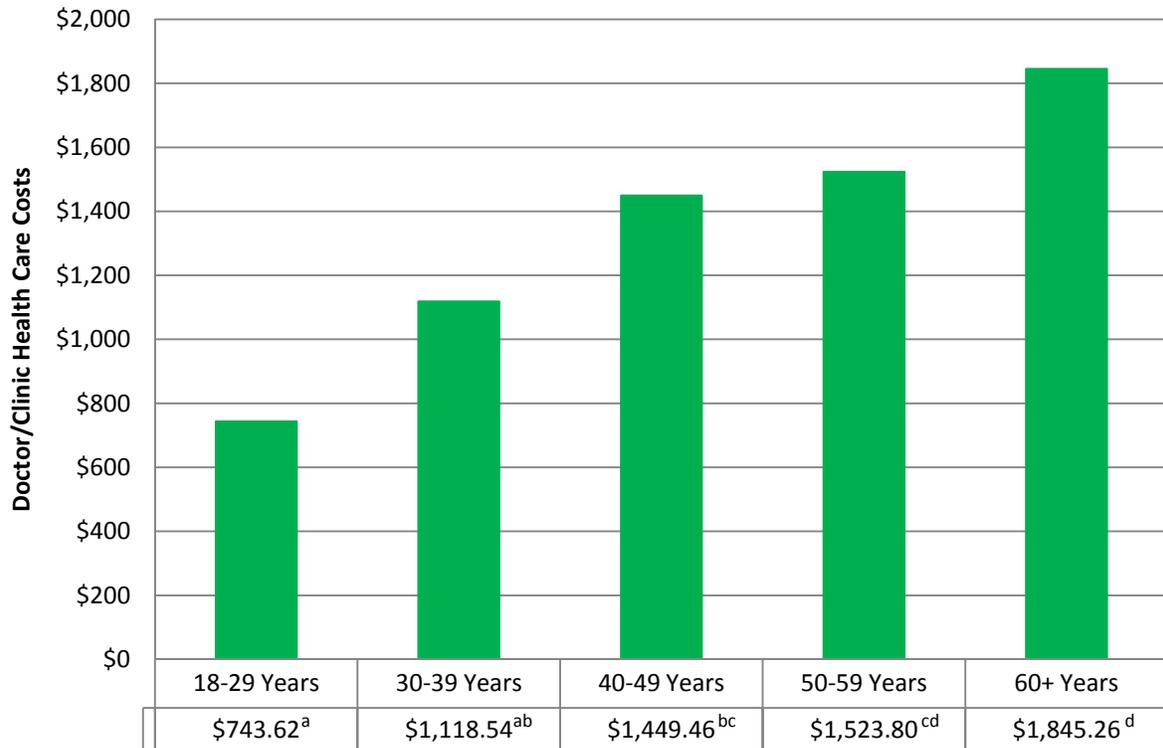


Figure 24: Age differences in doctor/clinic health care costs adjusted for inflation (in 2003 dollars) for intervention employees ( $N=462$ ). Means with different superscripts are statistically different at  $p < .05$ .

**Pharmacy Costs.** Significant effects were found for gender [ $\chi^2(1)=14.38, p < .001$ ], age [ $\chi^2(1)=43.58, p < .001$ ], and the higher vs. moderate level of intervention X time interaction [ $\chi^2(3)=11.15, p < .05$ ] on log normal transformed pharmacy costs. Women in the intervention group had significantly greater pharmacy costs than men across all years (see figure 25). Pharmacy costs significantly increased with employees' ages (see figure 26). Higher level intervention employees showed greater decreases in pharmacy costs from baseline to 2007 compared to employees exposed to the moderate level intervention (see figure 27).

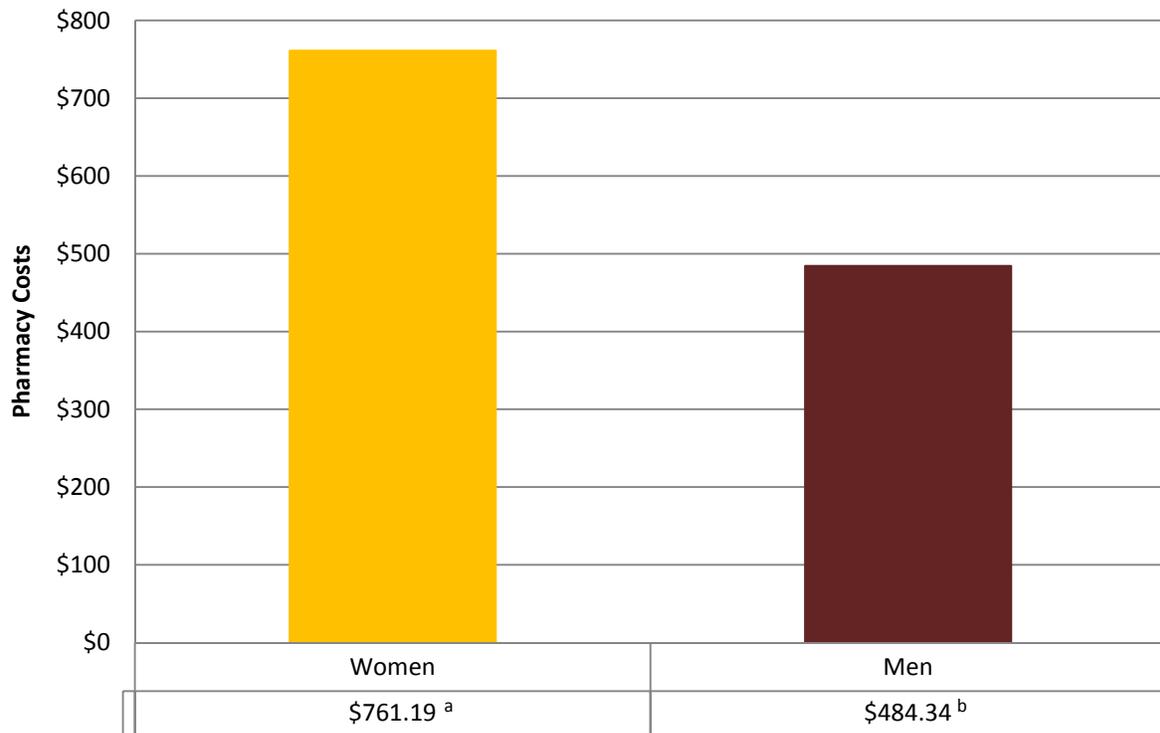


Figure 25: Gender differences in pharmacy costs adjusted for inflation (in 2003 dollars) for intervention employees (N=462). Means with different superscripts are statistically different at  $p < .05$ .

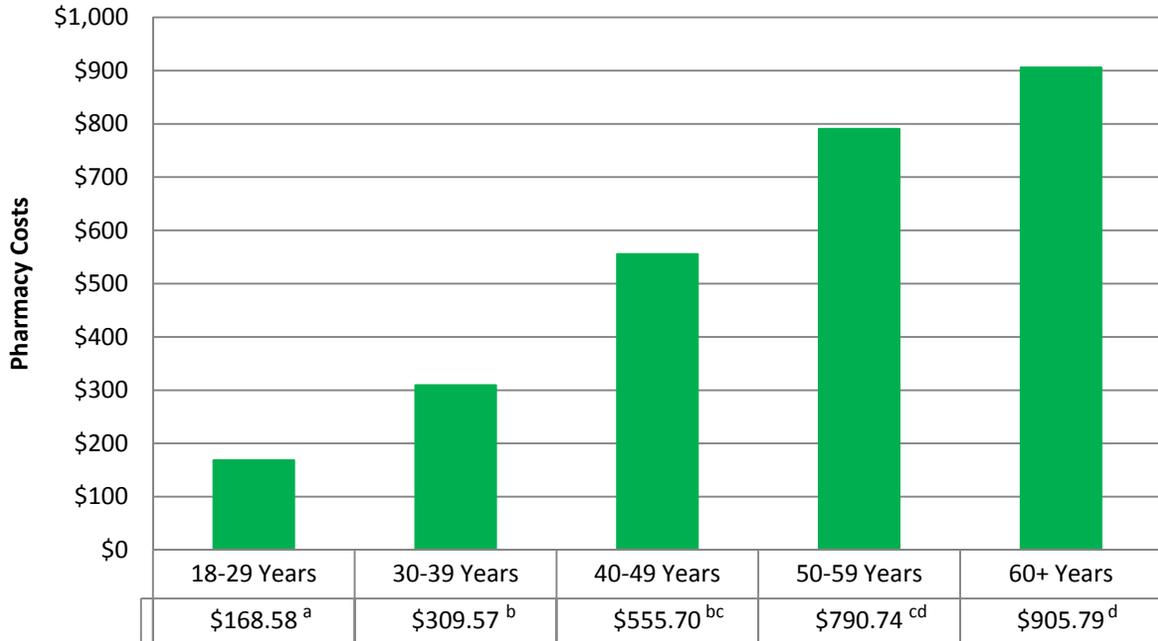


Figure 26: Age differences in pharmacy costs adjusted for inflation (in 2003 dollars) for intervention employees (N=462). Means with different superscripts are statistically different at  $p < .05$ .

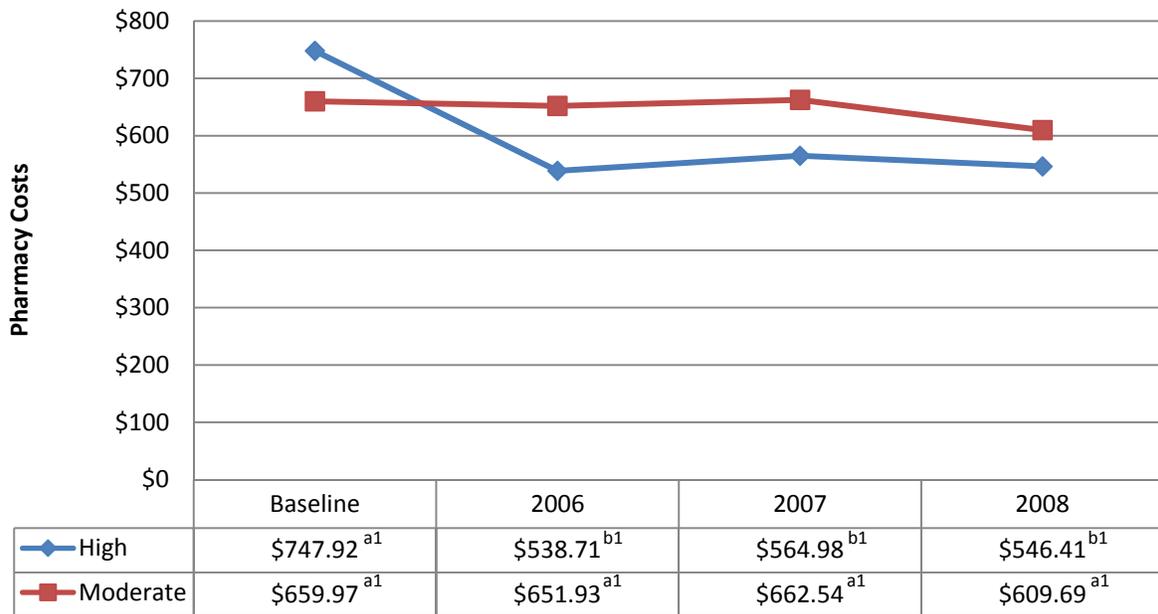


Figure 27: Differences in pharmacy costs across time adjusted for inflation (in 2003 dollars) for employees exposed to the higher level intervention (n=218) compared to the moderate level intervention (n=244). Means in the same row with different letter superscripts are significantly different ( $p < .05$ ) and means in the same column with different number superscripts are significantly different ( $p < .05$ ).

**Hospital Costs.** Significant effects were found for age [ $\chi^2(1)=26.77, p < .001$ ], but not for gender [ $\chi^2(1)=2.17, p = .14$ ] or the higher vs. moderate level intervention X time interaction [ $\chi^2(3)=1.90, p = .594$ ] on log normal transformed hospital costs. Hospital costs significantly increased with employees' ages (see figure 28).

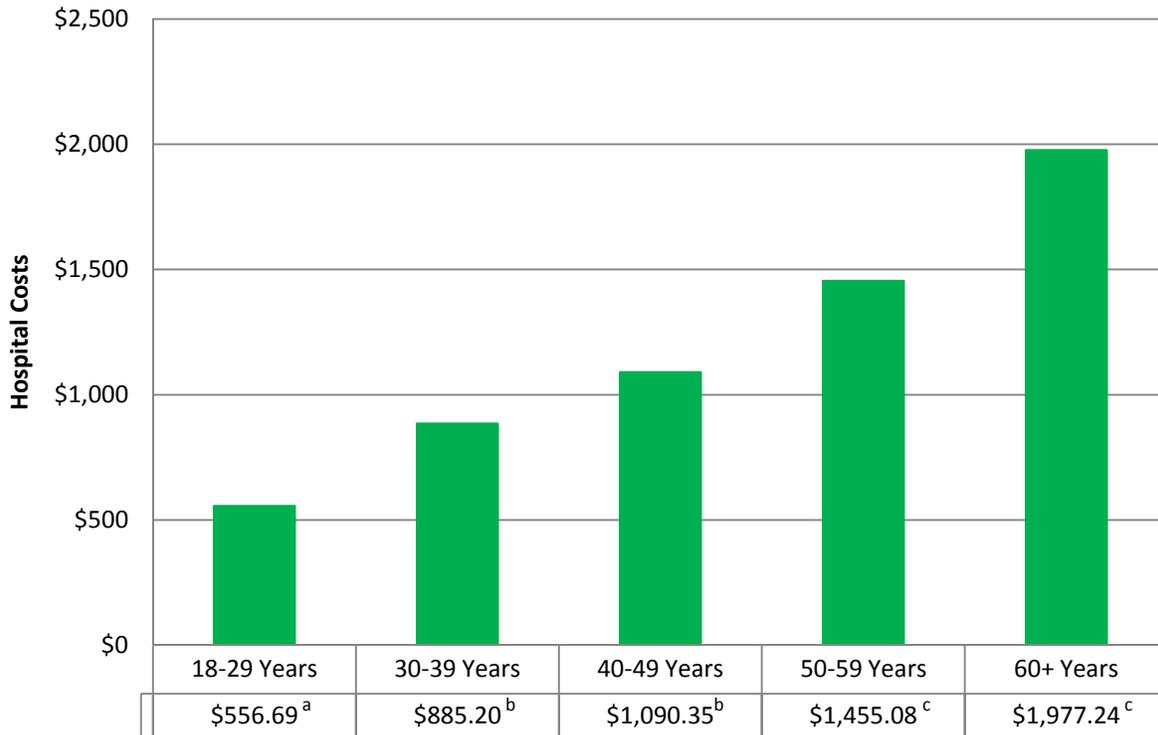


Figure 28: Age differences in hospital costs adjusted for inflation (in 2003 dollars) for intervention employees (N=462). Means with different superscripts are statistically different at  $p < .05$ .

## Summary and Conclusions

**Overall Program Success in Health- and Work-Related Changes.** The North Dakota Worksite Health Promotion Program implemented in four North Dakota state agencies involving approximately 450 employees was an effective intervention in improving self-reported health, work productivity, and work satisfaction (see worksite aggregate reports to NDPERS, 2006-2008). As shown in these previous reports, the greatest improvements occurred in physical activity and nutrition—the areas of health behavior that were the greatest focus of the intervention. Significant gains were also made in work productivity, preventive care, and lowering risks for developing diabetes and cardiovascular disease.

One strong predictor of successful health promotion programs is employee participation. The participation was high in this program with almost all of the employees participating in some aspect of the program. An excellent indicator was the high rate of completion of the annual health risk assessment with overall completion rates of 68%, 73%, and 75% in 2006-2008, respectively. One of the four worksites had over 90% of employees completing the health risk assessment in both 2007 and 2008. The \$25 stipends for completing the health assessments were an important motivator for using this important assessment and feedback tool. Another important contributor to the success of the program was strong management support and active health councils across the four worksites. Employee feedback about the program was uniformly positive across all four worksites, as previously reported in 2006-2008 reports.

**Changes in Costs: Intervention vs. Control Employees.** Despite the support for and satisfaction with worksite health promotion programs and the often-found improvements in health/health behaviors, health cost changes have been far more difficult to demonstrate. Several studies have found less inflation-adjusted growth in costs for employees participating in worksite HP programs and a few have shown that costs increased less for intervention groups compared to control groups. But rarely do studies find actual decreases in inflation-adjusted costs that are significantly lower than a control group.

The results of this current cost analysis demonstrate statistically significant high impact cost savings for the intervention group employees compared to the control employees on total costs from baseline to the final assessment point in 2008. Findings were similarly significant when comparing intervention and control groups for only those employees with yearly average costs of less than \$2,000. A similar *proportion* of savings were found, albeit lower absolute dollar amounts due to the restricted range of costs.

Most of the cost savings appear related to outpatient doctor/clinic costs—also a main focus of the intervention as all worksites agreed to include “self-care” seminars into their program activities. Pharmacy costs often go up in the first two years following worksite health promotion programs due to more individuals beginning to use necessary medications to address identified risk factors for cardiovascular disease and diabetes.

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Consistent with this hypothesis, there were no significant differences in pharmacy costs between the intervention and control groups although the intervention group had lower costs by about \$110. There were clearly no significant differences between the intervention and control groups on hospital costs. It may be that 2.5 years is not long enough for hospital costs to be affected by a worksite health promotion program. There was also a very high degree of skew in the hospital data with many employees having zero costs and a few persons with extremely high costs. Because of the great variance in this data, power to detect meaningful differences was low, thus lowering the precision of results for the hospital cost analysis.

If the approximately \$900 savings from 2006-2008 were to be replicated for the approximately 18,500 non-retiree NDPERS members, a potential savings of over \$16 million or an average of about \$5.5 million per year would be realized. The costs of implementing these programs would be approximately \$100 per employee per year or a total of about \$1.8 million per year—a net savings of \$3.7 million per year. This of course assumes equal employee demographics, worksite conditions and program implementation intensity, which could be potentially difficult to obtain in smaller or more rural worksites. However, given the comparison to a conservative control group if the intervention group been compared to a less conservative group control (i.e., less urban with no health promotion activities), an overall savings could still be in the estimated range described above.

Finally, it is interesting to note that control employees' costs also had a small but significant decrease in total and doctor/clinic costs in 2008. This provides some preliminary evidence that the NDPERS general worksite health promotion programs in place for all state worksites may be having a positive effect on costs.

In conclusion, we believe these are extremely promising data, indicating that health improvements and substantial costs savings may be achievable using the types of programs implemented in this pilot worksite health promotion program.

***Changes in Costs: Higher vs. Moderate Level Services, Intervention Employees.***

We did not find significant cost differences between our intervention employees from two worksites who received a higher level of worksite health promotion services compared to the employees from two worksites who received the moderate level of services. There was, however, a trend for the higher level intervention employees to have lower pharmacy costs and a trend toward women employees receiving the higher level intervention to have lower doctor/clinic costs compared to all other gender X intervention level comparisons. Power for detecting differences between the high and moderate level intervention groups due to high variance and lower numbers of employees was relatively low; therefore, we consider these nonsignificant trends to be potentially meaningful.

The difference between high and moderate level services was that high services worksites received free onsite health screenings and employees with two or more health behavior risks were eligible to receive health coaching. As discussed above, all

Bismarck-area employees had the opportunity in both intervention years to receive no- or low-cost health screenings at the State Capitol. This was especially convenient for employees working at the State Capitol which included both worksites that received the moderate level intervention (one worksite receiving higher level services was not located at the Capitol). This may have led to poor differentiation between groups on this service.

Health coaching and Disease Management services were also available to all NDPERS employees through ND Blue Cross/Health Dialogue. These services may also have contributed to a lack of distinction between the two levels of services. Finally, our UND-based health coaching would likely have been more effective if a greater percentage of eligible employees (those with 2 or more health risks) would have elected to use the service. In 2006, 54% of eligible employees used health coaching, but only 25% did so in 2007 and 21% in 2008. There were significantly fewer employees eligible for health coaching in 2007 and 2008, but it is nonetheless clear that this potentially high intensity service was underutilized. A further limitation of our health coaching program is that employees could only be identified for health coaching after they completed the annual health risk assessment. About 25% of employees across the four worksites did not take the health risk assessment. Previous studies have shown that persons with more health risks are less likely to take health risk assessments compared to healthier persons, and thus, some high risk employees who would benefit from health coaching were not identified. It will be important for future programs with health coaching to consider additional ways to identify at-risk employees and to increase participation. Using health screening data with employees' informed consent would be one important way to further identify at-risk employees for health coaching eligibility. Employers may improve participation in health coaching by offering incentives, ensuring a private and easy-to-access location for talking to the health coach, and by providing strong management support for the importance and acceptability of using health coaching during work hours.

These limitations confer difficulties in drawing conclusions about the cost-effectiveness of having free onsite health screenings and health coaching for at-risk employees. On the one hand, both theoretical and empirical evidence suggest these are effective services and are well-received by employees. But if the same conditions of the current 2.5 year study were replicated, these services would not lead to more cost savings relative to programs without these services.

Therefore, we conclude that it is important to carefully consider the characteristics of a worksite before making a decision about the utility of these higher cost services. For example, worksites should consider whether employees have access to low- or no-cost health screenings through health fairs or other community events. Secondly, do employees have access to free online or telephone services for advice, health coaching, and/or disease management services? If the answers to these questions are no, then these services will become even more important.

Finally, it is important to note that when comparing several work productivity measures, employees receiving the higher level intervention had significantly greater improvements across the study period compared to employees receiving the moderate level intervention. This suggests that employees with a fuller range of health promotion services may feel more satisfied and therefore more productive. If productivity costs had been quantified and added to overall cost savings, the higher level intervention employees may have shown greater improvements relative to the moderate level intervention employees. Although it is far more difficult to assign monetary costs to productivity measures, analyzing both productivity and health costs should be an important goal for future cost studies.





# Aggregate Report: Year 3

## Personal Behavioral Health Profile

This report summarizes Year 3 findings for the 273 employees from the Department of Commerce, Tax, State Historical Society and the Office of Management and Budget who completed the Personal Behavioral Health Profile (PBHP) between January 2008 and April 2008 (74.6% response). Employees received \$25 for completing the PBHP, a personalized online report describing their disease risks, and resources to help them make healthy

changes in their lives. This summary report shows the percent of employees reporting behavioral health and disease risks as well as summaries of several categories of health and well-being indicators. The last page of the report includes all significant changes in PBHP information submitted by the employees from the four work sites over three years of PBHP administration. The purpose of the North Dakota Worksite Health

Promotion Program is to improve employees' health by increasing health awareness, providing resources and services to assist employees in improving their health, and providing a worksite environment that is conducive to healthy lifestyle choices. This summary report does not contain any information that could be used to identify any of the participating employees.

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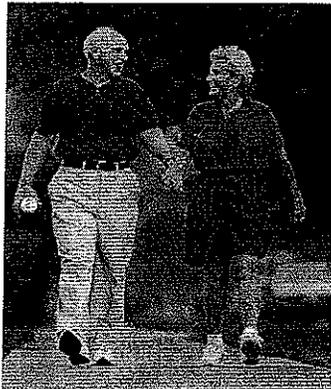
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## Behavioral Risk Factors



*The sovereign invigorator of the body is exercise, and of all the exercises walking is the best.*

*--Thomas Jefferson*



Tobacco Use	Combined Worksites
Smoke Cigarettes	9.2%
Smoke a Pipe or Cigars	1.1%
Use Smokeless Tobacco	1.1%

Physical Activity	Combined Worksites
Moderate activity < 5 times/week	58.8%
Vigorous activity < 3 times a week	58.4%
Strength Building < 3 times a week	74.1%
Not physically active	27.7%

Nutrition	Combined Worksites
Whole grains < 3 servings/day	48.7%
Fruits < 3 servings/day	73.3%
Vegetables < 3 servings/day	79.9%
Vegetables & Fruits < 5 servings/day	67.4%
Red meat 3+ servings/week	67.8%
Regularly eat salty meals	44.3%

Alcohol Use	Combined Worksites
5+ drinks on 1 occasion/past month	24.4%
2+ drinks per day (women)	6.9%
3+ drinks per day (men)	1.8%

Driving Behavior	Combined Worksites
No seat belt use	8.8%
Drives > than 5 mph above speed limit	15.0%
No helmet when on motorcycle	1.5%

Environmental Hazards	Combined Worksites
Frequent exposure to sun	5.5%
Regularly exposed to tobacco smoke	12.8%
Regularly exposed to pesticides	1.1%
Regularly exposed to noxious gases	2.2%
Regularly exposed to asbestos	1.8%
Regularly exposed to radiation	0.4%

## Stress, Satisfaction, and Emotional Health

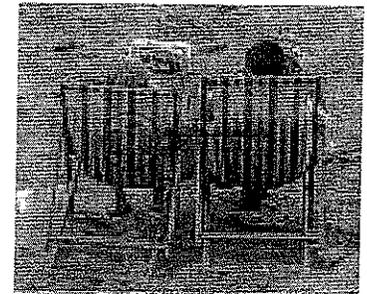
Life, Job, and Health Satisfaction	Combined Worksites
Low life satisfaction	12.5%
Low job satisfaction	22.3%
Overall physical health: fair to poor	17.9%
Overall mental health: fair to poor	15.8%

Stress	Combined Worksites
Felt very stressed in past year	17.9%
3+ major stressful events in past year	19.0%
Not enough sleep -- 6 or fewer hours	37.4%

Emotional Health	Combined Worksites
Generally nervous or anxious person	27.1%
Feelings of depression past month	6.2%
Little interest in things past month	5.5%
Little or no sexual desire past month	5.9%
Sudden anxiety or panic past month	2.6%
Health worries past month	6.2%
Weight/looks concerns past month	15.8%
Caregiver worries past month	3.3%
Spouse/partner difficulties past month	4.0%

*Your life--how you live, eat, emote, and think - determines your health. To prevent disease, you may have to change how you live.*

--Brian Carter



## Work and Health

In past 2 weeks, physical health or emotional problems made it difficult at least sometimes to:	Combined Worksites
Work the required number of hours	16.5%
Start on your job as soon as you arrive	12.5%
Repeat the same hand motions	13.6%
Use equipment necessary for my job	9.9%
Concentrate on my work	40.7%
Help others to get their work done	14.7%
Do the required amount of work	19.0%
Do what I am capable of doing	24.5%

*Take rest; a field that has rested gives a bountiful crop.*

--Ovid



## Health Indicators



The causes of cardiovascular diseases are well established and well known. The most important causes of heart disease and stroke are unhealthy diet, physical inactivity and tobacco use. These are called 'modifiable risk factors'. The major modifiable risk factors are responsible for about 80% of coronary heart disease and cerebrovascular disease.

--World Health Organization Fact Sheets

Body Mass Index (BMI)	Combined Worksites
BMI overweight	33.3%
BMI obese	31.1%
Waist size unhealthy	23.7%
Waist size not known	2.9%

Blood Pressure	Combined Worksites
High blood pressure	15.0%
Blood pressure not known	15.1%

Cholesterol	Combined Worksites
High total cholesterol	26.6%
Cholesterol not known	28.2%
Low HDL (good) cholesterol	5.1%
HDL not known	52.0%

## Specific Disease Risks

Behavioral Risk Categories (above average risk)	Combined Worksites
Diabetes	28.8%
Heart Disease	12.2%
Stroke	10.7%
Lung Cancer	8.1%
Prostate Cancer	26.6%
Breast Cancer	27.3%

## Preventive Care

Preventive Care	Combined Worksites
Blood pressure screening needed	4.0%
Cholesterol screening needed	12.8%
Colon cancer screening needed	20.1%
Glucose screening needed	4.7%
Glaucoma screening needed	10.2%
Dental checkup needed	21.5%
Flu shot needed	19.0%
Prostate screening needed	15.0%
No monthly self-testicular exam	84.1%
Clinical breast exam needed	2.5%
No monthly self-breast exam	69.4%
Mammogram needed	6.2%
Pap smear test needed	7.5%



## Getting Healthier: Three Years of Progress

In Year 1, 256 employees completed the *Personal Behavioral Health Profile*, 277 employees completed it in Year 2, and 273 employees completed it in Year 3. The table below summarizes only those health-related indexes (%) that were statistically significant for any given pair of years (1-2; 2-3; 1-3), indicating a high probability of actual change between the compared years.

Significant Differences (%)			
	Year 1	Year 2	Year 3
Moderate activity 5 + times a week <sup>(1-2;1-3)</sup>	25.4	37.9	41.2
Vigorous activity 3 + times a week <sup>(1-2; 1-3; 2-3)</sup>	19.9	30.0	41.6
Strength Building < 3 times a week <sup>(1-3)</sup>	14.5	20.4	25.9
Physically active <sup>(1-2; 1-3)</sup>	37.5	69.0	72.3
3+ servings of whole grains <sup>(1-2; 1-3)</sup>	39.1	53.4	51.3
< 3 servings of red meat a week <sup>(1-2; 1-3; 2-3)</sup>	25.8	39.4	32.2
Drives within the speed limit <sup>(1-2)</sup>	80.9	85.2	85.0
Limited sun exposure / use of tanning beds <sup>(1-2)</sup>	90.6	94.6	94.5
Limited exposure to environmental pesticides <sup>(1-3)</sup>	97.3	98.9	98.9
Limited exposure to tobacco smoke <sup>(1-2; 1-3)</sup>	80.9	85.6	87.2
Did not feel very stressed in the past year <sup>(1-2; 1-3)</sup>	74.2	79.8	82.1
Adequate sleep (7+ hours) <sup>(2-3)</sup>	59.0	56.7	62.6
Not generally nervous / anxious person <sup>(1-2)</sup>	68.0	72.6	72.9
No feelings of depression in the past month <sup>(1-2)</sup>	91.4	94.9	93.8
No concerns re: sexual desire in past month <sup>(1-2; 2-3)</sup>	92.6	95.7	94.1
No concerns re: weight/looks in the past month <sup>(1-3)</sup>	78.9	81.9	84.2
No difficulty working required number of hours <sup>(1-3)</sup>	78.1	80.9	83.5
No difficulty starting job upon arrival at work <sup>(1-2; 1-3)</sup>	78.5	87.7	87.5
No difficulty using equipment at job <sup>(1-3)</sup>	85.5	89.9	90.1
No difficulty concentrating on job <sup>(1-3)</sup>	52.0	57.8	59.3
No difficulty working to one's capability <sup>(1-2; 1-3)</sup>	66.4	77.6	75.5
Healthy waist size <sup>(1-2)</sup>	73.9	80.6	76.3
Reported waist size <sup>(1-2; 1-3)</sup>	86.7	98.6	97.1
Reported blood pressure <sup>(1-2; 1-3)</sup>	76.9	81.9	84.9
Reported cholesterol <sup>(1-2; 1-3; 2-3)</sup>	61.3	67.1	71.8
Reported HDL <sup>(1-2;1-3)</sup>	36.7	46.2	48.0
Not at risk for diabetes <sup>(1-2; 1-3)</sup>	63.2	74.4	71.2
Not at risk for heart disease <sup>(1-2; 1-3; 2-3)</sup>	76.5	84.2	87.8
Not at risk for stroke <sup>(1-2; 1-3)</sup>	83.3	89.9	89.3
Not at risk for lung cancer <sup>(1-2; 1-3)</sup>	88.4	94.2	91.9
Not at risk for breast cancer <sup>(1-3)</sup>	56.0	71.6	72.7
Cholesterol screening up-to-date <sup>(2-3; 1-3)</sup>	75.8	84.5	87.2
Glucose screening up-to-date <sup>(1-3; 2-3)</sup>	91.4	92.4	95.3
Does not need flu shot <sup>(1-2; 1-3)</sup>	76.6	83.4	81.0
Monthly testicular self-examination <sup>(1-3)</sup>	9.5	12.8	15.9
Monthly self-breast exam <sup>(1-2; 1-3; 2-3)</sup>	21.9	29.4	30.6



Blood pressure screenings, colon cancer screenings, and annual flu shots are three of the most cost-effective and beneficial preventive health measures.

— American Journal of Preventive Medicine



Physical inactivity increases the risk of developing heart disease 1.5 times and doubles the risk of developing type 2 diabetes.

— New England Journal of Medicine, 2004.



**North Dakota  
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**Sparb Collins**  
Executive Director  
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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** May 13, 2009  
**SUBJECT:** Gallagher Benefit Services (GBS) Renewal

Our agreement with GBS, our group insurance consultant, expires this June 30. They have one more year under our bid arrangement where the Board can continue the agreement subject to agreement on the rates and that their work efforts meet expectations. I asked GBS to submit to us their proposed rates for the upcoming year for your consideration. Attached is their response. As you will note they are not proposing any increase (Attachment 1). Staff would note that work efforts during the last year have met all expectations.

The Board requested rate information from the previous contract efforts with GBS which is attached (Attachment 2).

## **Staff Recommendation**

Approve continuing our relationship with GBS for the next year with no increase in rates.

## **Board Action Requested**

To approve continuing the GBS relationship.



April 8, 2009

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

Re: Consulting and Actuarial Services Contract

Dear Sparb:

We are pleased to advise that we will maintain current time charge rates for the remaining one year of our contract through June 30, 2010. Please let me know if you have any questions or wish to discuss further.

Sincerely,

A handwritten signature in black ink that reads "William F. Robinson, Jr." with a stylized flourish at the end.

William F. Robinson, Jr.  
Area Vice President  
bill\_robinson@ajg.com

## Gallagher Benefit Services Time Charge Schedules

	<b>2004-2005 Rates</b>	<b>2006 Rates</b>	<b>2007 Rates</b>	<b>2008-09 Rates</b>	<b>Proposed 2009-10 Rates</b>
Actuarial Principle	\$375/hr	\$394/hr	\$414/hr	\$435/hr	\$435/hr
Actuarial Senior Manager	\$285/hr	\$299/hr	\$315/hr	\$331/hr	\$331/hr
Sr. Managing Consultant	\$285/hr	\$299/hr	\$315/hr	\$331/hr	\$331/hr
Sr. Technical Consultant	\$285/hr	\$299/hr	\$315/hr	\$315/hr	\$315/hr
Sr. Underwriter	\$175/hr	\$184/hr	\$193/hr	\$203/hr	\$203/hr
Account Manager	\$140/hr	\$147/hr	\$193/hr	\$162/hr	\$162/hr
Administrative Assistant	\$50/hr	\$53/hr	\$56/hr	\$59/hr	\$56/hr



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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** May 13, 2009  
**SUBJECT:** HB 1433/Diabetes Program

Attached is the proposal from the NDPSC relating to implementation of the provisions of HB 1433 for the 2009-2011 biennium. HB 1433 stated:

3. The North Dakota pharmacists association or a specified delegate shall implement a formalized diabetes management program with the approval of the prescriptive practices committee established in section 43-15-31.4, which must serve to standardize diabetes care and improve patient outcomes. This program must facilitate enrollment procedures, provide standards of diabetes care, enable consistent documentation of clinical and economic outcomes, and structure an outcomes reporting system.

Pursuant to this direction we have developed the program and contracted with the North Dakota Pharmacy Services Corporation (NDPSC). The program started last summer. At the last meeting you heard a presentation giving an update on the first year. Attached for your review and approval is the proposal for continuing the program for the 2009-2011 biennium. During this upcoming biennium we will be getting a report from our consultant on the value of this effort. We contracted with the UND to do this study.

Board Action Requested:

Approve the proposal (attachment #1) and contract (attachment #2).

Staff Recommendation:

To approve moving forward with the project based upon the proposal submitted.

Staff Recommendation:

To authorize moving forward based upon the proposal.

# ND Disease State Management of Diabetes Cost Proposal – 2009-2010

## **Cost Per Participant/Patient:**

*Patient care costs:* The ND Pharmacy Service Corporation (NDPSC) is proposing to provide program services to all eligible participants at a flat rate of \$800 per participant for their first year of participation and an additional \$160 for a second year of participation, for a total of \$960. The flat rate per participant will cover costs associated with operating and managing the DSM program of diabetes for the NDPERS eligible population.

## **Estimated Number of Eligible Participants Served:**

Based on the current enrollment trends, it is anticipated that approximately 80 additional new members will enroll in the program over the course of the next two years (30 in 2009 and 50 in 2010). This is based on current monthly enrollments based off of informational packets sent to newly identified eligible members. Additional promotion of the program could raise this number. An increase in the number of new enrollees in 2010 is anticipated due to increased participant awareness as the results of the first year of the study are published. At this current rate, it is estimated that there will be 80 baseline visits for the next contract term. Follow-up visits are estimated at 1100 visits. This estimate includes the follow-up for new enrollees, members completing the initial program, and a visit at the 18 and 24 month points for those completing the first year of the program.

## **Reimbursement Methodology:**

Below is a breakdown of the reimbursement schedule.

- Baseline Visit - \$400 reimbursed to the NDPSC
- Visit 2 (30 days) - \$80 reimbursed to the NDPSC
- Visit 3 (90 days) - \$80 reimbursed to the NDPSC
- Visit 4 (6 months) - \$80 reimbursed to the NDPSC
- Visit 5 (9 months) - \$80 reimbursed to the NDPSC
- Visit 6 (12 months) - \$80 reimbursed to the NDPSC
- Visit 7 (18 months) - \$80 reimbursed to the NDPSC
- Visit 8 (24 months) - \$80 reimbursed to the NDPSC

Note: A member cannot have more than 8 paid visits with a provider. Payment will not be made for any claims above the 8 visits.

## **Patient Incentive Expense:**

Thus far in the program, members are receiving an average co-pay reimbursement incentive of \$50 every quarter. Using current estimates of 300 members participating in the program and the average co-pay incentive per quarter leads to an anticipated patient incentive expense for 2009 of \$60,000. This will be reduced in 2010 to around 80 members for a total of \$16,000.

**Administrative Fee:**

Due to lower than anticipated enrollments and additional administrative costs, a flat annual administrative fee of \$7,000 is being added for this contract renewal. \$3,500 will be due in July and January (July 2009, January 2010, July 2010, and January 2011). There are higher than anticipated administrative costs associated with IRB approval and renewals, licensing fees due to broad utilization of pharmacy providers, and travel expenses to provide visits to members in very rural areas. The fee will be used to help offset travel expenses and additional administrative costs.

**Cost Estimate Breakdown:**

Item	Cost 2009	Cost 2010	TOTAL
<b>Provider baseline Expense</b>	\$ 12,000.00	\$ 20,000.00	\$ 32,000.00
<b>Follow-up visits Expense</b>	\$ 66,000.00	\$ 22,000.00	\$ 88,000.00
<b>Patient Incentive Expense</b>	\$ 60,000.00	\$ 16,000.00	\$ 76,000.00
<b>Administrative Fee</b>	\$ 7,000.00	\$ 7,000.00	\$ 14,000.00
<b>TOTAL</b>	\$ 145,000.00	\$ 65,000.00	\$ 210,000.00

**ADDENDUM TO AGREEMENT FOR SERVICES  
BETWEEN  
NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM  
AND  
NORTH DAKOTA PHARMACY SERVICES CORPORATION**

This addendum shall make the following modifications to paragraphs 2 and 3 of the AGREEMENT FOR SERVICES, effective April 1, 2008 (attached), between State of North Dakota, acting through the North Dakota Public Employees Retirement System ("NDPERS") and the North Dakota Pharmacy Services Corporation ("Provider"):

- 2) **TERM:** This agreement shall commence on July 1, 2009 and end on June 30, 2011.
  
- 3) **FEES and BILLING:** NDPERS shall only pay pursuant to the terms in the Cost Proposal for the 2009-2011 biennium (attached hereto as Exhibit 1).

The remaining non-conflicting provisions of the AGREEMENT FOR SERVICES shall remain in full force and effect.

This contract addendum is not effective until fully executed by all parties.

PROVIDER

North Dakota Pharmacy Services Corporation

BY: \_\_\_\_\_

ITS: \_\_\_\_\_

DATE: \_\_\_\_\_

STATE OF NORTH DAKOTA

ND Public Employees Retirement System

BY: \_\_\_\_\_

ITS: \_\_\_\_\_

DATE: \_\_\_\_\_

## AGREEMENT FOR SERVICES

### Disease State Management of Diabetes Program

The parties to this contract are the State of North Dakota, acting through the North Dakota Public Employees Retirement System (“NDPERS”) and the North Dakota Pharmacy Services Corporation (“Provider”).

- 1) **SCOPE OF SERVICES:** Provider agrees to provide the accepted services as specified in the proposal (attached hereto as Exhibit A). Therefore, the terms of the proposal are hereby incorporated by reference as part of the contract.
- 2) **TERM:** This agreement shall commence on April 1, 2008 and end on June 30, 2009.
- 3) **FEES AND BILLING:** NDPERS shall only pay pursuant to the terms in the Cost Proposal (attached hereto as Exhibit B).
- 4) **TERMINATION:**

**a. Termination without cause.** This contract may be terminated by mutual consent of both parties, or by either party upon 30 days’ written notice.

**b. Termination for lack of authority.** NDPERS may terminate this contract effective upon delivery of written notice to the Provider, or on any later date stated in the notice, under the following condition(s):

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

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

**c. Termination for cause.** NDPERS by written notice of default to the Provider may terminate the whole or any part of this contract:

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

The rights and remedies of NDPERS provided in the above clause related to defaults by the Provider are not exclusive and are in addition to any other rights and remedies provided by law or under this contract.

- 5) **ACCESS TO RECORDS:** NDPERS agrees that all participation by its members and their dependents in programs under this agreement is confidential. The Provider may not disclose any individual employee or dependent information to the covered agency or its’ representatives without the prior written authorization of the employee or family member.

The provider agrees, with respect to any services provided under this agreement, to comply with all applicable requirements of the federal HIPAA privacy rule, 45 CFR pts. 160 and 164. The Provider will have exclusive control over the direction and guidance of the professionals rendering services under this agreement. The Provider agrees to keep confidential all PERS information obtained in the course of delivering services.

- 6) **COMPLIANCE WITH PUBLIC RECORDS LAW:** Provider understands that, except for information that is confidential or otherwise exempt from the North Dakota open records law, NDPERS must disclose to the public upon request any records it receives from Provider. Provider further understands that any records that are obtained or generated by Provider under this contract, except for records that are confidential or exempt may, under certain circumstances, be open to the public upon request under the North Dakota open records law. Provider agrees to contact NDPERS immediately upon receiving a request for information under the open records law and to comply with NDPERS instructions on how to respond to the request.
- 7) **OWNERSHIP OF WORK PRODUCT:** All work products of the Provider, including but not limited to, data, documents, drawings, estimates and actuarial calculations which are provided to NDPERS under this agreement are the exclusive property of NDPERS. Any medical records and related individually identifiable health information created or obtained by the Provider in the course of providing services under this contract are the property of NDPERS, but disclosure of protected health information to NDPERS is subject to the applicable requirements of the HIPAA privacy rule and any other applicable State or Federal law.
- 8) **APPLICABLE LAW AND VENUE:** This agreement shall be governed by and construed in accordance with the laws of the State of North Dakota. Any action to enforce this contract must be brought in the District Court of Burleigh County, North Dakota.
- 9) **MERGER AND MODIFICATION:** This contract and the proposal shall constitute the entire agreement between the parties. In the event of any inconsistency or conflict among the documents making up this agreement, the documents must control in this order of precedence: First – the terms of this Contract, as may be amended and Second - Provider’s Proposal. No waiver, consent, modification or change of terms of this agreement shall bind either party unless in writing and signed by both parties. Such waiver, consent, modification or change, if made, shall be effective only in the specific instances and for the specific purpose given. There are no understandings, agreements, or representations, oral or written, not specified herein regarding this agreement.
- 10) **INDEMNITY:** Provider shall comply with all applicable federal, state, and local laws, rules, and ordinances at all times in the performance of this agreement, and conduct its activities so as not to endanger any person or property. Provider agrees to defend, indemnify, and hold harmless the State of North Dakota, its agencies, officers and employees (State), from and against claims based on the vicarious liability of the State or its agent, but not against claims based on State’s contributory negligence, comparative and/or contributory negligence or fault, sole negligence, or intentional misconduct. This obligation to defend, indemnify, and hold harmless does not extend to professional liability claims arising from professional errors or omissions. The legal defense provided by Provider to the State under this provision must be free of any conflicts of interest, even if retention of

separate legal counsel for the State is necessary. Provider also agrees to defend, indemnify, and hold the State harmless for all costs, expenses and attorneys' fees incurred in establishing and litigating the indemnification coverage provided herein. This obligation shall continue after the termination of this agreement.

- 11) **INSURANCE:** Provider shall secure and keep in force during the term of this agreement, from insurance companies, government self-insurance pools or government self-retention funds, authorized to do business in North Dakota, appropriate professional liability insurance with minimum liability limits of \$500,000 per occurrence and \$1,000,000. Provider shall also require all subcontractors to secure and keep in force during the term of the agreement, the same professional liability insurance coverage as provider. Any deductible or self insured retention amount or other similar obligation under the policies must be the sole responsibility of the provider. Provider shall furnish a certificate of insurance to NDPERS prior to the commencement of this agreement. Failure to provide insurance as required in this agreement is a material breach of contract entitling NDPERS to terminate this agreement immediately.
- 12) **SEVERABILITY CLAUSE:** If any term or provision of this Agreement is declared by a court having jurisdiction to be illegal or unenforceable, the validity of the remaining terms and provisions shall not be affected, and the rights and obligations of the parties are to be construed and enforced as if the contract did not contain that term or provision.
- 13) **STATE AUDIT:** All records, regardless of physical form, and the accounting practices and procedures of Provider relevant to this contract are subject to examination by the North Dakota State Auditor or the Auditor's designee. Provider will maintain all of these records for at least three years following completion of this contract.
- 14) **COMPLIANCE WITH LAWS:** Provider agrees to comply with all applicable laws, rules, regulations and policies, including those relating to nondiscrimination, accessibility and civil rights. Provider shall attain all necessary reviews and approvals as required by law. Provider shall have and keep current at all times during the term of this contract all licenses and permits required by law.
- 15) **EFFECTIVENESS OF CONTRACT**

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

IN WITNESS WHEREOF, Provider and NDPERS have executed this agreement as of the date first written above.

PROVIDER

North Dakota Pharmacy Services Corporation

BY: Mike Schwa

ITS: EVP

DATE: 3/14/08

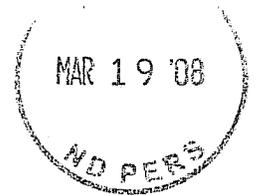
STATE OF NORTH DAKOTA

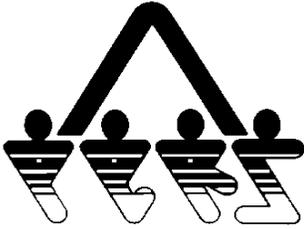
ND Public Employees Retirement System

BY: Sparb Collins *Sparb Collins*

ITS: Executive Director

DATE: 3-20-08





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# Memorandum

**TO:** PERS Board

**FROM:** Sparb

**DATE:**

**SUBJECT:** Diabetes Program – Secondary Coverage

Part of the program design and incentive for participation in the Diabetes Program is that a participating member can have their actual out of pocket copayments reimbursed by the plan. The process is for the North Dakota Pharmacy Service Corporation (NDPSC) to prepare a list of eligible reimbursements, send them to us for approval, and then their contracted vendor makes the payment to the member.

A question has arisen concerning the participation of members for whom NDPERS is the secondary payer; that is, their primary coverage is through another plan. Should these members be eligible to have the copayment they incur on the secondary coverage reimbursed by the program? If we elect to authorize this, the NDPSC has outlined the following process to accomplish this payment:

Patient Copay Reimbursement Flow Chart – Secondary Coverage

Patient must have completed first visit with provider before copay reimbursement will begin



Patients using NDPERS as secondary prescription coverage will submit EOBs from NDPERS to the Clinical Coordinator (Frontier Pharmacy) showing the coverage from NDPERS. Since the EOB does not list the specific medication, the patient will also submit either an EOB from their primary prescription insurance or a record from their dispensing pharmacy indicating the specific medication(s) for the EOB



The Clinical Coordinator reviews the NDPERS EOB and the supporting documentation to determine medications eligible for copay reimbursement



This information is submitted to NDPERS every calendar quarter to coincide with the rest of the copay reimbursements



PERS authorizes BCBS to distribute funds after reviewing the information submitted by the Clinical Coordinator



BCBS issues a lump sum payment to the ND Pharmacy Service Corp for all reimbursements



Clinical Coordinator prepares a file for check vendor detailing payments due from ND PSC to the individual patients



Check vendor issues payment to patients

Board Action Requested

To approve or disapprove paying the copayment for members who participate in the Diabetes program when we pay secondary.



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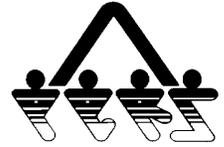
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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** May 13, 2009  
**SUBJECT:** SPD Rate

Last year we had a request from a political subdivision to consider adding a single plus dependent rate. With the finalization of the rate structure at the March meeting and pursuant to the boards action last summer to investigate this suggestion we did a survey of our participating subdivisions showing how incorporating the change would effect the existing method (see attached memo from Bryan).

Based upon the results of this survey staff is recommending that we do not change the existing method by adding the SPD rate.



# Memo

To: Sparb, Kathy  
 From: Bryan T. Reinhardt  
 Date: 05/15/2009  
 Re: Political Sub SPD Rate Survey

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Last week I sent the following email to the Political Subdivision payroll contacts. The results were 39% in favor of a SPD rate and 61% did not want the SPD rate. If you have any questions, let me know.

NDPERS Political Subdivision Payroll Contact:

We've been asked to look at adding a SINGLE PLUS DEPENDENT(S) (SPD) rate for the Political Subdivisions on the NDPERS Health Plan.

The NDPERS monthly July 2009 to June 2011 health rates for the Political Subdivisions will be:  
**Single - \$424.96 and Family - \$1026.62**

The NDPERS rates for this period with an SPD options would be:  
**Single - \$411.36 and SPD - \$721.88 and Family - \$1065.08**

The definition of SPD (Single Plus Dependant) is – Subscriber and eligible children. A couple with no children would not qualify as an SPD contract and would remain a Family contract, the same as a couple with children. If this change were made, it would be for all Political Subdivisions on the NDPERS Health Plan. This means that one group couldn't choose the Single - \$424.96 and Family - \$1026.62 rates and another choose the rates with the SPD option.

Time to incorporate the new rate structure is coming soon, so we need to know your response by 5:00pm 4/23/2009.

Please reply back with the following information:

**NDPERS GROUP:**

**YES or NO to SPD Rate:**      **YES – 21    NO – 33    ? - 5**

**Comments:**

**“YES”**

Yes, I think it would help single parents afford health care. We used to have a divorced male with dependants working here and he was able to get it for cheaper than a family rate.

It does provide a benefit to the single plus children, but my concern is in the difficulty for age 40-plus husband and wife that are required to have a family policy for just two.

We are in favor of the SDP rates. Many of our single employees have gone without coverage for their children because of the excessive cost.

**“NO”**

We would like to be able to choose a level of deductible to lower premiums.

I would say NO to SPD as our county would not have many that would qualify for that option. I don't want to see the Family rate increase more than what already has been proposed. PERS needs to look at Employee with spouse (couple with no children). This insurance is definitely getting out of control.

Unfortunately, the SPD would NOT benefit McHenry County. Would it be possible to offer a employee plus spouse plan or increase the deductibles in order to offer a lower cost plan?

No, since it causes the family premiums to increase.

A lot of do not need this anymore

We are already concerned about a 26% increase to our premiums.

With this, it would raise our family premiums even more. Yes we realize the single rates would decrease, however these are the plans that are manageable for people/businesses to pay.

We don't see that this would be a benefit to us—most of our employees are couples who would need the family coverage anyway

Just doesn't seem right that SPD does not include the a couple with no children, because in some spouses are dependents of the person who carried the insurance.

We have 19 family and 14 single plans and would not be cost effective for us.

This is MY TAKE on the new SPD rates:

Why would I want to vote for the proposed rates and cause the employee & their spouse to make up the difference so that the employee with 1-10 kids gets a cheaper rate? Doesn't make sense to me. I don't understand why an employee with ONE SPOUSE should cost MORE that the employee with several kids? I VOTE NO.....No more increases for the employee & spouse.

At this time the department does not have this need and do not wish for our premiums to increase even further.

We feel the projected 25% increase to the insurance rates is outrageous! Staff will not receive a sufficient raise to cover the increase in the family premium. The family amount increases even more with the SPD option so we are not interested.

Without the EPO option, our health rates are already increasing by 34%....to add anymore to our family rate will break us...I don't know how we are going to cover the increase the way it is.

We do not have anyone that would carry SPD – it would increase

Our family coverage by another \$38.46. We are having a tough time trying to figure the increase out now, Most likely the employee will have to eat the increase.

There would only be one possible member in our group that would consider the SPD, in this particular case the spouse is taking SPD on her policy through her work, which still ends up at a much cheaper rate than what would be offer through this plan. Also I don't see why if the SPD is considered why the family premium increases \$38.46e and the single decreases \$13.60.

**“UNSURE”**

This is in response to the email you sent regarding Single with Dependents rate for political subdivisions. I will tell you now that I do not like the fact that we only had three days to research this matter. I did not even have a chance to discuss this matter with my Board of Commissioners, who in the end have the final decision, to get their thoughts. The question that everyone had was why does the family rate have to increase and the single rate decrease? Why can't they stay the same? At this time, I am not going to answer your email with a yes or no. We need more time to discuss this matter. The Single with Dependent would be nice but to get it the families get punished. Seems unfair to me.

The Bismarck Public Schools doesn't take our insurance through NDPERS. We do offer our employees a SPD and about 1/3 of our staff takes this option. It is very popular with employees who have a working spouse and the spouse receives their own insurance.



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# Memorandum

**TO:** PERS Board

**FROM:** Sparb & Bryan

**DATE:** May 13, 2009

**SUBJECT:** **Employee Assistance Program (EAP)**

There were four responses to the NDPERS EAP Request for Proposal (RFP). The four were: St. Alexius, Medcenter One, The Village, and Deer Oaks. These were the same four providers that responded in 2005 and 2007. NDPERS staff reviewed the RFP proposals and found that all four again met the minimum qualifications.

Attached is the summary matrix from each of the four RFP responses.

As you recall, we use an agency based approach for the EAP. Each state agency will select a single vendor for the 2009-2011 biennium.

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

Board Action Requested:

Approve the four EAP vendors as agency choices for the 2009-2011 biennium.

## The Village Business Institute Employee Assistance Program Matrix 2009

EAP FEATURES	MINIMUM	PROVIDER
EAP Established	1 Year	1972
Number of Annual Sessions Per Individual	6	Minimum of 8 Aggregate household total 4x # of household members
Number of Annual Sessions Per Incident		See Above
Coverage	Family in Home & Out of House Dependents (STATUTE)	Family in Home & Out of House Dependents
Staffing	Licensed Social Workers	Licensed with a Masters or Ph.D. level mental health professionals
Appointment Timing	Within 72 hours	Within 72 hours
Emergency Appointments	Within 24 hours	Within 24 hours
Weekend/Holiday Appointments	Emergency	Emergency
1-800 Numbers	Minimum one line	32 lines
Phone Counseling	Minimum one staffed line	7 staffed for emergencies-mental health 32 staffed for Financial counseling Law Phone also staffed
24/hr Crisis "hot" line Staffing	Minimum one staffed line by LSW	7 staffed lines by Masters level mental health professionals
On-site Employee Orientation	1 per year (smaller groups maybe combined)	1 minimum, also as necessary throughout the year
On-Site Seminars	None	2 hours of training per agency; 2 additional hours per 500 employees per agency
Off-Site Seminars	None	Quarterly Contract Holder Seminars for Supervisor/Managers
Management Training	Minimum Requirements: Stress, Conflict, Crisis	Stress, Conflict, Crisis, and See enclosed folder for additional available trainings
Management Consulting	Available to all supervisors/management staff	Supervisor HelpLine available to all Supervisor/Management Staff
Additional/Specialty Services Available	@ additional cost	CISM, Mediation, Human Resources Services bid per project, Job Coaching, Employee Surveys, Training & Development
Employee Newsletters Supervisory Newsletters Internal Marketing Materials (i.e. payroll stuffers, posters, etc.)	Quarterly Biannually As needed	Monthly Quarterly -Minimum annual As needed
Agency Reporting - Utilization Reports - Survey of Agencies - Survey of Clients	Quarterly with Annual to Date	Quarterly with Annual to Date - 100 % ongoing currently - see enclosed 2006 NDPERS utilization report
Price	\$1.42 maximum	\$1.42 per employee per month
Other Unique Features		1 step access, State wide service network, Accredited by Council on Accreditation

## ST. ALEXIUS EMPLOYEE ASSISTANCE PROGRAM MATRIX - 2009-2011

<i>EAP Features</i>	<i>Minimum</i>	<i>Provider</i>
<i>EAP Established</i>	<i>1 year</i>	The St. Alexius Employee Assistance Program was established in 1982.
<i>Number of Annual Sessions Per Individual</i>	<i>6</i>	The St. Alexius Employee Assistance Program will continue to exceed the minimum number of annual sessions. We will provide up to <b>eight</b> sessions per individual, per year. When either couple or family sessions are provided, participation in these sessions will be counted towards the individual eligibility of each participant.
<i>Number of Annual Sessions Per Incident</i>	<i>6 (Full Individual Minimum)</i>	Should the same plan member return to the Employee Assistance Program based on another incident, a second counseling intervention would be provided to the plan member based on this new incident. For each incident, assuming the incidents are different and unrelated from previous incidents, based on professional assessment, the plan member could be eligible to receive <b>eight</b> additional sessions.
<i>Coverage</i>	<i>Family in Home &amp; Out-of-Home Dependents (STATUTE)</i>	Spouse or child living at home and under 18 and/or attending school and under age 26. Retirees during 3 months post retirement. Employees impacted by Reduction in Force (RIF) during 3 months post RIF separation from agency.
<i>Staffing</i>	<i>Licensed Social Workers</i>	LSW + 20 years experience, Licensed Certified Clinical Social Worker (LCSW), Licensed Professional Clinical Counselor (LPCC), Licensed Addiction Counselor (LAC). All licensure standards of ND or other appropriate standard of licensing state required.
<i>Appointment Timing</i>	<i>Within 72 hours</i>	Within 24-48 hours.
<i>Emergency Appointments</i>	<i>Within 24 hours</i>	Within 16 hours.
<i>Weekend/Holiday Appointments</i>	<i>Emergency</i>	Emergency
<i>1-800 number</i>	<i>Minimum one line</i>	The Employee Assistance Program 1-800 line is brought into St. Alexius Medical Center over a dedicated "T-1" line. This line is broken down into 24 incoming channels which conceivably could be accessed simultaneously by callers calling in to the Employee Assistance Program.
<i>Phone Counseling</i>	<i>Minimum one staffed line</i>	24 hours a day and seven days a week, phone counseling is available.
<i>24 hour Crisis 'Hot' Line Staffing</i>	<i>Minimum one staffed line by LSW</i>	One by LSW. Licensed Social Workers are listed as the minimum requirement. The North Dakota license requirements are that the LSW be educated at the bachelor's level. This minimum requirement is exceeded as those clinicians associated with the St. Alexius Employee Assistance Program have a minimum of an LSW plus 20 years of experience or are credentialed at the LCSW or LPCC level requiring advanced education at the master's level plus 5 years of experience.
<i>On-site Employee Orientation</i>	<i>1 per year (Smaller groups may be combined)</i>	1 per quarter if requested. Will continue to fill <u>all</u> agency requests.
<i>On-site Seminars</i>	<i>None, except as noted in IV, A, 1, c &amp; d</i>	All requests will be encouraged and considered.

<i>EAP Features</i>	<i>Minimum</i>	<i>Provider</i>
<i>Off-site Seminars</i>	<i>None, except as noted in IV, A, 1, c &amp; d</i>	3 per year / in 8 regions / at 9 statewide locations plus nine additional locations provided through a two-way, televised communication system as part of our "Enhancing Excellence in the North Dakota Workplace" series.
<i>Management Training</i>	<i>Minimum Requirements: Stress, Conflict, Crisis, Change Management</i>	The St. Alexius Employee Assistance Program provides an Enhancing Excellence in the North Dakota Workplace series of supervisory training and all staff educational presentations. The series has been extremely well received and we will continue to provide the program on a statewide basis, three times per year at nine locations in North Dakota plus nine additional locations provided through a two-way, televised communication system. The series will be offered as a courtesy of the St. Alexius Employee Assistance Program at no cost to the agency or to the personnel who attend. The offerings are designed to strengthen leadership skills, and to enhance motivation and productivity among all staff levels through the creation of a more positive work environment.
<i>Management Consulting</i>	<i>Available to all supervisory/management staff</i>	The St. Alexius Employee Assistance Program provides extensive management consultation to all agencies covered by the program. The Employee Assistance Program staff is experienced in dealing with challenging work site problems and includes these services as an integrated component available to all administrators, managers and supervisors. Workplace officials are provided access to trained and experienced professionals who provide training and guidance designed to enhance management excellence.
<i>Additional/Specialty Services Available</i>	<i>@ Additional Cost</i>	<i>@ additional cost with authorization from agency designee.</i>
<i>Employee Newsletters Supervisory Newsletters Internal Marketing Material (i.e., payroll stuffers, posters, etc.)</i>	<i>Quarterly Biannually As needed</i>	<u>All minimums exceeded.</u> Throughout the year, Professional and Supervisory Updates, Informational brochures, posters and wallet cards are distributed. Additional informational materials are available as requested.
<i>Agency Reporting - Utilization</i>	<i>Quarterly with Annual to Date</i>	<u>All minimums exceeded.</u> Customized utilization reports will continue to be made available to the agencies as requested.
<i>Price</i>	<i>\$1.42 Maximum</i>	\$1.42

#### *OTHER UNIQUE FEATURES*

Innovative services and educational presentations are developed based on specific employee population needs. Services in this regard include but are not limited to:

1. All clinical services are provided in a professional and confidential manner with emphasis on improving relationships, finding solutions, and developing personal effectiveness and self-esteem. Overall, we believe those who have used the program have come to trust its confidentiality and the quality of its services.
2. Appointments are made at a time which is convenient for employees and their families. Any agency official, employee or family member may contact an Employee Assistance counselor by calling **530-7195** in Bismarck or on our toll-free line, **1-800-327-7195**. Crisis or emergency circumstances are addressed 24 hours per day, seven days per week through the Employee Assistance Program on-call system.
3. Access to an Employee Assistance Program website that features direct and easy access. The website provides quality articles and brochures on supervisory and management processes, themes for effective living and current trends in the workplace. The website, **st.alexiseap.com**, provides opportunities for contact with members of the EAP staff for consultation and review of personal, professional, family and social concerns. The website also provides information on current and future educational and training opportunities offered by EAP staff.
4. Access to the St. Alexius Telecare Network which links employees and families with clinical staff of the Employee Assistance Program using two-way "live" television. Employee Assistance Program staff can conduct private, face-to-face management consultations, counseling services, educational and training presentations using the interactive video network.
5. Substance abuse identification, intervention and referral with availability of full-time licensed addiction counselors.
6. The St. Alexius Employee Assistance Program provides the services of Certified Substance Abuse Professionals for all state agencies subject to compliance with federal regulations for alcohol and other drug testing protocol. The services are provided at no charge to the agency, or to the individual employees subject to the regulations.
7. The St. Alexius Employee Assistance Program provides free consultation and services for all state agencies in the development of policy and procedure related to federal alcohol/drug testing regulations, and in the development of unannounced alcohol/drug testing schedules. The program provides free test schedule tracking services at no charge to assist the agency in assuring compliance with the federal regulations.
8. Conflict resolution sessions to ease tensions among co-workers, supervisors and management.
9. Crisis intervention and trauma in the workplace debriefing sessions in response to events, such as, death, suicide or severe workplace injury.
10. Interactive team building processes to enhance cooperative effort and improve morale in the workplace.
11. Guidance related to integration with other policies and procedures, such as, drug testing processes and compliance with ADA regulations, sexual harassment investigation, etc.
12. Leadership training.
13. Management and supervisory training.
14. Management and supervisory intervention techniques.
15. Administrative consultation.
16. Full compliance with the Federal Health Insurance Portability and Accountability Act (HIPAA), thereby providing enhanced privacy protections for employees and families who use the program.

## MEDCENTER ONE EMPLOYEE ASSISTANCE PROGRAM

July 1, 2009 to June 30, 2011

EAP FEATURES	MINIMUM	PROVIDER
EAP Established	1 year	15 years as internal EAP than in Fall 1988 began doing both internal & external EAP
Number of Annual Sessions Per Individual	6	6 (per eligible person, per issue, per calendar year)
Number of Annual Sessions Per Incident	6 (Full Individual Minimum)	6
Coverage	Family in Home & Out of House Dependents	Employee, Spouse and Dependents (both In & Out of Home)
Staffing	Licensed Social Worker	Range from licensed social workers(LSW) to licensed independent clinical social workers (LICSW) to clinical psychologist ( <b>majority are LICSW</b> )
Appointment Timing	Within 72 hours	* See below
Emergency Appointments	Within 72 hours <b>24</b>	* See below
Weekend/Holiday Appointments	Emergency	Rely on the phone counseling/crisis lines
1-800 Numbers	Minimum one line	1-800-526-8648 ext. 8879 (EAP Coordinator) 800 #'s also for crisis line, provider finder line and phone counseling
Phone counseling	Minimum one staffed line	One phone line- more than one counselor
24 hr. Crisis "Hot" line Staffing	Minimum one staffed line by LSW	One phone line- more than one counselor
On-Site Employee Orientation	1 per year (smaller groups may be combined)	1 per year (1 session can be scheduled for every 100 employees, not to exceed 1 hour and done in a group)
On-Site Seminars	None	By request (limit of 2 per year-charge for travel costs)
Off-Site Seminars	None	By request (limit of 2 per year-charge for travel costs)
Management Training	Minimum Requirements: Stress, Conflict, Crisis	Stress, Conflict, Crisis, Communication, Substance Abuse, Workplace Violence, etc.
Management Consulting	Available to all supervisory/management staff	Available to all supervisory/management staff
Additional/Specialty Services Available	@ Additional Cost	Email consults @ additional costs, Worksite Wellness services for reduced prices
Employee Newsletter, Supervisory Newsletter, Internal Marketing Materials (i.e. payroll stuffers, poster, etc.)	Quarterly Biannually  As Needed	Quarterly Employee & Supervisory Newsletter-available on Web Page- Hard copy distributed upon request.  Brochures sent yearly and upon request, posters etc. available upon request.
Agency Reporting-Utilization	Quarterly with Annual to Date	Quarterly with Annual to Date
Price	\$1.42 Maximum	\$ 1.40 Per Employee/ Per Month <b>1Hr Legal Consultation</b> yearly, <b>1 Drug/Alcohol Assessment</b> per Employee per year, <b>Financial /Counseling Money Management</b> (limited area) <b>Fitness Testing</b> Consultation yearly (employee only) <b>* ALL AT NO ADDITIONAL CHARGE * No Pre-approval needed</b> from the main office- just call local provider to set up a date/time convenient for you
Other Unique Features		

\* Our Medcenter One site can guarantee this however many of our network providers are individual counseling agencies and are under contract to make every effort to meet this however may not always be able to do so. As an EAP we then encourage individuals to utilize either the crisis line or the phone counseling.

8) Please certify that no real or potential conflicts of interest are known. If there is a perceived conflict of interest, please include a statement proposing remedial actions that would be taken to eliminate it. No conflict of interest should exist which would prevent the vendor from representing PERS with respect to this proposal. Each vendor must disclose all potential conflicts of which he or she has knowledge or which may arise with respect to the representation of PERS on this proposal including, without limitation, any circumstances which would create the appearance of a conflict of interest. PERS will disqualify a potential vendor if, in PERS' sole judgment, such conflict would preclude effective representation by that vendor.

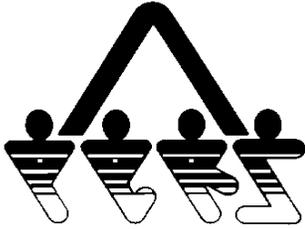
Deer Oaks certifies that it is unaware of any real or potential conflicts of interest.

9) Complete the following table and questions with information on your proposed EAP. The vendor shall show where they're proposed services meets or exceeds the minimum requirements in the following table.

<b>EAP Features</b>	<b>Minimum</b>	<b>Provider</b>
EAP Established	1 year	17 years
Number of Annual Sessions Per Individual	6	10 per incident with unlimited incidents
Number of Annual Sessions Per Incident	6	10 per incident with unlimited incidents
Coverage	Family in Home & Out-of-House Dependents (STATUTE)	Family in Home & Out-of-House Dependents (STATUTE)
Staffing	Licensed Social Workers	Licensed with a Master's or Doctoral degree in the mental health field
Appointment Timing	Within 72 hours	Appointments for routine cases are generally available within 24-48 hours of request for services
Emergency Appointments	Within 24 hours	Emergency care can be arranged within six (6) hours of request for services. Immediate telephonic counseling will also be provided in the case of an emergency.
Weekend/Holiday Appointments	Emergency	Available upon request and in emergency situations
1-800 number	Minimum one line	32 lines (1-866-EAP-2400)
Phone Counseling	Minimum one staffed line	32 lines (1-866-EAP-2400)
24 hour Crisis "Hot" Line Staffing	Minimum one staffed line by LSW	32 lines (1-866-EAP-2400) staffed by Master's and Doctoral-level staff
On-site Employee Orientation	1 per year (smaller groups may be combined)	At least one (1) on-site employee orientation per year. Additional orientations will be provided as requested by each agency.

On-site Seminars	None, except as noted in IV, A,1,c & d	Unlimited on-site seminars will be provided, including attendance at the PERS Payroll Conference and participation in agency wellness and benefit fairs or meetings as needed.
Off-site Seminars	None, except as noted in IV, A,1,c & d	Unlimited off-site seminars will be provided, including attendance at the PERS Payroll Conference and participation in agency wellness and benefit fairs or meetings as needed.
Management Training	Minimum Requirements: Stress, Conflict, Crisis, Change Management	Deer Oaks will provide the State with unlimited management trainings. Hundreds of topics are available including but not limited to: Stress, Conflict, Crisis, Change Management, Diversity, Leadership, Motivation and Communication Techniques.
Management Consultation	Available to all supervisory/management staff	Unlimited telephonic management consultation will be available to all supervisory/ management staff as needed.
Additional/Specialty Services Available	@ Additional Cost	Fitness-for-Duty Evaluations: \$850.00 per evaluation CORE Gatekeeper: \$1.00 PEPM 24-Hour NurseLine: \$0.50 PEPM Diversity Training: \$ 150.00 per hour Matters of the Heart Program (Health & Wellness Coaching): \$0.25 PEPM Breathe LIFE Smoking Cessation: \$99.00 per Enrollee Health Risk Assessments: \$5.00 per assessment Additional DOT SAP Evaluations (beyond the 2 included in the PEPM): \$500.00 per evaluation
Employee Newsletters Supervisory Newsletters Internal Marketing Materials (i.e., payroll stuffers, posters, etc.)	Quarterly Biannually As needed	Electronic employee and supervisory newsletters and internal marketing materials will be provided on a monthly, quarterly, or bi-annual basis as needed.
Agency Reporting - Utilization	Quarterly with Annual to Date	Utilization reports will be provided quarterly with annual to date. Bi-annual reports can also be provided upon request.
Price	\$1.42 maximum	\$1.42 Per Employee per Month (PEPM)
Other Unique Features		The Deer Oaks EAP Program provides: <ul style="list-style-type: none"> <li>• One step access to the EAP</li> <li>• A statewide EAP network</li> <li>• Dedicated Account Management Team</li> </ul>

- |  |  |   |
|--|--|---|
|  |  | <ul style="list-style-type: none"><li>• An imbedded Work-Life Program, which includes resources on issues regarding legal, financial, childcare/eldercare, balancing work and family, and retiree assistance</li><li>• Unlimited Critical Incident Stress Debriefings (CISDs)</li><li>• Case Management &amp; 100% Follow-up</li><li>• Referrals to the health plan or low cost and free community resources</li><li>• Unlimited employee orientations, seminars, and supervisory training</li><li>• Comprehensive Substance Abuse Professional (SAP) Services in compliance with Department of Transportation (DOT) requirements and agency requirements</li><li>• Access to the Deer Oaks website at <a href="http://www.deeroaks.com">www.deeroaks.com</a> enabling employees and their dependents to access information regarding the EAP benefit 24/7</li><li>• Full compliance with the Federal Health Insurance Portability and Accountability Act (HIPAA)</li></ul> |
|--|--|---|



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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** May 13, 2009  
**SUBJECT:** FINAL BCBS LETTER

Attached, for your information, is the letter to Mr. Huckle and Mr. Dennis Elbert as well as the Board of Directors BCBS. The letter was mailed on April 21, 2009.



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April 21, 2009

Mr. Dennis Elbert, Chair  
BCBSND Board

Mr. Tim Huckle, Interim CEO  
BCBSND  
4510 13<sup>th</sup> Avenue SW  
Fargo, ND 58121

Thank you for attending our March NDPERS Board meeting. Pursuant to your invitation we are sending this letter. The PERS Board appreciates this opportunity to share its thoughts with the BCBS Board concerning our relationship. In this letter we would like to discuss our expectations and our assessment of BCBS's performance.

### Expectations

PERS expectations are:

- 1) Affordable health insurance premiums that increase at a reasonable rate.
- 2) Staff incentives aligned with the needs of the employers/members.
- 3) Quality customer service.
- 4) Effective and affordable program administration.
- 5) PERS investments in BCBS should be matched with results.
- 6) A synergistic partnership.

### Performance Assessment

The following is our assessment of BCBS's performance as it relates to each expectation.

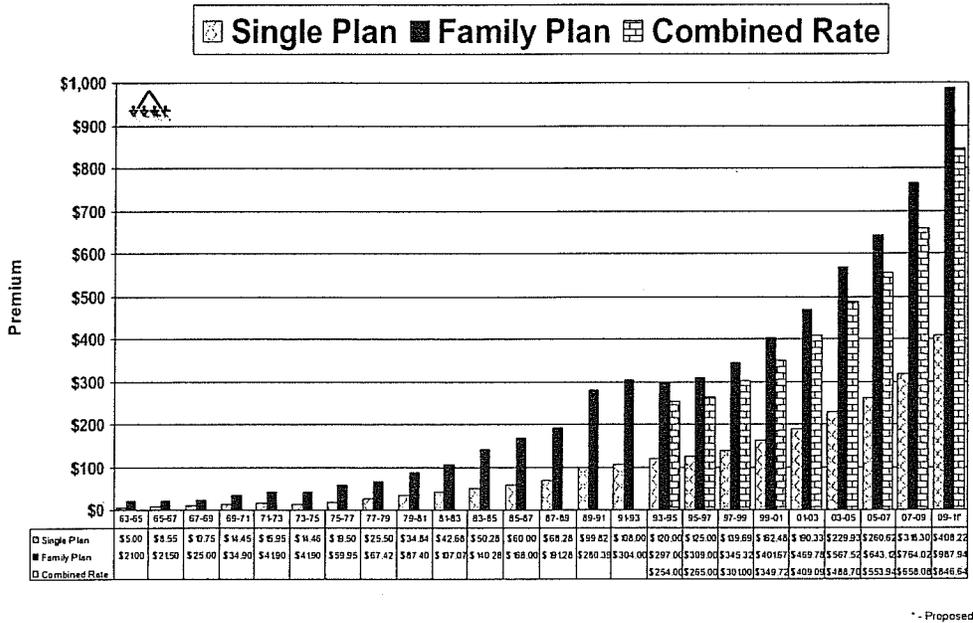
- 1) **Affordable health insurance premiums that increase at a reasonable rate.**

BCBS has failed in this area in recent years. We would note the following results:

---

• FlexComp Program	• Retirement Programs	• Retiree Health Insurance Credit
• Employee Health & Life Insurance	- Public Employees	• Deferred Compensation Program
• Dental	- Highway Patrol	• Long Term Care Program
• Vision	- National Guard/Law Enforcement	
	- Judges	
	- Prior Service	
	- Job Service	

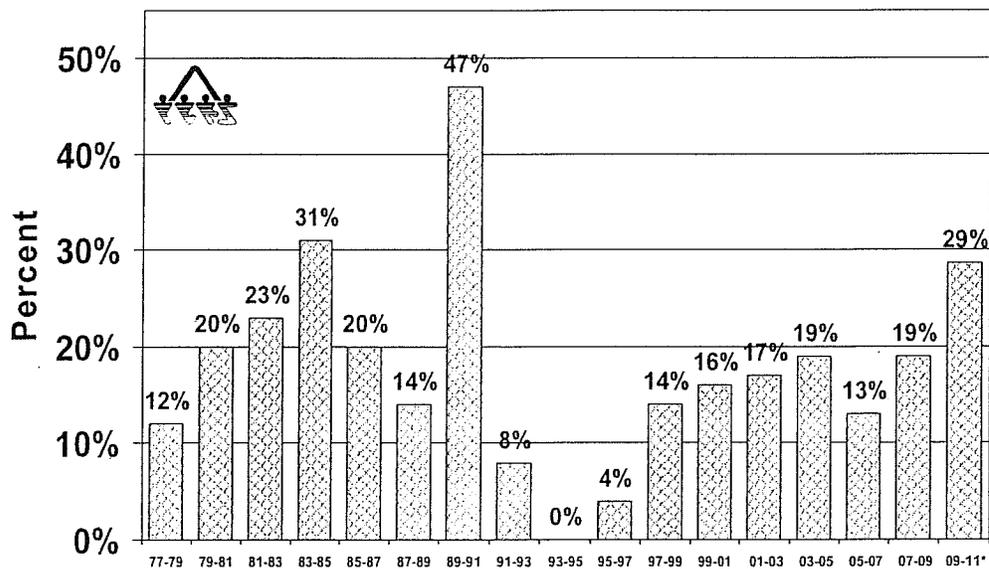
## Active State Billed Health Insurance Premium



\* - Proposed

## State Health Premium Percentage Increase From Previous Biennium

(Excludes Plan Design Changes)



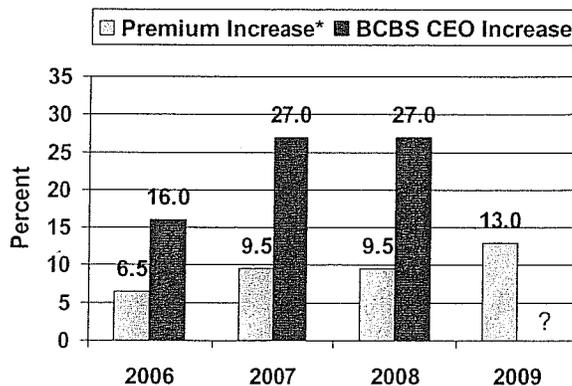
\* - Proposed

As the above shows, the rates of increase in the PERS plan have been substantial (77-91 and 96-11). We also note that the coverage provided has decreased substantially – that is deductible's, co-insurance and co-payments have all increased. Clearly these are not reasonable increases. BCBS needs to be more effective in this area.

## 2) Staff incentives that support affordable health care

BCBS compensation and incentives are not aligned with the members' needs. While there are many reasons for the above increases, we believe that BCBS should align its business' goals, objectives and incentives to providing its clients affordable premiums. We believe this may not be the case. Recently, the Fargo Forum reported that the BCBS board authorized the following compensation increases for the CEO:

### NDPERS Health Plan



\* - Premium increase does not reflect benefit reductions.

As you will also note from the above graph, the PERS health insurance premiums went up 19% in the 2007- 2009 biennium (9.5+9.5). This increase was a serious hardship for our participating employers and members. In addition, benefits were reduced. Finally, the graph shows (as reported by the Fargo Forum) that the BCBS board increased CEO compensation 54% during this same period. We would observe that the performance rewarded by the BCBS board was not providing affordable health coverage to your clients, but rather your organization's success in passing along high premium increases. PERS would suggest that affordable health coverage should be the primary performance reward.

In addition to the above, it was also reported in the Fargo Forum that the BCBS board paid a \$2.2 million severance package as part of its dismissal of its CEO. PERS member premiums contributed to this arrangement (at 15% of your business, it requires

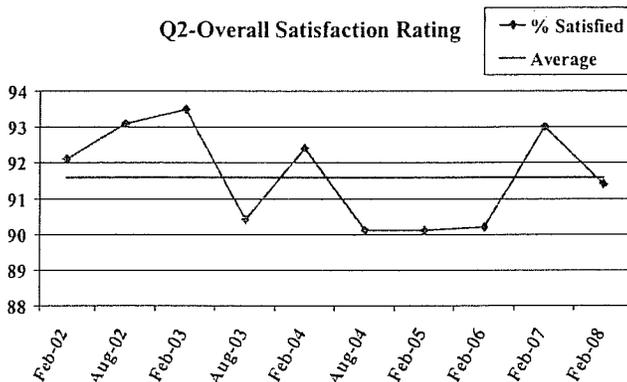
our members to pay on average \$2 in premiums each month for one year to pay this expense). We would note that any personnel action should be a process of clearly defining expectations over time and setting compensation arrangements in a manner consistent with those expectations. If expectations are not met, then compensation and compensation arrangements should be adjusted accordingly. It does not appear that these basic steps were followed since the above and the payout shows a compensation process that rewarded the existing business practices of the organization during the years preceding the dismissal and that were subsequently used as the basis for the dismissal. A sequence of events that appears to be contradictory. If a process as described earlier was followed, BCBS would not have placed its members in the legal position of having to pay out such a substantial sum. We would encourage you to use generally accepted principals so our members are not exposed to such risk in the future and these funds can be allocated to uses directly related to the members needs.

As a result of the above actions, PERS feels there is a significant disconnect between the BCBS board's compensation/incentive system and the needs of PERS and its members. Maintaining affordable health insurance coverage should be the primary goal of BCBS and around which corporate compensation/incentives are built. In so doing, BCBS would align itself with the needs of its clients.

### 3) Quality customer service

BCBS has successfully met this expectation. PERS regularly reviews the performance of BCBS in meeting our customer's expectations. We would note the following:

## NDPERS Member Satisfaction Survey



Clearly your organization has been successful in this area. We would also like to acknowledge the work of the BCBS staff that supports PERS. They are dedicated, hard working and very responsive to our requests and needs.

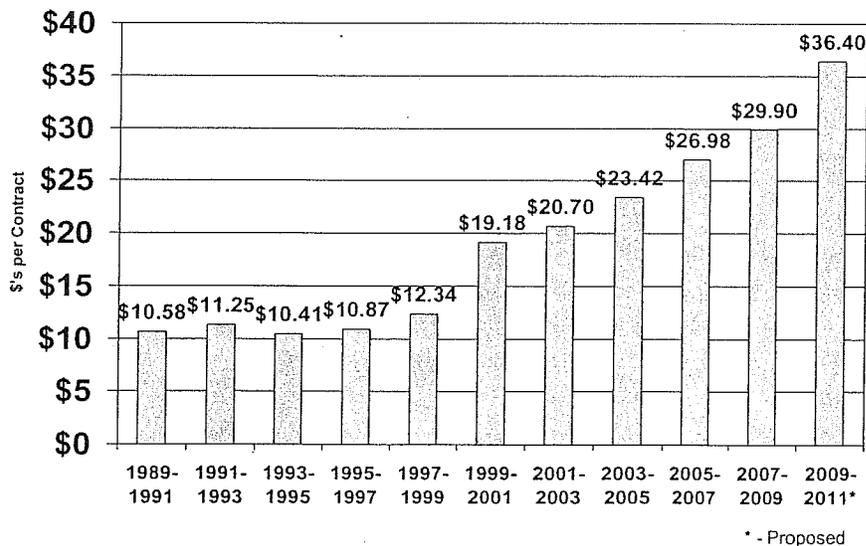
#### 4) Effective and affordable program administration

BCBS has provided effective program administration but PERS administrative costs have been going up at an unsustainable rate.

First of all, PERS believes that BCBS does an effective job in administering the PERS plan. Our review of your claims payment procedures has been positive; your technical capabilities are sound and your recordkeeping accurate. In this regard, BCBS is doing a good job.

Concerning the second area, PERS notes that your organization's administrative fees have grown at a rate equal to or greater than health costs. PERS notes the following history of administrative/retention charges:

### BCBS Administration NDPERS Health Plan



This table shows:

- BCBS administrative/retention expenses were stable from 1989-1999.
- Since 1999, BCBS has aggressively increased administrative/retention expenses.

- From 1999 to 2007 administrative/retention expenses have increased 242%.
- As proposed for 2009-2011, BCBS administrative/retention expenses would increase by 21.7%.
- As proposed, the administrative expenses will increase from 1999 to 2009 by 295%.
- PERS has not requested any major new initiatives in terms of workload over the above period.
- Staffing levels assigned to PERS by BCBS have not changed dramatically over any of the above periods.
- HIPAA compliance was paid with earlier increases.

In recognition of the above, the following observations can be drawn:

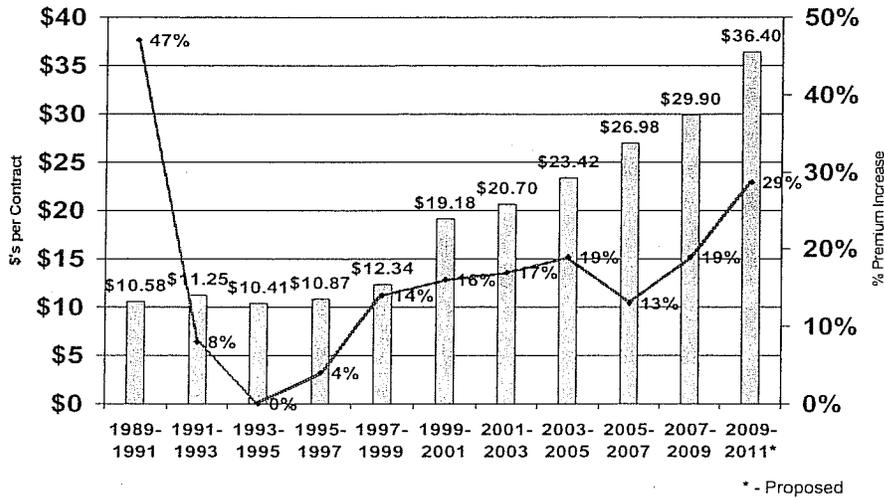
- The BCBS increases have not been based upon workload.
- BCBS appears to be implementing a business decision relating to PERS administrative fees that is unrelated to costs.
- We continue to question where BCBS intends to go with administrative expenses.

Our conclusion is that your administrative fee increases are not sustainable for our participating employers or members, and BCBS needs to address with us its intentions for the future.

#### **5) PERS investments in the BCBS organization should produce results**

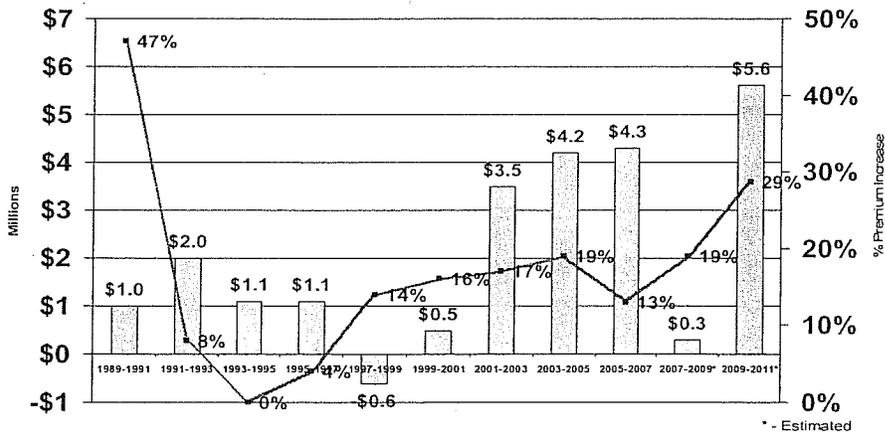
*PERS investment in BCBS is not returning a positive result for our members in terms of premiums.* PERS has observed the following relationship between our investments in BCBS administrative/retention expenses, gains and premium increases (please note the bars are the administrative expenses and the line is the health premium increase):

## BCBS Administration NDPERS Health Plan



## BCBS Gain

Includes: Risk Charge, Gain Sharing, Interest, and Losses  
 NDPERS Health Plan



The above tables show:

1. That health premiums have increased substantially as we have been asked to invest more in BCBS administration and while your gains on our contract have gone up (2001 to 2008 vs. 1991 to 1998).

2. That the increased investment by PERS in BCBS administrative/retention costs has not resulted in any positive ROI as premiums have continued to rise (2001 to 2008 vs. 1991 to 1998)..
3. BCBS gains or profits appear to increase more dramatically with higher premium increases and in fact the present system seems to reward BCBS with larger gains for large increases in PERS premiums (2001 to 2008 vs. 1991 to 1998).
4. In addition to the above, increases in the coverage or scope of benefits has diminished in the last several biennium's as a result of increased out of pocket costs that were incurred to reduce the increase in premiums.

The following observations can be drawn from the above:

1. It seems there is a negative relationship between PERS investments in BCBS administration/retention and premiums. Specifically, the more PERS pays in administration/retention, results in higher premiums by BCBS rather than lower premiums.
2. Additional investments by PERS in BCBS have yielded no positive ROI in terms of premiums, and in fact it seems to be a negative ROI.
3. It appears that BCBS gains are larger with higher premium increases than lower increases which appear to be creating an incentive for BCBS not to control premium costs.
4. Based upon the above information, BCBS is not as effective at controlling employer costs as it was previously.
5. BCBS does not deliver the value it used to in terms of administrative/retention costs, gains and control of health care premiums.
6. BCBS must reverse this relationship so it is consistent with the employer's and client's needs.

#### **6) A synergistic partnership**

While there is synergy in administration, there is little in terms of overall costs.

PERS believes that together we have been able to provide our members sound administration and customer service. We further believe that our administrative resources complement each other and in so doing allow us to provide members services at an enhanced level.

PERS also believes that BCBS is vested with a unique responsibility to provide affordable health premiums. This occurs because your membership represents such a significant percent of the marketplace. PERS participation in BCBS adds to the market presence by adding our 54,000 members. PERS has awarded our business to BCBS

for many reasons. But, one reason is our desire to add our market share to BCBS's market share to provide you more leverage in the marketplace to insure our participating employers and members affordable health premiums with reasonable increases. Our experience does not seem to indicate any sort of synergistic benefit to our members in terms of health premiums or increases. PERS will need to continue to review our approach, and if there is no synergism with this model, we will need to identify and examine other models.

**Summary**

In summary we find:

<b>Expectation</b>	<b>Performance</b>
Affordable health insurance premiums that increase at a reasonable rate.	BCBS has failed in this area in recent years.
Staff compensation/incentives that support affordable health care.	BCBS compensation/incentives are not aligned with the members' needs.
Quality customer service.	BCBS has successfully met this expectation.
Effective and affordable program administration.	<ol style="list-style-type: none"> <li>1) BCBS has provided effective program administration.</li> <li>2) PERS administrative costs have been going up at an unsustainable rate.</li> </ol>
PERS investments in BCBS should be matched with results.	PERS investment in BCBS administrative capabilities is not returning a positive return on investment for our members in terms of premiums.
A synergistic partnership.	<ol style="list-style-type: none"> <li>1) Administratively, we do find a benefit.</li> <li>2) Our experience does not seem to indicate any sort of synergistic benefit to our members in terms of premiums or rates of increase.</li> </ol>

Based upon the above, BCBS has, in our view, the following strengths:

- 1) You have a very good staff that is very competent, good to work with and are very responsive.
- 2) You deliver good customer service in terms in of responding to questions and to our members' administrative needs.
- 3) Your administrative systems (claims processing, payment, etc) are efficient, accurate and timely.

Your organization is not meeting our needs in the following areas:

- 1) You are not delivering affordable health care premiums.
- 2) Your rates of increase for premiums are high and unsustainable.
- 3) Your administrative fees are increasing at a rate that is also unsustainable.
- 4) Your organization's incentives do not align with the needs for affordable health care.

We would suggest the following:

- 1) BCBS needs to maintain its strengths in customer service and administration.
- 2) BCBS needs to further align its organizational goals with the needs of its members.
- 3) BCBS needs to align its internal incentives with the members' needs and not just the organization's needs.
- 4) BCBS must direct its organizational resources and market share to insure that its premiums will not increase at the same high rates in the future as they have in the past.

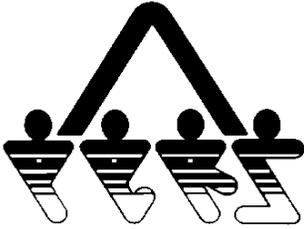
Thank you for providing us this opportunity to share our thoughts with you. We would welcome the opportunity to discuss this further if you so desire.

On behalf of the PERS Board,



Sparb Collins  
Executive Director  
NDPERS

c: BCBS Board of Directors



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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** May 13, 2009  
**SUBJECT:** Member Bill Audit Program

As we look to the start of the next biennium we wanted to bring to your attention the Member Bill Audit Program that has been a part of the PERS health plan for over ten years. We have not reviewed this program for awhile so we wanted to share with you the information on the program and some statistics so you could determine if you felt it should continue or not for 2009-11. The program is described on page 58 of the SPD and states:

## 5.2 MEMBER BILL AUDIT

Upon receiving notice of a claims payment from BCBSND, the Member is encouraged to audit their medical bills and notify BCBSND of any services which are improperly billed or services that the Member did not receive. If, upon audit of a bill an error of \$40 or more is found, the Member will receive a minimum payment of \$20 or 50% of the resulting savings for paid Covered Services up to a maximum payment of \$500.

To obtain payment through the Member Bill Audit Program, the Subscriber must complete a Member Bill Audit Refund Request Form. Forms are available from Blue Cross Blue Shield of North Dakota's NDPERS Service Unit.

This program does not apply when the NDPERS Benefit Plan is the secondary payor on a claim.

I asked BCBS how much the program has saved and the answer was: *It is very hard to establish this as each one is a different situation, it could possibly be that the entire claim was submitted in error of which then we would base the refund on the formula or it could be just one line item that was billed in error or could even be wrong units were billed and again we would base it on the below formula.* I also asked for a history on the program:

<b>YEAR</b>	<b>Acct</b>	<b>COUNT</b>	<b>Trans Amt</b>
2003 Total	5023001	10	2,022.16
2004 Total	5023001	7	931.77
2005 Total	5023001	6	839.41
2006 Total	5023001	17	2,913.44
2007 Total	5023001	9	2,350.68
<b>Grand Total</b>		<b>49</b>	<b>9,057.46</b>

In addition for 2008 the count was 4 for a total dollar amount of \$423.

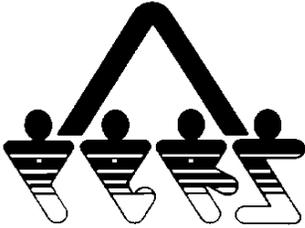
Please note that if you would determine not to continue the program there would be no savings on our administrative costs.

**Board Action Requested:**

Determine if the Member Bill Audit program should continue for the 2009-2011 biennium.

**Staff Recommendation:**

Continue the program.



**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

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FAX: (701) 328-3920 • EMAIL: [NDPERS@state.nd.us](mailto:NDPERS@state.nd.us) • [discovernd.com/NDPERS](http://discovernd.com/NDPERS)

# Memorandum

**DATE:** May 13, 2009

**TO:** NDPERS Board

**FROM:** Kathy

**SUBJECT:** Disability Consultant Agreement

The contract with Mid Dakota Clinic for disability consulting services expires June 30, 2009. The Board must determine whether to go out for bid or renew the present contract. Mid Dakota clinic has indicated they wish to continue to perform these service for NDPERS at the rate of \$200 an hour for the July 1, 2009 through June 30, 2010 contract period. This represents no increase in the hourly rate from the current contract period. A copy of the clinic's proposal is included for your information.

The amount paid in consulting fees for this contract period beginning on July 1, 2008 through April 2008 is \$5,950 involving 30.5 hours of service and 52 cases reviewed. Staff has been satisfied with the services provided by Mid Dakota and recommends that we renew the disability consulting contract for the period July 1, 2009 through June 30, 2010 at the rate of \$200 an hour.

## **Board Action Requested**

Approve or deny staff's recommendation.

May 1, 2009

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

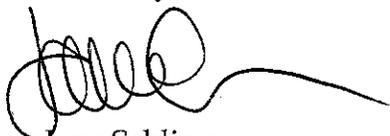
RE: North Dakota Public Employees Retirement System (NDPERS)  
Disability Contract Renewal

Dear Kathy:

This letter is in response to your proposal for renewal of the disability determination services contract for the period July 1, 2009 through June 30, 2010. Mid Dakota Clinic does wish to continue to perform these services for NDPERS at an hourly rate of \$200.

If you have any questions, please feel free to contact me at 530-6006.

Sincerely,

  
Jane Schlinger

MAILING  
PO Box 5538  
Bismarck, ND 58506-5538

PHONE  
701-530-6000  
1-800-472-2113

LOCATIONS: Main Clinic, 401 N. 9th Street, Bismarck  
Center for Women, 1000 E. Rosser Avenue, Bismarck  
University of Mary Student Health Clinic, Bismarck  
Kirkwood Mall Clinic, 828 Kirkwood Mall, Bismarck  
Gateway Mall, 2700 N. State Street, Bismarck

- Mid Dakota Clinic
- Gateway Dermatology
- Dermatologic Surgery, Cosmetic & Laser Center



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# Memorandum

**TO:** NDPERS Board

**FROM:** Kathy & Sparb

**DATE:** May 12, 2009

**SUBJECT:** Dental Renewal

Our group dental contract with CIGNA expires on December 31, 2009. The contract has been in effect since January 1, 2007. Last year the Board accepted CIGNA's renewal proposal for a 9% premium increase for 2009 subject to a not to exceed cap of 18% for 2010. NDPERS in conjunction with our consultant, Gallagher Benefit Services, requested a renewal proposal from CIGNA for January 1, 2010. They are proposing an across the board increase of 9%. Included for your information is the CIGNA proposal along with the experience report, renewal projection, and rate summary and the renewal terms and conditions.

At this time, staff and GBS are in the process of finalizing negotiations with CIGNA regarding the proposal. We expect to provide the Board with additional detail and a recommendation at the meeting.

Scott A. Shultz, RHU  
Senior Client Manager  
CIGNA Sales

A

April 27, 2009

Kathy Allen  
Benefit Program Manager  
400 East Broadway, Suite 505  
Bismarck, ND 58502-1657

3900 E. Mexico Ave.  
Suite 1250  
Denver, CO 80210

RE: 2010 CIGNA Dental Renewal

Dear Kathy:

I look forward to working with you to ensure a smooth renewal and open enrollment for the members of NDPERS. Enclosed are the CIGNA dental renewal rates effective January 1, 2010.

Last year when we provided the 2009 renewal rates, CIGNA was committed to providing NDPERS with a 2010 renewal increase of less than 18%. With a stabilization of the utilization, CIGNA is able to provide a renewal increase far less than 18%. The needed increase for January 1, 2010 is 9%.

Enclosed for your review are the renewal rates, the rate calculation form and Proposed Renewal Terms and Conditions. Also included is the monthly detail experience report. While the overall utilization is still very high at 96.5%, it has dropped from a May 2008 high of 112%.

There are two things that NDPERS might consider to realize 2010 savings:

- First would be to move the reimbursement allowable for 90% of usual and customary to 80%. That would save 1.5% or about \$70,000 annually.
- Second would be to remove some lines of structure. There are currently 660 billing lines, many of which have no membership. Eliminating those lines without membership could save up to an additional 1% or \$45,000.

I would welcome the opportunity to discuss the renewal with you. Please feel free to call me if you have any questions. Thank you for allowing CIGNA to be of service to NDPERS.

Cordially,

Scott A. Shultz, RHU

CC: Bill Robinson, Gallagher Benefit Services

# NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT

## MONTHLY HEALTHCARE DETAIL EXPERIENCE REPORT

January 2007 thru March 2009

Reported Claims: Dent Elig,

<i>PRODUCT TYPE</i>	<i>YTD/MONTH</i>	<i>TOTAL CLAIMS</i>	<i>TOTAL BILLED PREMIUM</i>	<i>TOTAL LOSS RATIO</i>	<i>TOTAL SUBS</i>	<i>TOTAL MBRS</i>	<i>TOTAL AUTO ADJUDICATED SERVICE LINES</i>	<i>TOTAL NON-AUTO ADJ SERVICE LINES</i>	<i>TOTAL SERVICE LINES</i>	
DIND	Jan-07	\$110,490	\$260,326	42.4%	4,793	9,826	1,947	546	2,493	
	Feb-07	\$224,458	\$260,612	86.1%	4,866	9,996	3,077	1,073	4,150	
	Mar-07	\$287,839	\$260,294	110.6%	4,904	10,090	3,771	1,102	4,873	
	Apr-07	\$292,804	\$262,077	111.7%	4,798	9,839	3,870	1,119	4,989	
	May-07	\$305,484	\$263,346	116.0%	4,719	9,662	4,061	1,101	5,162	
	Jun-07	\$266,791	\$264,460	100.9%	4,701	9,644	3,501	935	4,436	
	Jul-07	\$230,902	\$264,362	87.3%	4,762	9,725	3,121	916	4,037	
	Aug-07	\$281,375	\$272,039	103.4%	4,882	9,988	4,165	1,055	5,220	
	Sep-07	\$234,620	\$277,665	84.5%	4,964	10,123	3,342	754	4,096	
	Oct-07	\$248,566	\$278,739	89.2%	4,977	10,029	3,658	862	4,520	
	Nov-07	\$256,202	\$279,607	91.6%	5,026	10,111	3,794	717	4,511	
	Dec-07	\$263,332	\$279,429	94.2%	5,053	10,151	3,649	916	4,565	
	Jan-08	\$313,614	\$296,902	105.6%	5,268	10,768	4,017	1,180	5,197	
	Feb-08	\$334,415	\$298,067	112.2%	5,311	10,830	4,175	1,211	5,386	
	Mar-08	\$334,884	\$298,783	112.1%	5,316	10,844	4,193	1,219	5,412	
	Apr-08	\$307,226	\$301,024	102.1%	5,355	10,921	4,241	973	5,214	
	May-08	\$341,160	\$302,870	112.6%	5,386	10,977	4,407	996	5,403	
	Jun-08	\$294,655	\$304,368	96.8%	5,391	10,989	3,725	1,124	4,849	
	Jul-08	\$281,642	\$305,131	92.3%	5,406	11,019	3,876	823	4,699	
	Aug-08	\$303,525	\$307,003	98.9%	5,458	11,119	4,375	868	5,243	
	Sep-08	\$271,743	\$311,689	87.2%	5,556	11,300	3,535	991	4,526	
	Oct-08	\$302,738	\$312,481	96.9%	5,562	11,290	4,251	1,058	5,309	
	Nov-08	\$261,922	\$313,971	83.4%	5,579	11,330	3,737	799	4,536	
	Dec-08	\$300,102	\$314,988	95.3%	5,584	11,332	4,003	976	4,979	
	Jan-09	\$335,426	\$355,559	94.3%	5,761	11,780	4,769	979	5,748	
	Feb-09	\$340,419	\$355,100	95.9%	5,754	11,753	3,958	1,357	5,315	
	Mar-09	\$351,033	\$356,340	98.5%	5,759	11,776	4,228	1,115	5,343	
	<b>PRODUCT TYPE Total</b>		<b>\$7,677,367</b>	<b>\$7,957,231</b>	<b>96.5%</b>	<b>140,891</b>	<b>287,212</b>	<b>103,446</b>	<b>26,765</b>	<b>130,211</b>

**Account Name: North Dakota Public Employees Retirement**

Effective Date : 01/01/2010 - 12/31/2010

Description :

**Indemnity Dental**

---

<b>FFS Claims PEPY</b>	
Experience Period FFS Paid Claims	\$3,691,590
/ Average Subscribers	5,472
= Annualized FFS Claims PEPY	\$674.62
<b>Trend</b>	
Annual Trend %	4.58%
Number of Months	22.0
x Effective Trend Factor	1.0856
= Trended Annual Claims PEPY	\$732.35
x Projected Number of Employees (Current Lives)	5,759
= Trended Annualized Claims Total	\$4,217,583
x Change in Liability	1.0065
= Total Annualized Projected Claims (Incurred)	\$4,244,997
<b>Total Projected Claims</b>	
/ Claim Fluctuation Corridor % (1-CFC %)	0.00%
= Total Projected Annual Claims w/ CFC	\$4,244,997
<b>Projected Experience Rated Premium</b>	
Expense (\$ amount)	\$419,835
Expense (% of Premium)	9.00%
= Projected Annual Experience Rated Premium - Total	\$4,664,832
= Projected Annual Experience Rated Premium - PEPY	\$810.01
<b>Projected Experience Premium Need</b>	
Current Total Annual Premium	\$4,276,079
Projected Rate Adjustment %	9.09%

## Rate Summary

Account Name: North Dakota Public Employees Retirement

Effective Date : 01/01/2010 - 12/31/2010

Description :	Projected Monthly Enrollment	Current Billed Rate	Proposed Billed rate	Rate Need
<b>Proposed: Indemnity Plan</b>				
<b>Current: Indemnity Plan</b>				
EE	2,792	\$35.10	\$38.29	9.09%
EE + Spouse	1,372	\$67.76	\$73.92	9.09%
EE + Child(ren)	372	\$78.64	\$85.79	9.09%
EE + Family	1,223	\$111.30	\$121.42	9.09%
Annualized Total	5,759	\$4,276,079	\$4,664,832	9.09%

**Benefit recommendation: move R&C from 90th to 80th is a -1.5% reduction to rates.**

## PROPOSED RENEWAL TERMS AND CONDITIONS

### A. General Terms of this Renewal Proposal

Connecticut General Life Insurance Company (“CG”) is pleased to present this proposal for renewal for an insured group dental, benefit plan (the “Plan”) sponsored by North Dakota Public Employees Retirement Systems. This proposal is valid for 120 days from its original date of release, 4/23/2009. Any revisions or updates made to this proposal will not renew this valid timeframe unless expressly communicated by CG.

#### Renewal Caveats

CG may revise or withdraw this renewal proposal if:

- there is a change to the effective date of the quote
- Plan modifications are requested
- there is a change in law, regulation, tax rates, or the application of any of these that affects CG’s costs
- less than 200 employees or less than 50% of total eligible employees enroll in the Plan
- enrollment varies by more than 15% percent from at least one of the following enrollment levels: 5749 total.
- commissions are requested to be different than 0%
- it is requested to interface with a third party vendor
- it is not the exclusive provider of Dental benefits.

### B. Scope and Application of this Proposal

Unless otherwise indicated, this Proposal:

- supersedes and renders null and void any prior CG offer or proposal with respect to the Plan



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M E M O R A N D U M

**TO:** NDPERS BOARD  
SPARB COLLINS, NDPERS

**FROM:** *BTK*  
BRYAN T. REINHARDT

**DATE:** May 13, 2009

**SUBJECT:** GROUP MEDICAL PLAN - SURPLUS/AFFORDABILITY UPDATE

Here is the April surplus projection and affordability analysis for the NDPERS group medical plan. The plan made it through the 2005-2007 biennium and is in the last quarter of the 2007-2009 biennium.

Net premium sent to BCBS in July 2007 was \$13,406,858. In July 2005 it was \$10,853,370. There are now 25,097 contracts on the NDPERS Health Plan, covering 56,000 people. The NDPERS health plan ended up with 23,580 contracts in June, 2005. There were 22,947 contracts in June, 2003, and 21,792 in July 2001.

The 2003 - 2005 biennium settlement is on account at BCBS with a balance of over \$2,051,000. The remaining \$14.3 million was used to buy down premiums for the 05-07 biennium. This amount is at BCBS and receiving interest.

The first settlement for the 2005 - 2007 biennium transferred \$3,672,932 to the NDPERS account. In addition refunds came in greater than IBNR claims, so this biennium has a cash balance of \$360,012. The final settlement for this biennium is June 2009.

The projection for the 2007 - 2009 biennium shows total surplus at -\$3.8 million. If there is a surplus, we share 50/50 in the first \$3.0 million surplus with BCBS. This will make future growth in the gain for NDPERS difficult. The plan is fully insured by BCBS, so the June 30, 2009 NDPERS estimated gain is \$0. IBNR for this estimate is at \$17.0 million and cash to pay claims is at \$14.3 million. \$13.3 million was paid out in April.

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

# NDPERS - ESTIMATED SURPLUS PROJECTION: 2007-2009 BIENNIUM

April, 2009

The following exhibit summarizes the estimated surplus for the NDPERS group medical plan at the end of the 2007-2009 biennium. The estimate has been updated to include account activity through April, 2009.

1) Preliminary Underwriting Gain/Loss for the 2007-2009 Biennium		(\$4,543,600)
2) Wellness Program Expenses		\$0
3) Estimated Underwriting Gain/Loss for the 2007-2009 Biennium		(\$4,543,600)
4) Projected Interest Accumulation (adjusted for usage as premium)		\$0
5) Refunds and Settlements		
11/30/07 Perform Rebate	(Included as claim rebates)	\$340,034
02/29/08 Perform Rebate	(Included as claim rebates)	\$385,151
05/31/08 Perform Rebate	(Included as claim rebates)	\$328,973
08/31/08 Perform Rebate	(Included as claim rebates)	\$354,915
11/31/08 Perform Rebate	(Included as claim rebates)	\$395,601
02/28/09 Perform Rebate	(Included as claim rebates)	\$270,464
04/30/09 Perform Rebate		\$350,000
06/30/09 Perform Rebate		\$350,000
EPO Settlement Payments 7/07 - 6/08	(No target settlements)	\$0
6) Total Estimated Surplus Held by BCBS		(\$3,843,600)
7) BCBS Portion of Surplus (Half upto \$1,500,000)		\$0
8) PERS Portion of Surplus Held by BCBS		(\$3,843,600)
9) Cash Reserve Account Balance		\$0
Future Contributions:		\$0
Future Interest:		\$0
Total		\$0
10) NDPERS Wellness Accounts		
My Health Connection		\$213,390
Employer Based Wellness		\$0
Wellness Benefit Program		\$375
SubTotal		\$213,765
Total Adjusted for Usage		\$0
11) Total Estimated Funds Available to PERS on June 30, 2009		\$0

NDPERS - Projected Underwritten Experience for the 2007-2009 Biennium

April, 2009

MONTH	PREMIUM COLLECTED	PREMIUM ADJUSTMENT	TOTAL PREMIUM INCOME	ADMIN EXPENSE \$29.90/Con	NET PREMIUM	INTEREST ON CASH	CLAIMS INCURRED & PAID TO DATE	ESTIMATED IBNR CLAIMS	TOTAL INCURRED CLAIMS(1)	ESTIMATED GAIN / LOSS
Jul-07	\$13,406,857	\$0	\$13,406,857	\$725,404	\$12,681,453	\$0	\$11,182,759	\$0	\$11,182,759	\$1,498,694
Aug-07	\$13,465,027	\$308	\$13,465,336	\$728,334	\$12,737,002	\$8,720	\$12,182,208	\$0	\$12,182,208	\$563,514
Sep-07	\$13,608,834	\$6,878	\$13,615,713	\$736,018	\$12,879,695	\$32,149	\$10,954,846	\$0	\$10,954,846	\$1,956,998
Oct-07	\$13,577,219	\$7,321	\$13,584,540	\$734,822	\$12,849,718	\$44,159	\$13,063,110	\$0	\$13,063,110	(\$169,233)
Nov-07	\$13,584,631	(\$6,547)	\$13,578,084	\$735,480	\$12,842,604	\$38,392	\$13,279,082	\$0	\$13,279,082	(\$398,086)
Dec-07	\$13,568,728	\$5,601	\$13,574,329	\$734,553	\$12,839,776	\$40,841	\$12,531,192	\$0	\$12,531,192	\$349,425
Jan-08	\$13,582,515	\$3,071	\$13,585,586	\$735,121	\$12,850,465	\$39,733	\$13,723,376	\$0	\$13,723,376	(\$833,178)
Feb-08	\$13,622,093	\$1,733	\$13,623,826	\$737,155	\$12,886,671	\$33,024	\$12,258,772	\$0	\$12,258,772	\$660,923
Mar-08	\$13,620,486	(\$2,685)	\$13,617,801	\$737,125	\$12,880,676	\$25,258	\$13,255,031	\$0	\$13,255,031	(\$349,097)
Apr-08	\$13,626,826	\$1,915	\$13,628,741	\$738,171	\$12,890,570	\$21,216	\$13,283,520	\$0	\$13,283,520	(\$371,734)
May-08	\$13,623,071	\$1,798	\$13,624,869	\$737,992	\$12,886,877	\$17,341	\$12,559,126	\$0	\$12,559,126	\$345,092
Jun-08	\$13,644,570	(\$2,237)	\$13,642,333	\$739,128	\$12,903,205	\$27,130	\$12,837,684	\$0	\$12,837,684	\$92,651
Jul-08	\$13,611,228	(\$4,554)	\$13,606,675	\$737,693	\$12,868,982	\$33,409	\$13,832,867	\$0	\$13,832,867	(\$930,477)
Aug-08	\$13,622,766	\$25,091	\$13,647,857	\$738,052	\$12,909,805	\$29,181	\$12,677,160	\$30,000	\$12,707,160	\$231,826
Sep-08	\$13,750,651	\$3,180	\$13,753,831	\$745,168	\$13,008,663	\$29,890	\$13,063,881	\$280,000	\$13,343,881	(\$305,328)
Oct-08	\$13,718,593	\$26,952	\$13,745,546	\$744,480	\$13,001,065	\$21,426	\$13,389,641	\$290,000	\$13,679,641	(\$657,149)
Nov-08	\$13,728,459	\$9,639	\$13,738,098	\$745,497	\$12,992,601	\$19,221	\$12,195,490	\$400,000	\$12,595,490	\$416,333
Dec-08	\$13,733,851	\$566	\$13,734,417	\$745,557	\$12,988,860	\$13,638	\$15,127,475	\$550,000	\$15,677,475	(\$2,674,976)
Jan-09	\$13,810,474	(\$5,691)	\$13,804,783	\$749,862	\$13,054,921	\$9,258	\$11,764,710	\$1,000,000	\$12,764,710	\$299,469
Feb-09	\$13,811,340	(\$5,048)	\$13,806,292	\$749,952	\$13,056,340	\$6,142	\$10,913,006	\$1,700,000	\$12,613,006	\$449,477
Mar-09	\$13,815,272	(\$6,974)	\$13,808,298	\$749,892	\$13,058,406	\$7,663	\$11,301,766	\$4,100,000	\$15,401,766	(\$2,335,697)
Apr-09	\$13,843,570	(\$6,718)	\$13,836,852	\$751,417	\$13,085,435	\$7,498	\$5,003,353	\$8,650,000	\$13,653,353	(\$560,419)
May-09	\$13,843,570	\$0	\$13,843,570	\$750,400	\$13,093,170	\$7,229	\$0	\$0	\$13,979,583	(\$879,184)
Jun-09	\$13,843,570	\$0	\$13,843,570	\$750,400	\$13,093,170	\$6,489	\$0	\$0	\$14,043,090	(\$943,431)
<b>BIENNIAL</b>										
TOTAL	\$328,064,202	\$53,600	\$328,117,802	\$17,777,672	\$310,340,131	\$519,008	\$270,380,055	\$17,000,000	\$315,402,728	(\$4,543,590)

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



**North Dakota  
Public Employees Retirement System**  
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**Sparb Collins**  
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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** May 13, 2009  
**SUBJECT:** Tax Tables

Attached please find an article that we had in our most recent retiree newsletter concerning tax withholding. The federal government has received a lot comments about the change since it raises the possibility of retirees not having enough withheld and potentially being exposed to penalties as well. Recently it was announced by our national organization that the IRS was considering allowing retirement plans to again use the old table or keep the new table. At this point no announcement has come.

PERS currently has 7,284 retirees. Of those 2,460 have taxes withheld with 1,769 doing it based upon the table and 691 have a specific amount withheld. Here are the summary withholding figures for the 2,389 NDPERS retirees affected by the change to the tax tables.

Before Federal Withholding:	\$306,246
Before State Withholding:	<u>\$56,031</u>
Total:	\$362,277
After Federal Withholding:	\$209,506
After State Withholding:	<u>\$38,755</u>
Total:	\$248,261
Difference Federal:	\$96,740
Difference Federal:	<u>\$17,276</u>
Total:	\$114,016

In total this was about a 31% decrease in taxes taken out for these members. Since we have already announced this change and had retirees take action based upon this announcement it is our plan not to revert back to the old table if that is allowed by the IRS. We will however continue to include in our newsletter information on this change this year.

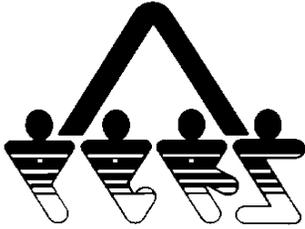
## **SPECIAL NOTICE**

### **2009 INCOME TAX WITHHOLDING FOR PENSION PAYMENTS**

Due to the American Recovery and Reinvestment Act (ARRA) signed into law on February 17, 2009, the Internal Revenue Service (IRS) has issued new tax withholding tables effective April 1, 2009 that are to be used to calculate the federal income tax withholding for pension payments. In summary, the automatic withholding threshold will increase from \$1,600 to \$2,240 effective April 1, 2009. Under the revised wage withholding tables, no tax is to be withheld from monthly payments that are less than \$2,240, unless you request otherwise, because this is the monthly withholding threshold for a “married-and three” taxpayer.

NDPERS was required to adjust its system to incorporate the new tax withholding tables effective with your April 1 payment. Therefore, the change in withholding occurred automatically and if you have a Form W-4P on file, the tax was applied in accordance with that form. The result of this might be that you will receive a larger pension check for the remainder of the year; therefore, at the end of the year not enough tax will be withheld to cover your 2009 tax bill.

If you wish to adjust your withholding you must file a new W-4P with the PERS office. You may obtain the form from our web site at [www.nd.gov/ndpers](http://www.nd.gov/ndpers) under Forms and Publications for the Defined Benefit Hybrid Retirement Plan or you may call the NDPERS office at 701-328-3900 or 1-800-803-7377. For additional assistance, get IRS Publication 919, “How Do I Adjust My Tax Withholding?” or visit the IRS website at [222.irs.gov](http://222.irs.gov) and use the “Withholding Calculator.” As with all tax matters, we also recommend that you discuss this issue with your personal tax advisor.



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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** May 13, 2009  
**SUBJECT:** Legislation

Attached please find a summary of actions on proposed legislation relating to PERS.

## 2009 Legislative Session

### North Dakota Public Employees Retirement System

Bill Number	Sponsor	Summary	Action	Comment
HB1022		PERS Budget	Passed	Budget was approved as proposed
HB1120	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.	Failed	Committee was concerned with what would happen after the two year period also no other testimony in support of the bill
HB1121	PERS	Provides for a 5% increase for OASIS members effective August 1. Amended out of the bill was the 13 <sup>th</sup> check and 2% increase for PERS retirees	Passed	PERS retiree increase was amended out due to the cost.
HB1173	Rep. Klemin	Allows the public employees retirement system to create a health care savings plan for all supreme and district court judges participating in the public employees' retirement system.	Passed	We will be meeting with the Judges to begin the process of implementation.
HB1204	Rep. Kaiser	Relating to health insurance coverage for medical services related to intoxication.	Passed	This bill had an actuarial cost of .12 cents pcpm. As passed no additional appropriation was added so this will need to be funded with PERS reserves. Total cost per month is \$3,217 or \$77,200 for the biennium.
HB1575	Rep. Grande	Provides that law enforcement officers with BCI will participate in the peace officers and correctional officers retirement plan effective July 1.	Passed	PERS is presently working on transferring these members as of July 1.
SB2153	PERS	Provides for the following: <ol style="list-style-type: none"> <li>1. The PERS board is presently authorized to appoint 3 of its 4 elected members to the state investment board. This change allowed the board to appoint as one of its 3 members a nonelected PERS Board members such as the Board Chair who is appointed by the Governor, the Attorney General's appointment or the Health Officer or</li> </ol>	Passed	Implementation plans have been developed for this bill and are presently being worked on.

Bill Number	Sponsor	Summary	Action	Comment
		<p>designee</p> <ol style="list-style-type: none"> <li>2. Standardizing the language relating to purchase or prior service and years of service for the Highway Patrol with the PERS plan (effective March 1, 2011)</li> <li>3. Authorize the pretax payment of employee contributions made by the HP members and Judges (6.3% for HP &amp; 1% for Judges)</li> <li>4. Modifies the automatic distribution provision so it is consistent with Federal requirements (Less than \$1,000)</li> <li>5. Adds a graduated benefit option to the plan in addition to the existing options (J&amp;S 50% and 100%, 10 year term certain &amp; level SS benefit). Pursuant to this option a member could take an actuarial reduced benefit initially (like they do with the J&amp;S benefit) so their benefit would increase at 1% or 2% over time. The benefit would be reduced actuarially to reduce the initial payments by an amount to pay for the 1% or 2% option (effective March 1, 2011)</li> <li>6. Update the federal compliance provisions and add federally required language relating to the treatment of members in dual plans</li> <li>7. Present law provides that any member of the PERS retirement plan can run for the PERS Board. The board is proposing broadening eligibility to include members of the HP plan, Job Service Plan and DC plan. These are plans also administered by the Board.</li> <li>8. Relates to the group insurance program and clarifies that "faculty member" instead of teachers who are teaching from one year to the next should be set up on an annual health contract.</li> <li>9. This change also relates to the group insurance program and does two things: <ol style="list-style-type: none"> <li>a. Eliminates the provision allowing an employee of a political subdivision not participating in PERS to participate.</li> <li>b. Allows an employer to pay the insurance premium for an employee on leave absence</li> </ol> </li> </ol>		
SB2154	PERS	<p>Provides the following:</p> <ol style="list-style-type: none"> <li>1. Increases the retiree health credit from \$4.50 to \$5</li> </ol>	Passed	This is effective July 1. We are

Bill Number	Sponsor	Summary	Action	Comment
		effective July 1, 2009 2. Increases the required employer contribution from 1% to 1.14% effective July 1, 2009		updating the benefits system to pay the increase and the billing system.
HB 1340	Rep Glassheim	Allows Metropolitan Planning Organization to participate in PERS	Passed	
HB 1067		Exempts engineers and geologists employed by the director of mineral resources from classified service. This means they will be eligible for the DC plan	Passed	Since these position will become unclassified they will become eligible for the DC plan on July 1.
Appropriation Bills		Health Plan	Passed	The Health Insurance increase was passed. Premiums will increase July 1 based upon the schedule you passed in March. Benefit plan changes will also be implemented on July 1.

Health Plan funding and benefit changes:

Current Rate: \$658.08

	<u>Existing Plan</u>
BCBS bid	\$846.64
<b>Deductions</b>	
Remove 1%	(\$8.44)
<b>Sub total</b>	<b>\$838.20</b>
	27.37%

**Biennium  
Cost**

**Increase:** FTE's  
State 11,500  
General Fund 60%  
Other Funds 40%

	\$49,713,120
	\$29,827,872
	\$19,885,248
<b>Wellness Pay w/o EPO +/- Ben</b>	
EPO	(\$16.71)
Benefit St	(\$3.40)
Wellness	\$7.88
Subtotal	(\$12.23)
<b>Sub Total</b>	<b>\$825.97</b>
<b>Increase \$'s</b>	<b>\$167.89</b>
<b>Increase %</b>	<b>25.51%</b>

PERS Benefits Commitment 3  
NDPERS Priority: 2

**NDPERS Health Plan 2009-2011 Benefit Reductions:**

Well Child Care Copays	\$1.02
PT/O/DST Copays	\$1.06
<u>Maintenance Drug Copays</u>	<u>\$1.32</u>
<b>Total</b>	<b>\$3.40</b>

**NDPERS Health Plan 2009-2011 Wellness Additions:**

\$200 Screening Benefit	\$5.84
HPV Vaccine	\$0.36
Zoster Vaccine	\$0.30
Tetanus Vaccine	\$0.20
Influenza Vaccine	\$0.10
Chiropractic Copay Standardization	\$0.24
LRD Obesity Visit	\$0.72
7 Well Child Care Visits	\$0.12
<b>Subtotal</b>	<b>\$7.88</b>

**Biennium  
Cost**

**Increase:** FTE's  
State 11,500  
General Fund 60%  
Other Funds 40%

	\$46,337,640
	\$27,802,584
	\$18,535,056



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# Memorandum

**TO:** **NDPERS Board**

**FROM:** **Election Committee:  
Jon Strinden  
Mike Sandal  
Levi Erdmann**

**DATE:** **May 13, 2008**

**SUBJECT:** **Election Update**

There is one nominee for the active vacancy on the PERS Board:

Joan Ehrhardt – Dept. of Human Services

There are two nominees for the retiree vacancy on the Board:

David Gunkel  
Howard Sage

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

May 26, 2009 – Ballots are sent out to membership

June 12, 2009 – Deadline to return ballots

June 15, 2009 – Ballot canvassing

June 18, 2009 – Presentation of results to Board membership



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# Memorandum

**TO:** PERS Board  
**FROM:** Sparb  
**DATE:** May 13, 2009  
**SUBJECT:** REQUEST FOR PROPOSALS

Attached, for your information, is the Request for Proposals for the Experience Study and Retiree Health Valuation (Other Post Employment Benefits).

Please note the attached cover letter that sets forth the timelines.

It is our hope to bring the results and staff recommendation to the June Board meeting.



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May 6, 2009

## **REQUEST FOR PROPOSALS**

### **Experience Study**

### **Retiree Health Valuation (Other Post Employment Benefits)**

Attached please find the Request for Proposals (RFP) from the North Dakota Public Employees Retirement System (NDPERS) for two work efforts:

1. To conduct an Experience Study for the retirement plans administered by the agency.
2. To conduct a Retiree Health Valuation (OPEB).

Please note the following:

1. The timetable for submission of proposals on page 16, Section VI. D.
2. The location for submission of proposals on page 16, Section VI. C.
3. The date for submission of questions relating to the proposal on page 16, Section VI. J.
4. The timeline for work efforts pursuant to this proposal and the due dates for deliverables on page 3.
5. The acceptance terms on page 16, Section VI. K.
6. Copies of the Request for Proposal (RFP) may be obtained from the NDPERS website at: <http://www.state.nd.us/ndpers/providers-consultants/consultants/rfp-index.html> This website will contain the RFPs, and other important information. Bidders should check these electronic pages regularly.

NDPERS appreciates your consideration of this RFP and would welcome a proposal from your firm for review if you believe your firm meets the minimum requirements as found on page 20, paragraph 1.

Sparb Collins  
Executive Director

• FlexComp Program  
• Employee Health & Life Insurance  
• Dental  
• Vision

• Retirement Programs  
- Public Employees  
- Highway Patrol  
- National Guard/Law Enforcement  
- Judges  
- Prior Service  
- Job Service

• Retiree Health Insurance Credit  
• Deferred Compensation Program  
• Long Term Care Program

# **REQUEST FOR PROPOSALS**

**Experience Study  
Retiree Health Valuation (Other Post Employment Benefits)**

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**Prepared by:**

**North Dakota Public Employees Retirement System  
P.O. Box 1657  
Bismarck, ND 58502-1657**

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**Request for Proposals  
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## Section I. Introduction

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### Request:

This Request for Proposal is soliciting offers for two work efforts. The first is to conduct an experience study on the defined benefit plans administered by NDPERS and the retiree health credit plan. NDPERS administers two primary retirement trust funds. One is the Public Employees Retirement System (PERS) and the other is the Highway Patrol plan. The PERS plan has five subdivisions/plans which are: Main, judges, Law Enforcement with prior service, Law Enforcement without prior service and National Guard. The Retiree Health Credit Plan is a separate trust.

The second effort requested is to do the actuarial valuation of the PERS post retirement benefit plan to satisfy the requirement for the Governmental Standard Board statement 43 and 45.

The following is a sequence of activities for this RFP:

<b>May 5, 2009</b>	RFP for consultant services issued
<b>May 21, 2009</b>	Questions to RFP due
<b>May 27, 2009</b>	Responses to questions posted
<b>June 5, 2009</b>	Consultant proposals due at PERS office no latter then 5:00 p.m. Central Standard Time.
<b>July 16, 2009</b>	PERS Board selects consultant no later than this date.

The due dates for deliverables on this project are:

<b>September 10, 2009</b>	Draft of retiree valuation to NDPERS
<b>September 17, 2009</b>	Present draft report to NDPERS Board
<b>September 24, 2009</b>	Final OPEB report due
<b>December 28, 2009</b>	Draft of experience study to NDPERS
<b>January 14, 2010</b>	Second draft completed and to NDPERS
<b>January 21, 2010</b>	Meet with NDPERS Board and Present experience study

### PERS:

PERS is a separate agency created under North Dakota state statute and, while subject to state budgetary controls and procedures as are all state agencies, is not a state agency subject to direct executive control.

PERS is managed by a Board comprised of seven members:

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

## Section II. Experience Study

---

### A. Background

North Dakota state law requires:

“...once every five years make a general investigation of the actuarial experience under the system including mortality, retirement, employment turnover, and other items required by the board, and recommend actuarial tables for use in valuations and in calculating actuarial equivalent values based on such investigation; “

Pursuant to this statute, the next study will be required for the 5 year period ending June 30, 2009. The Segal Company will be completing the 2008/09 evaluation by October 2009. The retirement system is requesting a not to exceed fixed fee bid to conduct an experience study for the retirement systems under its jurisdictions for the five year period ending June 30, 2009. PERS is also interested in a not to exceed fixed fee bid for an experience study for the same period for the Retiree Health Insurance Credit program. The results of the studies will be reported to the Board by January of 2010. The study will review and analyze, at a minimum, the following assumptions:

- < Life Mortality
- < Disabled Life Mortality
- < Disability Incidence
- < Retirement Rates
- < Withdrawal
- < Investment Return Rates
- < Salary Increase Rates
- < Inflation
- < Actuarial Cost Method
- < Asset Valuation Method

### B. Plans:

The PERS system (includes the main system, judges, air guard, and law enforcement plans) and the Highway Patrol plan are defined benefit plans and provide benefits under two separate chapters of the North Dakota Century Code (NDCC). NDCC Chapter 54-52 provides the benefits under the PERS, Judges, and Air Guard retirement plans. NDCC Chapter 39-03.1 provides the benefits under the Highway Patrol retirement plan. In addition to the retirement funds, NDPERS is requesting an experience study on its retiree health credit program. This program provides members a fixed benefit of \$4.50 times the number of years of service credit in the retirement plan that can be used to purchase PERS health insurance. The program is funded with a 1% employer contribution.

#### 1. Public Employees

The North Dakota Public Employees Retirement System (PERS) is the retirement plan for all state employees (excluding those in the Board of Higher Education eligible for TIAA/CREF), and employees of counties, cities and school districts (excluding teachers) which have elected to participate. The following statistics are from the systems last actuarial report performed by the Segal Company for the main system:

	2008	2007	Change
Total Number of Active Members	19,042	18,299	4.1% increase
Average Age of Active Members	47.0 years	47.0 years	No change
Average Annual Salary	\$32,959	\$31,169	5.7% increase
Total Payroll	\$628 million	\$570 million	10.0% increase
Employer Cost Rate, 2007			6.08%
Plan Experience			0.11%
Contribution Loss			0.12%
Effect of maintaining 20-year amortization			<u>(0.05)%</u>
Employer Cost Rate, 2008			6.26%
Statutory Rate, 2008			4.12%
Contribution Margin			(2.14)%

## 2. Judges

The Supreme and District Court Judges in North Dakota, although a part of the PERS system, have a separate benefit program. The following information relating to this system is from the systems last actuarial report:

	2008	2007	Change
Total Number of Active Members	47	47	No change
Average Age of Active Members	56.0 years	55.0 years	increase
Average Annual Salary	\$111,427	\$103,683	7.5% increase
Total Payroll	\$5,237,000	\$4,873,000	7.5% increase

The following information relates to the benefits and contributions for the system:

Employer Cost Rate, 2007	9.31%
Plan Experience	(0.22)%
Contribution Gain	(0.29)%
Effect of maintaining 20-year amortization	<u>0.19%</u>
Employer Cost Rate, 2008	8.99%
Statutory Rate, 2008	14.52%
Contribution Margin	5.53%

### 3. Air Guard

Like the Judge's plan, the Air Guard is also part of the PERS system but has a separate level of benefits. The following information on this system is from the systems last actuarial report:

	2008	2007	Change
Total Number of Active Members	41	40	2.5% increase
Average Age of Active Members	34.0 years	34.1 years	decrease
Average Annual Salary	\$47,919	\$36,983	29.6% increase
Total Payroll	\$1,965,000	\$1,479,000	32.8% increase

The following information relates to the benefits and contributions for this system:

Employer Cost Rate, 2007	3.53%
Plan Experience	(0.13)%
Effect of maintaining 20-year amortization	<u>0.04%</u>
Employer Cost Rate, 2008	3.44%
Statutory Rate, 2008	6.50%
Contribution Margin	3.06%

#### 4. Law Enforcement System

The Law Enforcement Plan is divided into two sections those with prior service and those without. A separate valuation is done for each group. The following is from the last valuation for those with prior service:

	2008	2007	Change
Total Number of Active Members	136	138	1.5% decrease
Average Age of Active Members	41.6 years	41.6 years	No change
Average Annual Salary	\$37,188	\$35,292	5.4% increase
Total Payroll	\$5,058,000	\$4,870,000	3.8% increase

Employer Cost Rate, 2007	12.39%
Plan Experience	0.94%
Asset Transfer of \$3.3 Million	(4.14)%
Effect of maintaining 20-year amortization	<u>(0.15)%</u>
Employer Cost Rate, 2008	9.04%
Statutory Rate, 2008	8.31%
Contribution Margin	(0.73)%

The following is for the group without prior service:

	2008	2007	Change
Total Number of Active Members	30	28	7.1% increase
Average Age of Active Members	34.1 years	36.7 years	decrease
Average Annual Salary	\$27,472	\$25,327	8.5% increase
Total Payroll	\$824,000	\$709,000	16.2% increase

Employer Cost Rate, 2007	8.50%
Plan Experience	(1.29)%
Effect of maintaining 20-year amortization	<u>(0.06)%</u>
Employer Cost Rate, 2008	7.15%
Statutory Rate, 2008	6.43%
Contribution Margin	(0.72)%

### 5. Highway Patrol

The North Dakota Highway Patrol plan is administered by PERS as a separate plan of benefits. The following information is from the system last actuarial report performed by the Segal Company:

The following information relates to the benefits and contributions for this system.

	2008	2007	Change
Total Number of Active Members	130	133	2.3% decrease
Average Age of Active Members	37.0 years	37.2 years	decrease
Average Annual Salary	\$50,066	\$46,082	8.6% increase
Total Payroll	\$6,509,000	\$6,129,000	6.2% increase

Employer Cost Rate, 2007	15.08%
Plan Experience	1.00%
Contribution Gain	(0.17)%
Effect of maintaining 20-year amortization	<u>(0.15)%</u>
Employer Cost Rate, 2008	15.76%
Statutory Rate, 2008	16.70%
Contribution Margin	0.94%

## **6. Retiree Health Credit Program**

This is separate trust fund that is administered by PERS to help retirees pay the cost of their health insurance. The following information is from the last actuarial valuations:

	2008	2007	Change
Total Number of Active Members	19,659	18,929	3.9% increase
Average Age of Active Members	46.8 years	46.8 years	No change
Average Annual Salary	\$33,617	\$31,848	5.6% increase
Total Payroll	\$661 million	\$603 million	9.6% increase
Employer Cost Rate, 2007			15.08%
Plan Experience			1.00%
Contribution Gain			(0.17)%
Effect of maintaining 20-year amortization			<u>(0.15)%</u>
Employer Cost Rate, 2008			15.76%
Statutory Rate, 2008			16.70%
Contribution Margin			0.94%

### **C. Time frame**

Segal will complete the 2009 valuation in October of 2009. Demographic and economic information for the plan will be turned over to them in July and August with audit financial information in September.

A draft of the experience study is to be completed by December 28, 2009 for review with the PERS staff. A second draft is to be completed by January 14, 2010 for distribution to the NDPERS Board. The consultant shall attend the January 21, 2010 PERS Board meeting to present the report and recommendations.

### **D. Data**

NDPERS will supply to the successful contractor five years of data for each of the plans.

### **E. Other Information**

A copy of our last experience study and our last actuarial valuation for each of the above systems can be viewed on our website under "Request for Proposals" at <http://www.nd.gov/ndpers/providers-consultants/consultants/rfp-index.html>

### **SECTION III. Retiree Health Valuation**

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The North Dakota Public Employees System administers the group insurance program for State of North Dakota. Retirees from state retirement systems may elect to continue their participation in the group insurance. For PreMedicare retirees their rate is set by state statute at NDCC 54-52.1-02 which state:

- The PreMedicare single rate shall be 150% of the active member single rate
- The PreMedicare family rate is 2 times the PreMedicare single rate
- The PreMedicare family rate for 3 or more is 2.5 times the PreMedicare single rate

NDPERS needs to have an actuarial valuation of this liability that will fulfill the requirement for the Governmental Accounting Standards Board (GASB) Statement No. 43 and Statement No. 45.

Concerning the liability for the retiree health program discussed above that is actuarial determined each year along with the retirement plan valuations done by the Segal Company.

The valuation is to be completed by September 24, 2009 with a draft to NDPERS by September 10, 2009. The valuation will be presented to the NDPERS Board on September 17, 2009.

Prior to beginning work on the valuations, the successful contractor must executive a Business Associate Agreement with NDPERS.

A copy of our last valuation can be viewed on our website under "Request for Proposals" at <http://www.nd.gov/ndpers/providers-consultants/consultants/rfp-index.html>

## SECTION IV – Information Requests

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The proposal shall use the following format and contain your organization's response to the following requested information. Respond by restating the request with the response following. This format shall be used in the proposal.

### A. General Background:

1. The firm's name, home office address, address of the office providing the services under the contract and telephone number.
2. Detail your organization's approach to conducting an experience analysis. Include a discussion of your approach to reviewing the assumptions, determining their validity, making suggested changes and the resources your firm will assign to the project. What is your methodology relating to the economic versus non-economic assumptions? Also provide a timeline of the work efforts as required in Section II.
3. Detail your organization's approach to conducting retiree health valuations. Also provide a timeline for the work efforts in Section III.
4. General description of the firm, including the size, number of employees, primary business (consulting, pension planning, insurance, etc.), other business or services, type of organization (franchise, corporation, partnership, etc.) and other descriptive material.
5. Provide summary information regarding the professional and experience qualifications of actuaries and other consultants who shall perform work under the contract. Also for each staff member assigned to the project indicate who they have done project work for and a reference.
6. Description of the computer equipment and a statement as to the ownership and location of this equipment to be utilized in the performance of the contract.
7. Statement of the availability and location of staff (including actuaries) and other required resources for performing all services and providing deliverables within indicated time frames. Statement as to whether or not the services outlined in these specifications can be performed using only your present staff.
8. Identify the specific and unique qualifications of your firm with regard to providing the requested work.
9. Identify the offices from which services to the Fund will be provided.
10. Include a copy of a previous experience study and retiree health valuation
11. Discuss your work experience with public sector retirement boards.

12. Provide a listing of state public sector clients of similar nature and size for whom your organization provides similar services. References should identify the appropriate contact person(s), addresses and telephone numbers.
13. Identify and provide a resume for each actuary that will be assigned to the project and the estimated number of hours they will work on the project.
14. Provide a resume for each non-actuary professional assigned to this work effort and the number of hours they are assigned.
15. Identify any subcontractors to be used.

**B. Other Information:**

In this section you may supply any other information about your firm, approach to the work effort, staff, etc., that you feel appropriate.

## SECTION V – Fees/Hours

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We are requesting that you price this project individually for each effort and in total. Specifically, we are asking that you provide individually a fixed fee not to exceed price for the NDPERS experience study and for the Retiree Health Valuation. Again, this is to determine if there is any cost efficiency to awarding the entire project to a single consultant. All efforts will be billed by hours expended but cannot exceed the total fixed fee. Please note that for pricing proposed in the valuation, the not to exceed price will be used.

**THE COST PROPOSAL SHALL BE UNDER SEPARATE COVER AND NOT PART OF THE RESPONSES TO THE OTHER INFORMATION REQUESTS.**

We are also requesting the projected number of professional hours (actuarial or consultant) your firm estimates will be required to complete the identified work efforts.

Concerning expenses for travel, lodging, meals and other travel related out-of-pocket expenses, they will be reimbursed on an incurred basis if the Executive Director of PERS has given prior approval for PERS related efforts.

## COST PROPOSAL

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	Estimated Total Hours	Total Fixed Fee
<b>Experience Study Fixed Fee*</b>		\$
<b>Retiree Health Valuation (OPEB) Fixed Fee</b>		\$
<b>TOTAL FIXED FEE</b>		<b>\$</b>

\* For the PERS Plans, Highway Patrol Plan and Retiree Health Credit Program

**DETAILS FOR SERVICE:**

Please list the type of consultants that would be used on the fee for service work, rate per hour and estimated hours on the project:

**Experience Study**

**Type of Consultant**

(Name and a resume needs to be provided for this individual in that section)

**Rate            # of Hours**

**Retiree Health Valuation**

**Type of Consultant**

(Name and a resume needs to be provided for this individual in that section)

**Rate            # of Hours**

## SECTION VI - Submission and Acceptance of Proposals

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- A. Proposals should be prepared in a straightforward manner to satisfy the requirements of this RFP. Emphasis should be on completeness and clarity of content. Costs for developing proposals are entirely the responsibility of the proposer and shall not be chargeable to PERS.
- B. Offer, must be signed by a partner or principal of the firm and included with your proposal.
- C. Address or deliver the proposal to: Mr. Sparb Collins, Executive Director  
North Dakota Public Employees Retirement System  
400 E. Broadway, Suite 505  
Bismarck, ND 58501  
(701) 328-3900
- D. Twenty-five (25) copies of the technical and price proposals must be received at the above listed location by **5:00 p.m. Central Standard Time on June 5, 2009**. The package the proposal is delivered in must be plainly marked "**PROPOSAL TO PROVIDE CONSULTING AND ACTUARIAL SERVICES**". A proposal shall be considered late and will be rejected if received at any time after the exact time specified for return of proposals.
- E. The policy of the PERS Board is to solicit proposals with a bona fide intention to award a contract. This policy will not affect the right of the PERS Board to reject any, or all, proposals.
- F. The PERS Board may request representatives of your organization to appear for interviewing purposes. Travel expenses and costs related to the interview will be the responsibility of the bidder.
- G. The PERS Board will award the contract for services no later than July 16, 2009 and no earlier than June 18, 2009.
- H. In evaluating the proposals, price will not be the sole factor. The Board may consider any factors it deems necessary and proper, including but not limited to, price; quality of service; response to this request; experience; staffing; and general reputation.
- I. The failure to meet all procurement policy requirements shall not automatically invalidate a proposal or procurement. The final decision rests with the Board.
- J. Questions concerning the RFP shall be directed, in writing or by e-mail to Mr. Collins at [scollins@nd.gov](mailto:scollins@nd.gov) by May 21, 2009. Responses will be posted on the PERS website no later than 5:00 p.m. Central Standard Time on May 27, 2009 under "Request for Proposals" at <http://www.nd.gov/ndpers/providers-consultants/consultants/rfp-index.html> If you would like a copy e-mailed to you, please notify Cheryl Stockert at [cstocker@nd.gov](mailto:cstocker@nd.gov)
- K. NDPERS reserves the right to accept: (1) both the experience study and retiree health valuation work efforts or (2) the experience study work effort only or (3) the retiree health valuation work effort only.

## SECTION VII - AGREEMENT FOR SERVICES

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Contractor's proposal constitutes a formal offer to provide services to the North Dakota Public Employees Retirement System (NDPERS). The terms of this Contract, the RFP and the proposal shall constitute the consulting services agreement ("Agreement").

Contractor and NDPERS agree to the following:

- 1) **SCOPE OF SERVICES:** NDPERS will indicate by an "X" next to the list which services offered in this proposal they will accept:

Experience Study	
Retiree Health Valuation Study	

Contractor agrees to provide the above-accepted service(s) as specified in the RFP and proposal. The terms and conditions of the RFP and the proposal are hereby incorporated as part of the Contract.

- 2) **TERM:** The term of this contract shall commence on the date of award and continue until the completion of the services identified under this Agreement.
- 3) **FEES:** NDPERS shall only pay pursuant to the terms in the proposal and RFP.
- 4) **BILLINGS:** The Contractor shall receive payment from NDPERS upon the completion of the services identified under this Agreement.
- 5) **TERMINATION:** Either party may terminate this agreement with respect to tasks yet to be performed with thirty (30) days written notice mailed to the other party.
- 6) **EMPLOYMENT STATUS:** The Contractor acknowledges that any services performed in connection with the Contractor's duties and obligations, as created and provided for in this agreement, are performed in the capacity of an independent contractor. At no time during the performing of services as required by this contract will the Contractor be considered an employee of the State of North Dakota.
- 7) **SUBCONTRACTS:** Subcontractors to the Contractor shall be considered agents of the Contractor and agree to provide services as specified in the proposal and RFP.
- 8) **ACCESS TO RECORDS:** PERS agrees that all participation by its members and their dependents in programs hereunder is confidential. The Contractor shall not disclose any individual employee or dependent information to the covered agency or its' representatives without the prior written consent of the employee or family member. The Contractor will have exclusive control over the direction and guidance of the persons rendering services under this agreement. The Contractor agrees to keep confidential all PERS information obtained in the course of delivering services.

- 9) **OWNERSHIP OF WORK PRODUCT:** All work products of the Contractor, including but not limited to, data, documents, drawings, estimates and actuarial calculations which are provided to NDPERS under this agreement are the exclusive property of NDPERS.
- 10) **APPLICABLE LAW AND VENUE:** This agreement shall be governed by and construed in accordance with the laws of the State of North Dakota. Any action to enforce this contract must be brought in the District Court of Burleigh County, North Dakota.
- 11) **MERGER AND MODIFICATION:** This contract, the RFP and the proposal shall constitute the entire agreement between the parties. In the event of any inconsistency or conflict among the documents making up this agreement, the documents must control in this order of precedence: First – the terms of this Contract, as may be amended and Second - the state's Request for Proposal and Third – Contractor's Proposal. No waiver, consent, modification or change of terms of this agreement shall bind either party unless in writing and signed by both parties. Such waiver, consent, modification or change, if made, shall be effective only in the specific instances and for the specific purpose given. There are no understandings, agreements, or representations, oral or written, not specified herein regarding this agreement.
- 12) **INDEMNITY:** Contractor agrees to defend, indemnify, and hold harmless the state of North Dakota, its agencies, officers and employees (State), from and against claims based on the vicarious liability of the State or its agents, but not against claims based on the State's contributory negligence, comparative and/or contributory negligence or fault, sole negligence, or intentional misconduct. This obligation to defend, indemnify, and hold harmless does not extend to professional liability claims arising from professional errors and omissions. The legal defense provided by Contractor to the State under this provision must be free of any conflicts of interest, even if retention of separate legal counsel for the State is necessary. Contractor also agrees to defend, indemnify, and hold the State harmless for all costs, expenses and attorneys' fees incurred if the State prevails in an action against Contractor in establishing and litigating the indemnification coverage provided herein. This obligation shall continue after the termination of this agreement.
- 13) **INSURANCE:** Contractor shall secure and keep in force during the term of this agreement, from insurance companies, government self-insurance pools or government self-retention funds, authorized to do business in North Dakota, the following insurance coverages:
- 1) Commercial general liability, including premises or operations, contractual, and products or completed operations coverages (if applicable), with minimum liability limits of \$250,000 per person and \$1,000,000 per occurrence.
  - 2) Professional errors and omissions, including a three year "tail coverage endorsement," with minimum liability limits of \$1,000,000 per occurrence and in the aggregate.
  - 3) Automobile liability, including Owned (if any), Hired, and Non-Owned automobiles, with minimum liability limits of \$250,000 per person and \$500,000 per occurrence.
  - 4) Workers compensation coverage meeting all statutory requirements.

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

- 1) Any deductible or self-insured retention amount or other similar obligation under the policies shall be the sole responsibility of the Contractor.
  - 2) This insurance may be in policy or policies of insurance, primary and excess, including the so-called umbrella or catastrophe form and must be placed with insurers rated "A-" or better by A.M. Best Company, Inc., provided any excess policy follows form for coverage. Less than an "A-" rating must be approved by the State. The policies shall be in form and terms approved by the State.
  - 3) The insurance required in this agreement, through a policy or endorsement, shall include a provision that the policy and endorsements may not be canceled or modified without thirty (30) days' prior written notice to the undersigned State representative.
  - 4) The Contractor shall furnish a certificate of insurance to the undersigned State representative prior to commencement of this agreement.
  - 5) Failure to provide insurance as required in this agreement is a material breach of contract entitling State to terminate this agreement immediately.
- 14) **SEVERABILITY:** If any term in this contract is declared by a court having jurisdiction to be illegal or unenforceable, the validity of the remaining terms must not be affected, and, if possible, the rights and obligations of the parties are to be construed and enforced as if the contract did not contain that term.

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

**NORTH DAKOTA PUBLIC  
EMPLOYEES RETIREMENT SYSTEM**

**CONTRACTOR**

By: \_\_\_\_\_

By: \_\_\_\_\_

**WITNESS:**

**WITNESS:**

\_\_\_\_\_

\_\_\_\_\_

## SECTION VIII - Review Procedures

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Proposals will be evaluated in a three step approach. The first step will be done by a review team composed of PERS staff and will be an initial screening of each proposal to determine if it is sufficiently responsive to the RFP to permit a valid comparison and meets the minimum qualifications of having completed past projects similar to the efforts requested herein. The qualifying factor will be on a Yes/No basis. The proposal will be dropped from consideration if a majority of viewers respond "No".

The proposals that pass the initial screening will then be reviewed by the same review team. Each individual will review the proposal for all areas but price. Every proposal will be awarded points for specified areas by the reviewers. Points for price are awarded automatically. Following is the weighting factor for each area:

<b>GENERAL</b>	<b>Points</b>
Did Consultant follow required format?	10 Points
Is a signed "Agreement for Services" included?	10 Points
<hr/>	
<b>RETIREMENT</b>	
Technical Understanding	30 Points
Product Delivery	10 Points
Qualification & Staffing	30 Points
Price	30 points
<hr/>	
<b>RETIREE VALUATION</b>	
Technical Understanding	30 Points
Qualifications and Product Delivery	30 Points
Price	40 Points

The second step will be a review and rating of each proposals technical, product delivery, qualifications and staffing by PERS staff. The purpose of this review is to assess the consultant's understanding of the work requirements, capabilities and resources. It is important that your proposal relates your understanding in order to be fully rated. Statements that you will comply with the RFP are not sufficient, nor is repeating the RFP requirements. This third step of the review will be allocation of points for price. In addition to the above points special consideration will be given to total pricing that is if there is an advantage to awarding both efforts to the same firm. The findings will be reported to the PERS Board.

The Board retains the option to make the final selection based upon the totality of the information with staff's review being only one consideration.

# AGENDA

## NORTH DAKOTA STATE INVESTMENT BOARD MEETING

FRIDAY, MAY 15, 2009, 8:30 AM  
BANK OF NORTH DAKOTA CONFERENCE ROOM 301

### I. CALL TO ORDER.

### II. APPROVAL OF AGENDA.

### III. APPROVAL OF MINUTES (APRIL 24, 2009).

### IV. BOARD EDUCATION.

- A. Corsair Financial Sector Investment Review - Corsair  
Mr. Nicholas Paumgarten, Mr. Michael Poe, Mr. Dennis Bottorff
- B. TALF Fund Investment Opportunity - AllianceBernstein  
Mr. Jeff Phlegar, Ms. Liz Smith, Mr. James Thyne
- C. Rebalancing Overlay Review - The Clifton Group  
Mr. Ben Lazarus

### V. GOVERNANCE.

- A. Investments
  - 1. Work on TALF Proposal - Pension Trust - Mr. Cochrane, Mr. Erlendson
- B. Administration
  - 1. FY 2010 Meeting Dates - Mr. Cochrane (enclosed - questions only)
  - 2. Westridge / WG Trading Update - Mr. Cochrane, Mr. Webb (questions only)
  - 3. Report by Compensation Committee - Committee, SIB

### VI. MONITORING.

- A. Manager Review Status Report - Mr. Cochrane (no enclosure).
- B. Quarterly Investment Report/Pension Trust - Mr. Erlendson (enclosed - questions only).
- C. Quarterly Investment Report/Insurance Trust - Mr. Erlendson (enclosed - questions only).

### VII. OTHER.

SIB Audit Committee - May 15, 2009, 1:00 p.m. - Bank of North Dakota - Conf Rm 301  
SIB meeting - June 26, 2009, 8:30 a.m. - Bank of North Dakota

### VIII. ADJOURNMENT.