

NDPERS BOARD MEETING

Agenda

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

November 16, 2006

Time: 8:30 AM

I. MINUTES

A. October 19, 2006

II. GROUP INSURANCE

- A. Group Insurance Renewal – Sparb (Board Action)
- B. Minute Clinics – Sparb (Information)
- C. Employer Based Wellness Program – Sparb (Action)
- D. Active Health Utilization Report – Bryan (Information)
- E. 2004 NDPERS Inpatient Comparison – Bryan (Information)
- F. Surplus/Affordability Update – Bryan (Information)

III. RETIREMENT/DEFERRED COMPENSATION

- A. Federal Pension Legislation Update – Segal (Information)
- B. Expedited Enrollment – Diane (Information)

IV. FLEX COMP

- A. Plan Amendment – Kathy (Board Action)

V. LASR UPDATE (Information)

- A. Monthly Status Report
- B. Quarterly Report
- C. Request for Proposal Timeline

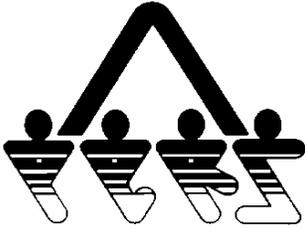
VI. MISCELLANEOUS

- A. Legislative Employee Benefits Committee Update – Sparb (Board Action)
- B. Proposed Board Meeting Dates for 2007 – Sparb (Information)
- C. Board Website – Sparb (Information)
- D. SIB Agenda – (Information)

VII. DEFERRED COMPENSATION

- A. Hardship Appeal – Kathy (Board Action)

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



North Dakota
Public Employees Retirement System
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Memorandum

TO: PERS Board

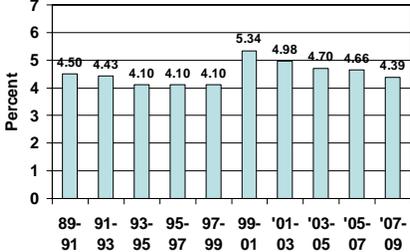
FROM: Sparb

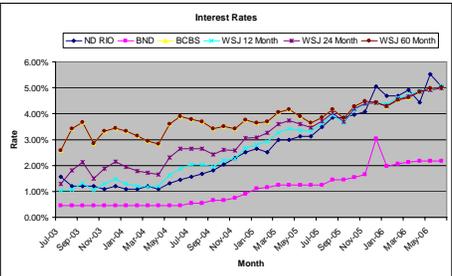
DATE: November 8, 2006

SUBJECT: Group Insurance Renewal

Attached please find a matrix showing the various renewal subjects and the status of each. BCBS will be at the Board meeting to review this and answer questions. As you will note, a couple of the subjects are still being worked on and more information should be available at the meeting.

Subject	GBS	BCBS	PERS Staff Recommendation																																																																																
<p>Rate Categories PERS requested a breakdown of the proposed premium increase</p>		<table border="1"> <thead> <tr> <th colspan="2">Health Plan</th> <th colspan="2">2005-07 to 2007-09</th> </tr> </thead> <tbody> <tr> <td colspan="2">State Rate (05-07)</td> <td colspan="2">553.94</td> </tr> <tr> <td>Claims</td> <td></td> <td>98.66</td> <td>78%</td> </tr> <tr> <td>Rx</td> <td>19.73</td> <td></td> <td></td> </tr> <tr> <td>Med Inflation</td> <td>49.85</td> <td></td> <td></td> </tr> <tr> <td>Utilization</td> <td>8.31</td> <td></td> <td></td> </tr> <tr> <td>Tech</td> <td>12.46</td> <td></td> <td></td> </tr> <tr> <td>Leverage</td> <td>8.31</td> <td></td> <td></td> </tr> <tr> <td>BCBS Retention</td> <td></td> <td>2.92</td> <td>2%</td> </tr> <tr> <td>Adm</td> <td>2.19</td> <td></td> <td></td> </tr> <tr> <td>Conversion</td> <td>0.11</td> <td></td> <td></td> </tr> <tr> <td>Risk Charge</td> <td>0.62</td> <td></td> <td></td> </tr> <tr> <td>Buydown</td> <td></td> <td>24.52</td> <td>19%</td> </tr> <tr> <td>Disease Mgmt/Wellness</td> <td></td> <td>0.96</td> <td>1%</td> </tr> <tr> <td colspan="2">State Rate (07-09)</td> <td colspan="2">681</td> </tr> <tr> <td colspan="2">Increase</td> <td colspan="2">127.06</td> </tr> </tbody> </table> <p style="text-align: center;">Rate Increase for Actives 100% = \$127.06</p> <table border="1"> <caption>Rate Increase Breakdown</caption> <thead> <tr> <th>Category</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Medical Inflation</td> <td>39%</td> </tr> <tr> <td>Rx Drug Trend</td> <td>16%</td> </tr> <tr> <td>Rate Buydown</td> <td>19%</td> </tr> <tr> <td>Technology</td> <td>10%</td> </tr> <tr> <td>Utilization</td> <td>7%</td> </tr> <tr> <td>Leverage</td> <td>7%</td> </tr> <tr> <td>Retention</td> <td>2%</td> </tr> </tbody> </table>	Health Plan		2005-07 to 2007-09		State Rate (05-07)		553.94		Claims		98.66	78%	Rx	19.73			Med Inflation	49.85			Utilization	8.31			Tech	12.46			Leverage	8.31			BCBS Retention		2.92	2%	Adm	2.19			Conversion	0.11			Risk Charge	0.62			Buydown		24.52	19%	Disease Mgmt/Wellness		0.96	1%	State Rate (07-09)		681		Increase		127.06		Category	Percentage	Medical Inflation	39%	Rx Drug Trend	16%	Rate Buydown	19%	Technology	10%	Utilization	7%	Leverage	7%	Retention	2%	<p>Response provides the requested information</p>
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<p>Retention PERS requested additional information on the retention increase</p>	<p>GBS felt the retention increase should be further justified by BCBS and that it was higher than average. Subsequently PERS asked GBS to do a survey of other plans and their retention costs, see Attachment #2</p>	<p><i>The NDPERS 2007-2009 biennium renewal rating included the following increases for per contract per month retention charges:</i></p> <table border="1" data-bbox="590 269 1115 399"> <thead> <tr> <th>Retention Item</th> <th>Current</th> <th>Renewal</th> <th>Increase</th> </tr> </thead> <tbody> <tr> <td>General Adm</td> <td>\$20.81</td> <td>\$23.00</td> <td>\$ 2.19</td> </tr> <tr> <td>Conversion</td> <td>\$ 1.03</td> <td>\$ 1.14</td> <td>\$ 0.11</td> </tr> <tr> <td>Risk Charge:</td> <td>\$ 5.14</td> <td>\$ 5.76</td> <td>\$ 0.62</td> </tr> <tr> <td>Total Retention:</td> <td>\$26.98</td> <td>\$29.90</td> <td>\$ 2.92</td> </tr> </tbody> </table> <p><i>In total, the retention charge per contract per month will increase by \$2.92, or 10.82%. As both current and renewal rates are quoted for 24-month bienniums, this is the equivalent of two annual 5.27% increases.</i></p> <p><i>The General Administration component increases by \$2.19 or 10.52%. This equates to 5.13% when annualized. The renewal rate of \$23.00 represents 4.00% of the total renewal premium. In our experience, administrative expenses for health insurance products typically increase at a greater pace than other general inflation indexes such as the CPI. This is true for the entire industry, and reflects the increasing complexities of health insurance products.</i></p> <p><i>We are confident that both in terms of absolute dollars (\$23.00 pcpm) and as percent of premium (4.00%), our quoted rate will compare favorably to the rates being charged for similar benefit programs. We also note that this rate is all inclusive, with no additional "a la carte" fees for miscellaneous items. Information from BCBSND's year-end financial statements: during the five-year period from 2001 to 2005 BCBSND's gross income per member increased by 10.2% annually.</i></p> <p><i>Although administrative expenses per member as a percentage of gross income decreased from 8.1% to 7.1% in the same period of time, the dollar amount of administrative expenses pmpm increased by 6.6% annually. This 6.6% increase was a slower rate than the increase in claims costs and premium, but nonetheless greater than general inflation during the period. For comparison, BCBSND's administrative expenses for other fully insured group business have ranged from 9.9% to 8.7% in the most recent three years.</i></p> <p><i>The remaining two retention items, the conversion feature charge and the risk charge, are set at 0.20% and 1.00% of premium respectively. These percents of premium are consistent with recent bienniums and our bid in 2004.</i></p>	Retention Item	Current	Renewal	Increase	General Adm	\$20.81	\$23.00	\$ 2.19	Conversion	\$ 1.03	\$ 1.14	\$ 0.11	Risk Charge:	\$ 5.14	\$ 5.76	\$ 0.62	Total Retention:	\$26.98	\$29.90	\$ 2.92	<p>Based upon the additional information from GBS, BCBS and the following the increase does not seem to be unreasonable.</p> <p style="text-align: center;">BCBS Administration As A Percent of State Premium</p>  <p>However, PERS should let BCBS know that in any future renewals our goal would be to see BCBS work to reduce the retention amount to the historical level of 4.1%.</p>
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<p>Interest BCBS has proposed changing the benchmark for calculating interest</p>	<p>No comment</p>	<p>Currently using average US Treasury yields as quoted in Wall Street Journal for 5 year notes maturing 62 months from valuation. Propose using average US Treasury yields for notes maturing 12 months from valuation, or other mutually acceptable yield index/rate.</p>	<p>This subject is continuing to be discussed by BCBS and PERS. At this point they would like to change the 5 yr T bill rate to a 1 or 2 yr rate since the rate is higher than they get on the funds. Staff has indicated that we expect a rate that is at least equivalent to what we would get if we held the funds (this would be the BND rate or the RIO rate). We have also indicated that we would expect a rate that is equivalent to what they get on the money. Attachment #3 is staff analysis thus far of how the current rate compares to the 1</p>																				

Subject	GBS	BCBS	PERS Staff Recommendation
			<p>and 2 year T bill rates and the RIO and BND rates.</p>  <p>Additional information from BCBS will be available at the meeting and staff will present its recommendation then as well.</p>
Feb Reprojection	No comment	Agreed to do a February reprojection	
PBM Audit	No comment	No, PERS does not have a direct audit authority of our (BCBSND) vendors. PERS is not a party to our contract with the PBM. PERS can audit RX information we have on our systems. PERS does have access to portions of the previously mentioned SAS-70 audit report performed by an independent audit firm.	<p>At this point we have three options. First, accept the BCBS position and not pursue the matter further. Second, reject the renewal and go to bid setting this as a minimum requirement. Third, accept the BCBS position at this point, however indicate we will need to be granted this authority in the next year or we will not go through another renewal with them.</p> <p>Staff wouldn't recommend option #1. twenty five 25% of our total expenses relate to pharmacy and it is not unreasonable for us to insure that we are getting the best and most efficient vendor. We are not allowed by BCBS to seek or bid this item separately as a condition of accepting their proposal so the only way we can review this vendor is through an audit process. Therefore it seems prudent that we would want to validate the services of this vendor as being reasonable and cost effective. Staff feels this is an issue we should continue to pursue. Staff would not recommend option #2 at this time for several reasons. If we rejected this offer for this reason and went to bid there is no guarantee we would be able to get any more favorable terms through the bid process since BCBS would likely be the only vendor to bid with the short to do the bid. We would also run the risk that the premiums proposed in a renewal may be higher then we are offered as part of the renewal. Staff would recommend the third option. We are in first of our two renewals under our six year renewal cycle. At this time if we indicated to BCBS that it is our expectation that we get the ability to audit their PBM</p>

Subject	GBS	BCBS	PERS Staff Recommendation
			<p>within a year or we will not do another renewal and instead go to a full bid in 2008 this would give BCBS time to amend their contract with the PBM to allow for our review, it would give us time to conduct a bid if needed, it is also likely their may be additional competition in the health insurance market then and we do not expose ourselves to the risk of high rates in the short tem.</p> <p>Therefore staff would recommend continuing to pursue this issue as outlined in option 3. Also since the board referred this to the PERS audit committee the board let that committee work with BCBS and report back.</p>
Quality Initiative	No comment	Agreed	
Premium Refunds	No comment	<p>The NDPERS contract contains a gain sharing provision that is unique to this account, and sets NDPERS apart from all other fully insured group business written by BCBSND. This gain sharing provision provides that BCBSND accepts full risk for underwriting losses while sharing 50% of the first \$3 million of underwriting gains. In exchange for agreeing to accept all losses and share a limited portion of gains, BCBSND retains a risk charge of 1.00% of premium.</p> <p>Recent bienniums have employed similar risk sharing arrangements, resulting in NDPERS retaining a portion of underwriting gains. As NDPERS already has a contractual provision for sharing in favorable underwriting experience, the group is <u>not eligible for participation in the upcoming premium refund.</u></p>	
Rx and disease management documentation	No comment	Agreed and completed, see Attachment #2.	Only subject outstanding is the amount of the support for the Education Program given the implementation of Part D.
<p>Trend limitation. The Insurance Commissioner recently limited BCBS rate increase trend from 10.5% to 7% for fully insured contracts. Since PERS is fully insured and the</p>		Attachment #3 is BCBS response.	<p>Given BCBS's response (Attachment 4) staff would recommend again reviewing the renewal proposal in detail to find out why PERS is being treated differently. The BCBS response is very general and does not set forth the reason in much detail. This will include meeting with the Insurance Department and BCBS to find the basis for the difference. Staff will need to December to get more information on</p>

Subject	GBS	BCBS	PERS Staff Recommendation
trend they used for us was higher then 7% the question is how is BCBS going to adjust our rates in recognition of this ruling			this issue for the boards consideration. Therefore staff would recommend holding final action on this issue

**North Dakota PERS
Retention Survey
September 5, 2006**

Attachment 2

	North Dakota PERS	GBS Average	State University Colorado	Public School New Mexico	Public School New Mexico	State Plan Wyoming	Municipality Idaho	State Plan New Mexico	State Plan New Mexico	State Plan New Mexico	State * University Colorado	State * University Colorado
Type of Coverage	Fully Insured	Mixed	ASO	ASO	ASO	ASO	ASO	ASO	ASO	ASO	Fully Insured	Fully Insured
Administrative Fee PEPM	\$29.90	\$37.90	\$41.92	\$30.96	\$30.61	\$12.92	\$31.78	\$26.83	\$32.25	\$32.03	\$86.76	\$52.91
<u>Percentage of Premium</u>												
Administrative Fee	5.2%	8.2%	7.8%	5.2%	5.1%	2.1%	6.1%	4.1%	4.3%	5.5%	23.6%	17.7%
Medical Conversion fees	0.2%	N/A	Included	Unknown	Unknown	Per Incident	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown
Risk Charge	1.0%	N/A	N/A	N/A	N/A	Per Incident	N/A	N/A	N/A	N/A	Unknown	Unknown

* Unable to split out wellness from retention.

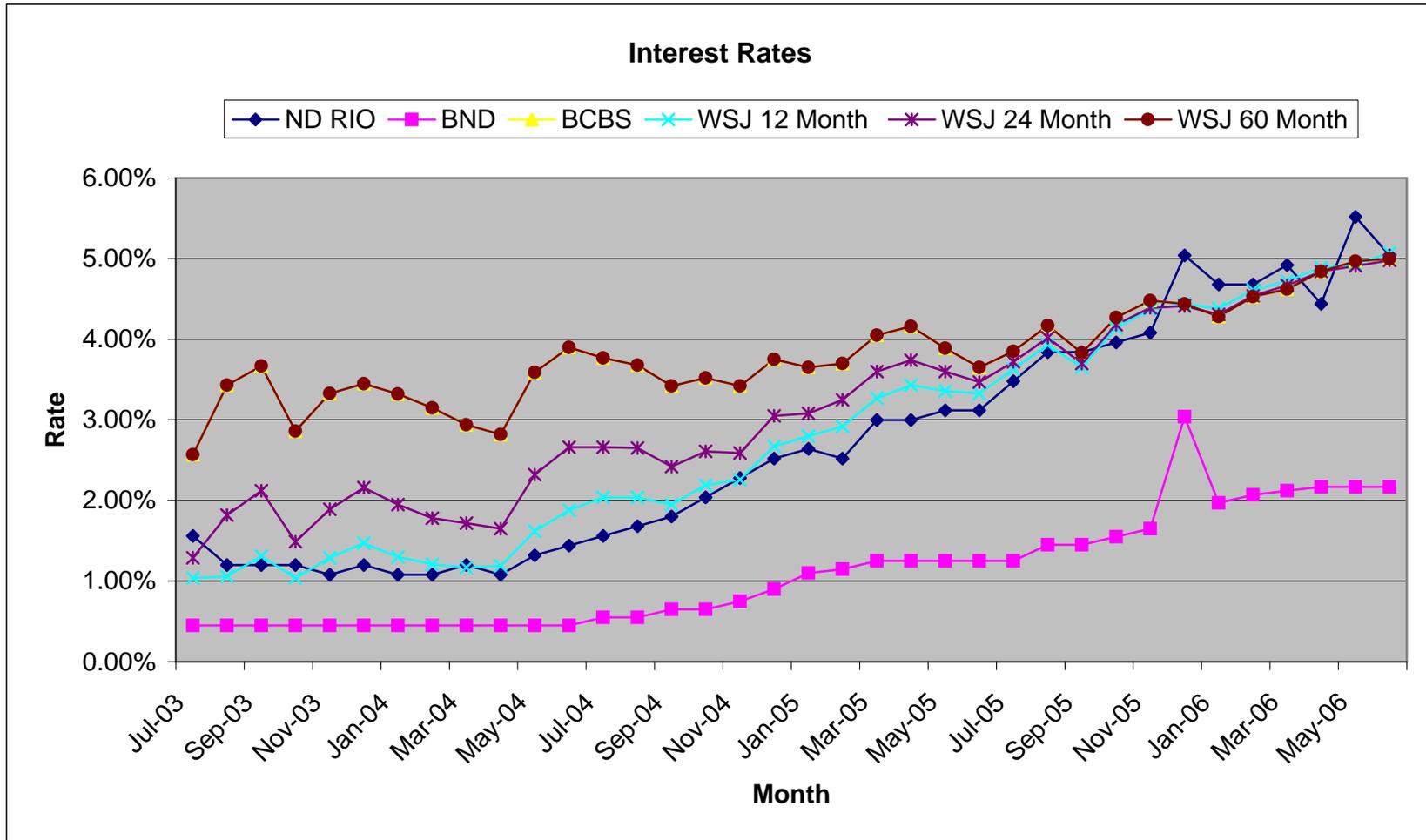
NOTE: Five of the above surveyed are currently with a Blue Cross Blue Shield plan.

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
Interest Rate Comparison

Date	ND RIO	BND	BCBS	WSJ 12 Month	WSJ 24 Month	WSJ 60 Month
Jul-03	1.56%	0.45%	2.57%	1.04%	1.29%	2.57%
Aug-03	1.20%	0.45%	3.43%	1.06%	1.82%	3.43%
Sep-03	1.20%	0.45%	3.67%	1.31%	2.12%	3.67%
Oct-03	1.20%	0.45%	2.86%	1.04%	1.49%	2.86%
Nov-03	1.08%	0.45%	3.33%	1.29%	1.89%	3.33%
Dec-03	1.20%	0.45%	3.45%	1.47%	2.16%	3.45%
Jan-04	1.08%	0.45%	3.32%	1.30%	1.95%	3.32%
Feb-04	1.08%	0.45%	3.15%	1.21%	1.78%	3.15%
Mar-04	1.20%	0.45%	2.94%	1.17%	1.72%	2.94%
Apr-04	1.08%	0.45%	2.82%	1.19%	1.65%	2.82%
May-04	1.32%	0.45%	3.59%	1.62%	2.32%	3.59%
Jun-04	1.44%	0.45%	3.90%	1.88%	2.66%	3.90%
Jul-04	1.56%	0.55%	3.77%	2.04%	2.66%	3.77%
Aug-04	1.68%	0.55%	3.68%	2.04%	2.65%	3.68%
Sep-04	1.80%	0.65%	3.42%	1.95%	2.42%	3.42%
Oct-04	2.04%	0.65%	3.52%	2.19%	2.61%	3.52%
Nov-04	2.28%	0.75%	3.42%	2.26%	2.59%	3.42%
Dec-04	2.52%	0.90%	3.75%	2.67%	3.05%	3.75%
Jan-05	2.64%	1.10%	3.65%	2.80%	3.08%	3.65%
Feb-05	2.52%	1.15%	3.70%	2.92%	3.25%	3.70%
Mar-05	3.00%	1.25%	4.05%	3.27%	3.60%	4.05%
Apr-05	3.00%	1.25%	4.16%	3.43%	3.74%	4.16%
May-05	3.12%	1.25%	3.89%	3.36%	3.60%	3.89%
Jun-05	3.12%	1.25%	3.65%	3.33%	3.47%	3.65%
Jul-05	3.48%	1.25%	3.85%	3.63%	3.72%	3.85%
Aug-05	3.84%	1.45%	4.17%	3.93%	4.02%	4.17%
Sep-05	3.84%	1.45%	3.83%	3.65%	3.70%	3.83%
Oct-05	3.96%	1.55%	4.27%	4.14%	4.18%	4.27%
Nov-05	4.08%	1.65%	4.48%	4.37%	4.39%	4.48%
Dec-05	5.04%	3.04%	4.44%	4.44%	4.41%	4.44%
Jan-06	4.68%	1.97%	4.28%	4.38%	4.31%	4.28%
Feb-06	4.68%	2.07%	4.53%	4.61%	4.54%	4.53%

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
Interest Rate Comparison

Mar-06	4.92%	2.12%	4.62%	4.72%	4.67%	4.62%
Apr-06	4.44%	2.17%	4.84%	4.89%	4.84%	4.84%
May-06	5.52%	2.17%	4.97%	4.93%	4.91%	4.97%
Jun-06	5.04%	2.17%	5.00%	5.07%	4.98%	5.00%





Memorandum

TO: Sparb Collins, NDPERS

FROM: Larry Brooks, BCBSND

DATE: November 8, 2006

SUBJECT: 2007-2009 Renewal – Trend Adjustment

Recently the Insurance Department determined that trend factors should be reduced to 7.0% for BCBSND's fully insured manual rated groups for 2007. Based on this determination, you submitted a question related to this issue. The question was:

Trend limitation. The Insurance Commissioner recently limited BCBS rate increase trend from 10.5% to 7% for fully insured contracts. Since PERS is fully insured and the trend they used for us was higher than 7% the question is how is BCBS going to adjust our rates in recognition of this ruling. (e-mail dated Friday, Nov 3)

BCBSND response:

Blue Cross Blue Shield (BCBS) will not be adjusting our proposed PERS rates in lieu of the recent North Dakota Insurance Department (DOI) actions regarding BCBS's requested rate increase for fully insured manual rated groups for 2007.

The contractual relationship between PERS and (BCBS) is very unique and nearly completely dissimilar to the fully insured business affected by the (DOI) ruling.

The major differences are 1) the 2 year term of the PERS contract, 2) the fact that the PERS group is 100% experience based, 3) the PERS contract contains a gain sharing provision for PERS and 4) PERS is afforded a one way re-rate review in February 2007. None of these factors apply to the manual rated groups affected by the DOI ruling.

BCBS fully insured experience rated groups, nearly all of which are not 100% experience rated as is the PERS group and also do not contain the other unique features afforded the PERS account (items 1,3 and 4 above), were in fact granted a 9.5% trend for 2007 by the DOI for use in BCBS formulas for determining rates for 2007. This is the same trend used by BCBS in determining its proposed PERS rates for the 2007-2009 biennium.

If you have any questions, please let me know. Thank you.



**North Dakota
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Memorandum

TO: PERS Board

FROM: Sparb

DATE: November 8, 2006

SUBJECT: Minute Clinics

Attached is a memo from BCBS asking that we waive the PPO discount on “minute clinics”. Representatives of BCBS will be at the Board meeting to provide further background on this proposal and to answer questions.



Memorandum

TO: Sparb Collins, NDPERS
FROM: Larry Brooks, BCBSND
DATE: November 8, 2006

SUBJECT: "Minute Clinics"

Based on our phone conversations with Steve Lindemann, Provider Networks, Mercicare in Fargo is establishing a new convenient care clinic. The clinic (referred to as a "minute clinic") will be inside the Horbachers grocery store in south Fargo. The premise of the clinic is to provide fast, convenient service while shopping at the store. Below is a summary of the clinic issue, other considerations, and a request for Board consideration:

From Steve Lindemann –

Our proposal would be for the PERS Board to agree to waive the 5% professional discount for all PERS PPO and EPO members at this one location only: MeritCare FastTrack located in the Osgood Hornbachers. If additional locations are created, or if other minute clinics are started in town, we would address each individually on its own merits. I'd also urge the Board to approve this discount for one year only (to expire 12/31/07) and only if this location remains PAR (participating) with BCBSND -- that will match the terms we use for our contract with MeritCare.

Here are some additional facts regarding the minute clinic concept:

- MeritCare's FastTrack is proposing to bill a level 2 office visit patients that use the Fast Track location. The 2006 rate for a level 2 office visit (repeat patient) billed by a Nurse Practitioner is \$46.76 ; MeritCare is proposing a rate that is slightly lower than the fee schedule.
- We are trying to secure the contract with MeritCare right now. Fee schedules and discounts are the last items that need to be resolved. If we are unable to work these issues out, this location -- which is under a separate EIN from MeritCare Clinics -- could be nonpar. If this happens, every member that goes there will be responsible for paying the full amount up front and then submitting a paper claim to us for payment. The member will also be responsible for any and all high charges.

I was hoping to give some glowing 'great news' from Minnesota -- but the reality is that the Minute Clinic chain took off in the Twin Cities, and BCBSMN decided that so many people were using them as primary care instead of their regular physician that they needed to stop waiving copays. So now BCBSMN treats them like they do any other clinic.

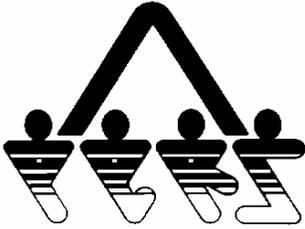
Another somewhat-related tidbit:

CVS (the nationwide pharmacy chain) is acquiring the Minute Clinic system -- see this news release: http://www.minuteclinic.com/Portals/0/MC_CVS_Release.pdf. They see minute clinics as a positive program supplementing the primary care system for those 'minor' episodes that need immediate but low-level care.

I'm hoping the Board is willing to take a bit of a 'leap of faith' on this proof of concept, to see how it goes in the Fargo market, for one year. If they aren't comfortable giving the discount, I'll understand -- it will just mean a little more hassle for some of their members when they aren't given the discount and they need to ask for it from MeritCare after the fact when their EOB arrives in the mail.

Steve will be available at the November PERS Board meeting to answer any questions you or the Board might have relating to this issue.

If you have any questions, please let me know. Thank you.



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Memorandum

TO: PERS Board

FROM: Sparb & Rebecca

DATE: November 8, 2006

SUBJECT: Employer Based Wellness Program

On November 7, PERS held its annual Wellness Forum. Thanks to the Health Department it was also web cast and recorded so we can post it to our web site. If you would like to view some or all of the forum, it should be available on the web site by December 1. The agenda for the meeting was:

8:30 – 8:40	Opening remarks by Sparb Collins, NDPERS Executive Director
8:40 – 8:55	Employer Based Wellness Program Administrative Issues by Rebecca Fricke, NDPERS Benefit Programs Specialist
8:55 – 9:10	Wellness Benefit Program Funding & Application Process by Kathy Allen, NDPERS Benefit Programs Manager
9:10 – 9:25	Smoking Cessation Program by Cheryle Masset, NDPERS Benefit Programs Administrator
9:25 – 9:45	Assessment of Program by Gary Liguori, NDSU Health, Nutrition and Exercise Science
9:45 – 10:00	Break
10:00 – 10:30	Healthy ND Worksite Wellness Update by Karen Ehrens, Healthy ND Consultant
10:30 – 12:00	Go Red North Dakota and American Heart Association Worksite Wellness by Joan Enderle, Amy Walters & Lynne Struble, ND American Heart Association
12:00 – 1:10	Lunch – on your own
1:10 – 1:15	Welcome back by Kathy Allen, NDPERS Benefit Programs Manager

1:15 – 2:00	Health Dialog Resources by Cheryl Bakke, Health Dialog
2:00 – 2:05	Win With Health Promotion by NDPERS Staff
2:05 – 3:20	BCBS Wellness Education Programs by Member Education Consultants
3:20 – 3:35	Break
3:35 – 3:50	Overview of School for the Blind Wellness Program by Carmen Suminski
3:50 – 4:05	Overview of DOT Wellness Program by Marlene Larson
4:05 – 4:15	Open Microphone – Lessons Learned, Questions and Closing Comments

Also, thanks to the assistance of the Health Department, we have been working with NDSU on gathering information on our Employer Based Wellness Program. They will be at the Board meeting from the Fargo site to review this information with the Board and to answer any questions you may have.



**North Dakota
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Memorandum

TO: PERS Board

FROM: Bryan

DATE: November 8, 2006

SUBJECT: Active Health Utilization Report

Enclosed is the 2005 NDPERS Health Care Analysis for the active group. It breaks down the calendar year 2005 hospital, physician, and pharmacy claims for the active contracts. The volume of claims has been fairly stable for 2005. The average charges per member increased to \$363 (14.2% increase from 2004 to 2005). The average amount the NDPERS Health Plan paid toward these charges increased to \$185 (13.5% increase from 2004 to 2005).

A report in a similar format to this is sent to all the large groups on the NDPERS Health Plan.

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



Memo

To: NDPERS Board
From: Bryan T. Reinhardt *BTR*
CC: Sparb, Kathy, Deb
Date: 10/4/2006
Re: 2004 NDPERS Inpatient Comparison

Here is the 2004 comparison of NDPERS inpatient claims with the National Hospital Discharge Survey. Overall, NDPERS has about 66% of the 2004 national average inpatient hospital episodes. The percentages since 1990 were:

1990 – 67.4%	1991 – 63.3%	1992 – 62.9%	1993 – 63.5%
1994 – 63.3%	1995 – 66.4%	1996 – 63.6%	1997 – 63.9%
1998 – 63.9%	1999 – 65.9%	2000 – 71.6%	2001 – 71.4%
2002 – 67.9%	2003 – 69.2%	2004 – 65.8%	

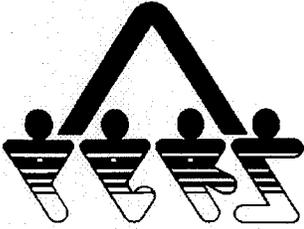
The shaded areas are where the NDPERS rates are higher than the national figures.

Compared to the 2004 results, NDPERS was higher than the national rate in:

- Neoplasms (Malignant and Benign)
- Coronary Atherosclerosis
- Appendicitis
- Calculus of kidney and ureter
- Diseases of the Musculoskeletal System & Connective Tissue
 - Osteoarthritis and Allied Disorders
 - Intervertebral Disc Disorders
- Symptoms, Signs, and Ill-defined Conditions

These are similar to the previous studies and almost exactly the same as the 2002 and 2003 studies.

If you have any questions, let me know.



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Memorandum

TO: PERS Board

FROM: *BR*
Bryan

DATE: September 13, 2006

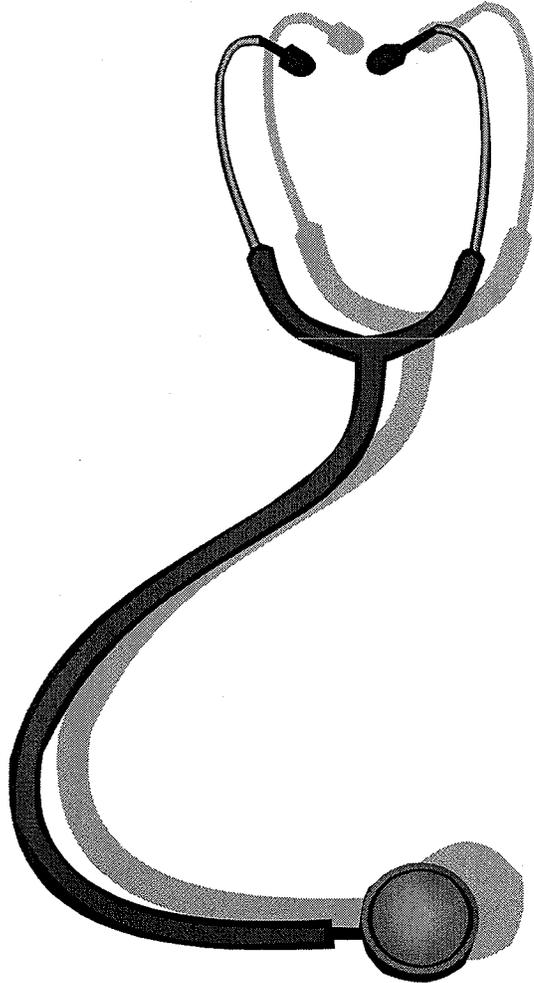
SUBJECT: Active Health Utilization Report

Enclosed is the 2005 NDPERS Health Care Analysis for the active group. It breaks down the calendar year 2005 hospital, physician, and pharmacy claims for the active contracts. The volume of claims has been fairly stable for 2005. The average charges per member increased to \$363 (14.2% increase from 2004 to 2005). The average amount the NDPERS Health Plan paid toward these charges increased to \$185 (13.5% increase from 2004 to 2005).

A report in a similar format to this is sent to all the large groups on the NDPERS Health Plan.

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

NDPERS Health Care Analysis



2005

North Dakota Public Employees Retirement System

For January - December 2005, there were 17,964 active NDPERS employees. This is about 76% of the NDPERS contracts. The average age of these employees was 46 years. There were 29,128 dependents of NDPERS employees on the NDPERS health plan.

HOSPITAL

NDPERS health plan members had 49,907 hospital claims from January to December 2005. These claims had \$84,994,705.43 in total charges. The NDPERS health plan paid \$47,340,666.90 toward these charges.

HOSPITAL UTILIZATION ADMISSION: 01/2005 - 12/2005

	CLAIMS	%	DAYS	CHARGES	PAID
CLAIM TYPE: IP=Inpatient OP=Outpatient					
IP NEWBORN	536	1	1764	\$1,927,025	\$1,208,909
IP MEDICAL	922	2	3718	\$11,110,233	\$6,746,259
IP MATERNITY	589	1	1390	\$2,416,508	\$1,427,286
IP SURGICAL	1220	2	4396	\$27,729,938	\$18,103,324
IP PSYCH	191	0	1911	\$1,776,390	\$1,312,400
IP CHEM DEP	45	0	515	\$466,549	\$354,733
OP MATERNITY	1156	2	0	\$483,367	\$201,667
OP SURGICAL	3412	7	0	\$10,644,852	\$4,564,612
OP PSYCH	791	2	0	\$618,674	\$309,160
OP CHEM DEP	372	1	0	\$514,705	\$359,487
OP MEDICAL	40416	81	0	\$26,609,455	\$12,355,660
SNF & SWING BED	60	0	368	\$283,149	\$157,169
HOME HEALTH AG	105	0	0	\$112,636	\$104,043
HOSPICE	92	0	0	\$301,223	\$135,958
TOTAL	49907	100	14062	\$84,994,705	\$47,340,667

PHYSICIAN/CLINIC

NDPERS health plan members had 718,104 physician/clinic services from January to December 2005. These services had \$84,959,928.85 in total charges. The NDPERS health plan paid \$39,986,117.48 toward these charges.

PHYSICIAN/CLINIC UTILIZATION
SERVICE DATE: 01/2005 - 12/2005

	SERVICES	%	CHARGES	PAID
TYPE OF SERVICE				
SURGERY-IP	3824	1	\$5,425,203	\$2,449,209
SURGERY-OP	6964	1	\$5,439,795	\$1,990,775
SURGERY-OFFICE	17211	2	\$5,444,417	\$2,003,937
ANESTHESIA	9185	1	\$4,699,072	\$1,991,868
MATERNITY	6462	1	\$2,146,330	\$1,125,286
ANCILLARY ROOMS	2529	0	\$3,260,307	\$1,532,963
IP VISITS	10529	1	\$1,836,410	\$1,094,710
OP / ER VISITS	12779	2	\$1,747,100	\$832,155
OFFICE CALLS	139166	19	\$13,894,696	\$7,944,724
OPTICAL	9740	1	\$735,338	\$288,856
CHEM/PSYCH	28633	4	\$3,789,940	\$2,494,932
THERAPIES	92979	13	\$8,088,485	\$3,978,772
EKG/EEG	21139	3	\$3,062,355	\$1,345,576
DIAGNOSTIC LAB	165343	23	\$8,290,746	\$3,005,752
DIAGNOSTIC X-RAY	67031	9	\$7,802,341	\$3,505,450
RX/INJECTIBLES	60755	8	\$4,673,948	\$1,861,607
SPECIAL SERVICES	46975	7	\$2,452,373	\$1,411,392
SUPPLIES	6857	1	\$510,803	\$210,676
HME	10003	2	\$1,660,271	\$917,478
TOTAL	718104	100	\$84,959,929	\$39,986,117

PRESCRIPTION DRUGS

NDPERS health plan members had 397,414 pharmacy claims from January to December 2005. These claims had \$35,313,637.86 in total charges. The NDPERS health plan paid \$17,245,354.61 toward these charges.

PRESCRIPTION DRUG UTILIZATION
FILL DATE: 01/2005 - 12/2005

	CLAIMS	%	CHARGES	PAID
PRESCRIPTION DRUGS				
NON-GENERIC	191201	48	\$25,496,751	\$13,936,407
GENERIC	206181	52	\$9,815,488	\$3,308,683
UNKNOWN	32	0	\$1,399	\$265
TOTAL	397414	100	\$35,313,638	\$17,245,355

Generic drug use is at 52%, higher than the 48% reported in 2004, 44% reported in 2003, 41% reported in 2002, 40% in 2001 and 2000, 41% reported in 1999, 43% reported in 1998 and 44% 1997.

PERCENTAGES

EMPLOYEES, SPOUSES, & CHILDREN
BY MEMBERSHIP & CLAIM TYPE
01/2005 - 12/2005

	MEMBERSHIP		HOSPITAL CLAIMS		PHYSICIAN SERVICES		PHARMACY CLAIMS	
	Sum	%	Sum	%	Sum	%	Sum	%
CHILDREN	18333	39	13399	27	179809	25	77569	20
EMPLOYEE	17964	38	21999	44	324900	45	208698	53
SPOUSE	10795	23	14509	29	213395	30	111147	28
TOTAL	47092	100	49907	100	718104	100	397414	100

SUMMARY

EPO membership among the actives was at 37% in 2005. This is up from 31% in 2004, The EPO percentage of active contracts was 35% in 2003, 39% in 2002, 38% in 2001, 37% in 2000, 33% in 1999, 29% in 1998 and 24% in 1997. Diagnostic x-ray and lab services make up 32% of the professional services for 1/2005 - 12/2005 (33% in 2004, 32% in 2003 & 2002, 31% in 2001 & 2000). Employees make up 38% of the active membership, but are responsible for 44 - 53 percent of the claims / services.

The following graph shows that per capita charges increased 14.2% and per capita costs increased about 13.5% from 2004 to 2005. The average charge per active member per month was \$124 in 1994, \$134 in 1995, \$143 in 1996, \$155 in 1997, \$171 in 1998, \$189 in 1999, \$207 in 2000, \$224 in 2001, \$256 in 2002, \$300 in 2003, \$318 in 2004, and \$363 in 2005. The average amount paid by the NDPERS health plan per capita was \$84 in 1994, \$92 in 1995, \$96 in 1996, \$100 in 1997, \$110 in 1998, \$114 in 1999, \$117 in 2000, \$122 in 2001, \$134 in 2002, \$153 in 2003, \$163 in 2004, and \$185 in 2005.

The second graph shows that the number of active claims per month remained about the same throughout 2005.

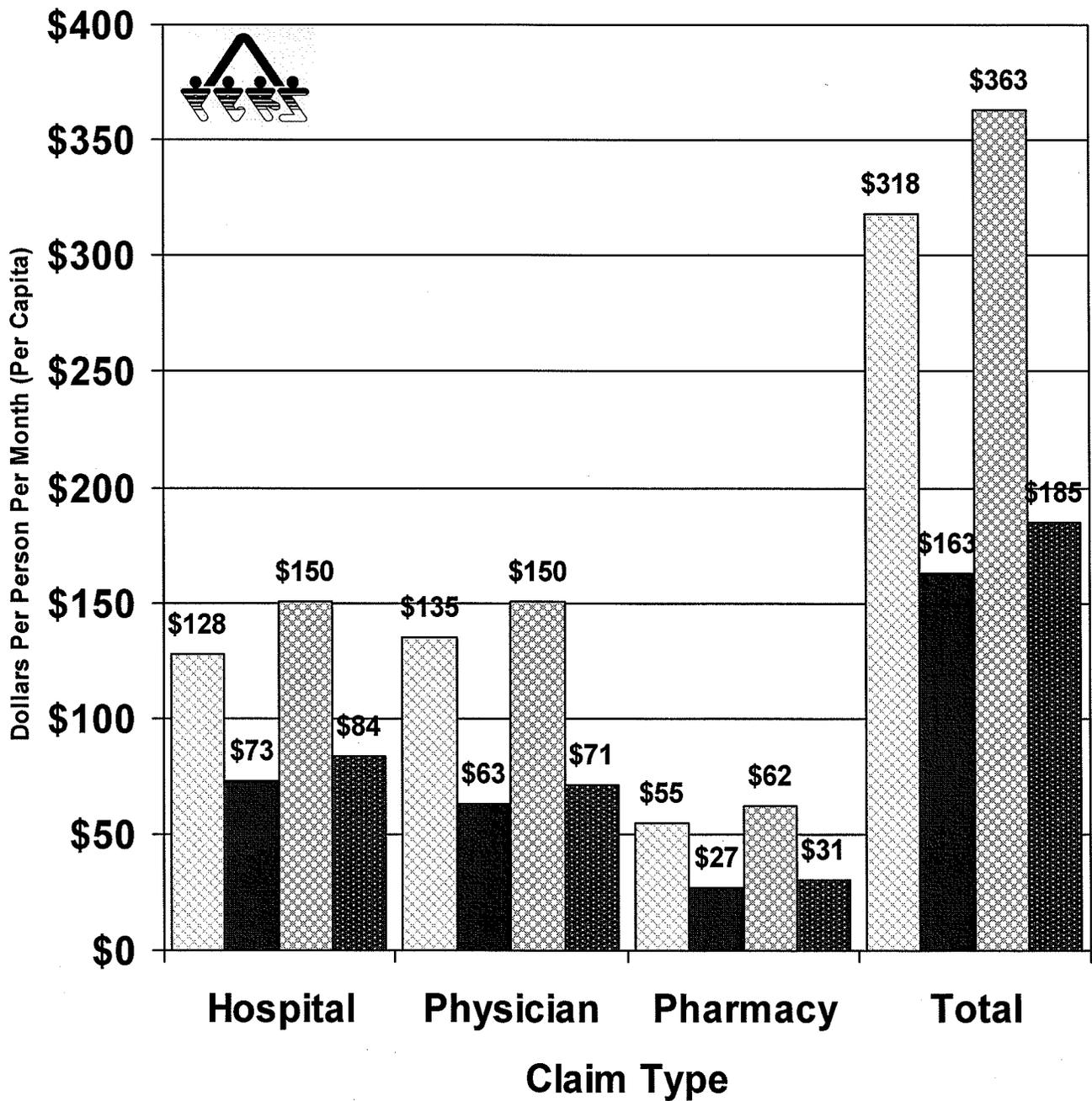
The last page shows that 2005 overall per capita costs increased for the NDPERS health plan.

NDPERS Health Plan

Active Contracts

2004-2005

2004 Charge 2004 Paid 2005 Charge 2005 Paid

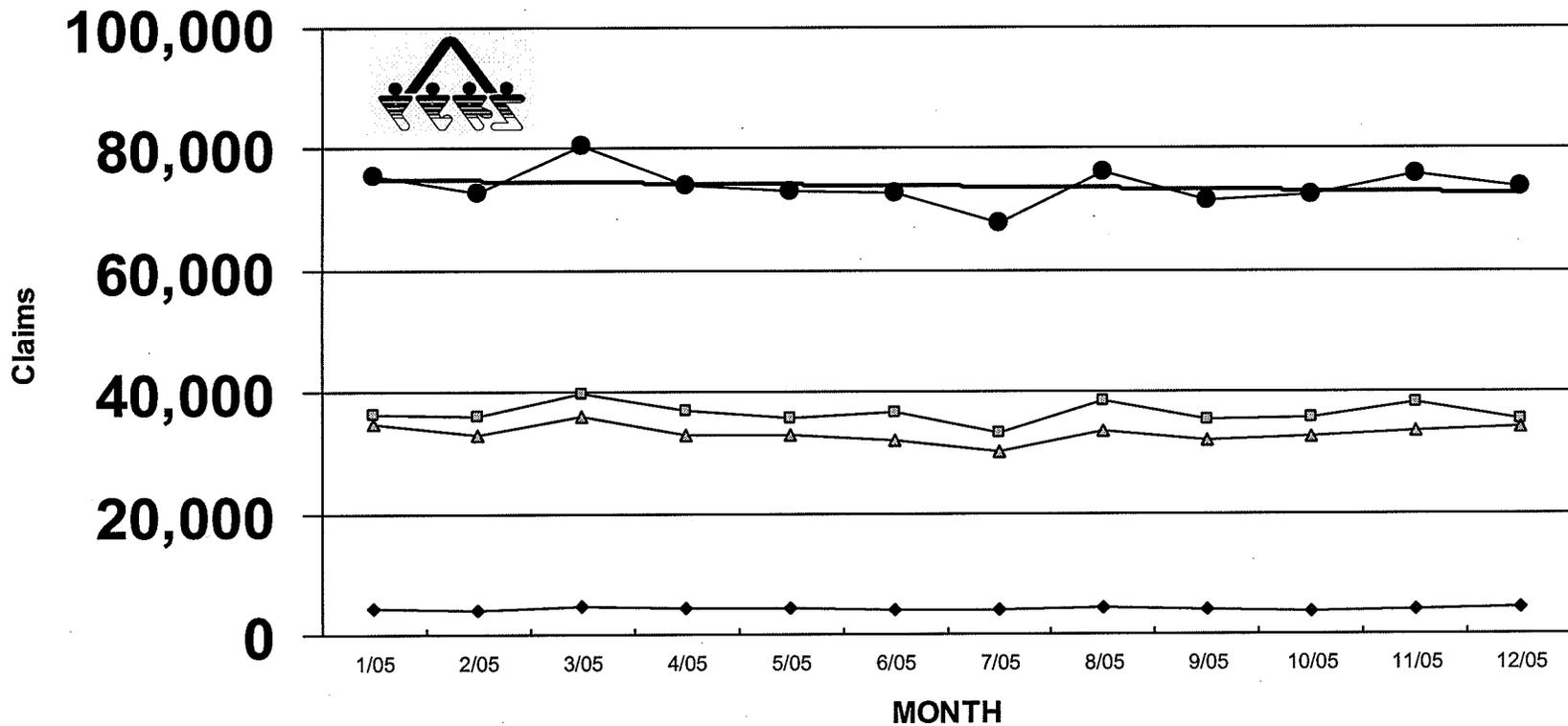


North Dakota Public Employees Retirement System

Health Insurance Claims

Jan-Dec 2005

◆ Hospital □ Physician ▲ Pharmacy ● Total — Linear (Total)

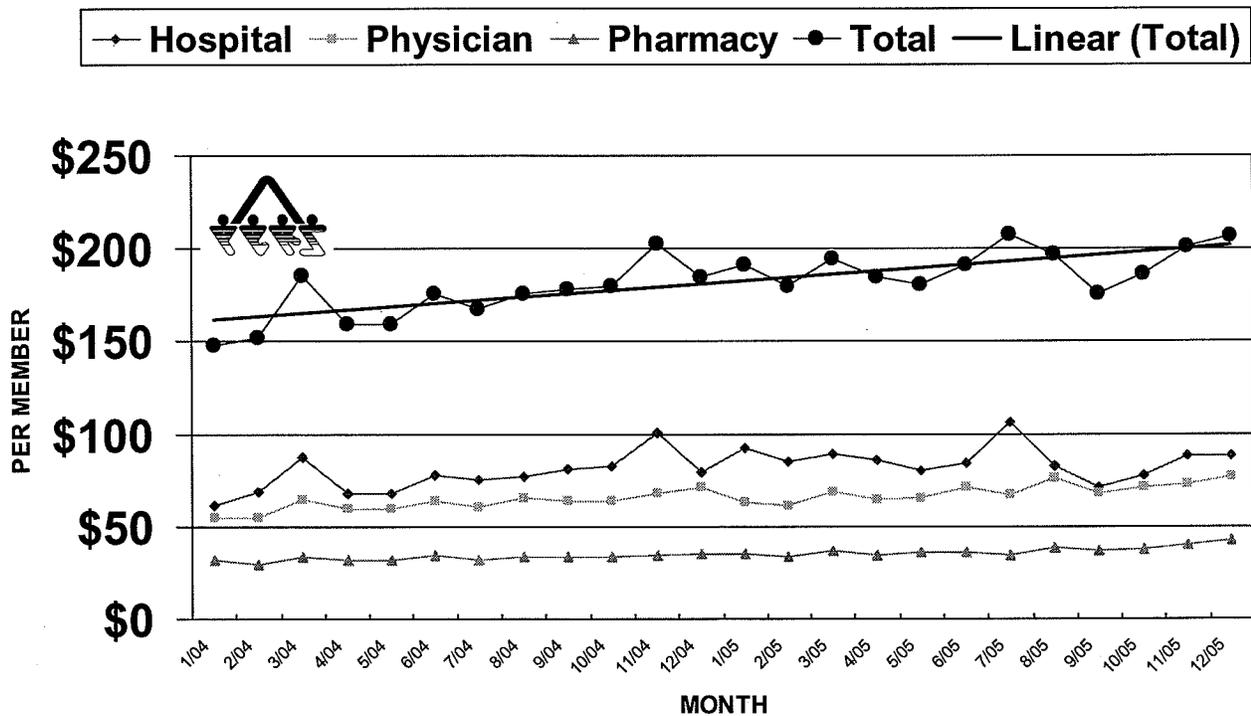


TOTAL NDPERS HEALTH PLAN

The graph below is for the total NDPERS health plan. It shows the average amount the NDPERS health plan paid per member per month (per capita). The graph depicts the latest 24 months of NDPERS data.

The active employees are at the \$250 per capita level. Their dependents cost the plan around \$160 per person per month. The retired membership's per capita costs are around \$250 per member. As the graph below shows, overall, the NDPERS health plan now pays approximately \$200 per person per month in medical claims. This is up from \$175 in the 2004 report, \$160 in the 2003 report and \$140.00 in the 2002 report. In addition to this, the NDPERS health plan pays \$29.78 per month per contract in administration costs.

NDPERS HEALTH INSURANCE PLAN TOTAL MEMBERSHIP



2004 INPATIENTS DISCHARGED PER 10,000 POPULATION BY CATEGORY OF FIRST-LISTED ICD-9 DIAGNOSIS, EXCLUDES NEWBORN CARE

Category of first-listed diagnosis and ICD-9 code	UNITED STATES		UNITED STATES				UNITED STATES				NDPERS				
	TOTAL	NDPERS TOTAL	NDPERS		NDPERS		UNDER 15 YEARS	15-44 YEARS	45-64 YEARS	65 YEARS & OVER	UNDER 15 YEARS	15-44 YEARS	45-64 YEARS	65 YEARS & OVER	
			MALE	FEMALE	MALE	FEMALE									
All conditions	1192.3	784.1	964.9	1411.3	671.9	891.1	422.7	866.5	1177.9	3628.9	189.5	600.3	854.9	2074.7	
Infectious and parasitic diseases	001-139	32.4	13.1	30.7	34.1	10.5	15.7	25.6	13.8	30.1	112.6	5.3	8.7	13.6	38.1
Septicemia	038	14.0	6.6	13.1	14.9	6.4	6.8	1.2	2.2	12.7	78.5	0.0	1.0	8.2	30.2
Neoplasms	140-239	56.1	58.6	45.6	66.1	38.1	78.1	6.2	23.0	85.8	195.5	2.1	20.3	94.3	165.2
Malignant neoplasms	140-208,230-234	41.2	43.4	40.1	42.3	34.4	52.0	4.6	10.0	60.5	172.2	2.1	10.1	65.4	150.9
Malignant neoplasm of large intestine and rectum	153-154,197.5	5.5	6.6	5.7	5.3	6.7	6.4	*	0.8	6.9	28.3	0.0	0.0	6.0	39.7
Malignant neoplasm of trachea, bronchus, and lung	162,197.0,197.3	5.6	5.8	6.2	5.0	4.5	7.1	*	1.0	7.6	26.8	0.0	1.4	6.5	27.0
Malignant neoplasm of breast	174-175,198.81		5.7			0.0	11.0					0.0	1.4	9.3	17.5
Benign neoplasms	210-229	13.0	13.9	3.5	22.1	2.2	25.0	1.3	12.1	23.2	15.9	0.0	9.2	26.2	14.3
Endocrine, nutritional and metabolic diseases, and immunity disorders	240-279	59.9	36.5	50.4	69.1	27.7	44.9	31.1	31.0	68.5	190.9	14.8	28.0	47.4	65.1
Diabetes mellitus	250	20.5	6.9	20.8	20.1	9.3	4.6	5.0	11.9	29.5	58.2	2.1	4.3	11.4	9.5
Volume depletion	276.5	17.7	7.3	15.0	20.3	6.4	8.2	20.8	5.1	11.6	67.6	9.5	1.9	4.9	28.6
Diseases of the blood and blood-forming organs	280-289	15.3	5.3	12.2	18.4	6.7	3.9	9.6	8.7	13.9	50.6	2.1	1.4	8.2	14.3
Mental disorders	290-319	79.0	50.4	82.0	76.2	55.7	45.3	21.0	100.6	93.7	73.9	26.5	73.8	47.9	15.9
Psychoses	290-299	54.8	27.0	54.4	55.1	29.1	25.0	*	67.8	65.5	60.7	12.7	34.3	30.5	14.3
Diseases of the nervous system and sense organs	320-389	18.9	8.6	16.6	21.2	7.1	10.0	13.2	10.7	18.7	57.3	10.6	3.9	10.9	14.3
Diseases of the circulatory system	390-459	217.6	132.6	224.9	210.6	182.0	85.5	5.1	35.9	266.3	1103.0	1.1	13.5	182.0	578.2
Heart Disease	391-392.0,393-398,402,404,410-416,420-429	149.6	96.7	160.7	138.9	137.1	58.1	3.1	21.3	184.6	767.9	0.0	8.2	139.5	408.3
Acute myocardial infarction	410	25.0	17.0	29.5	20.8	22.4	11.8	*	3.4	32.5	126.6	0.0	1.4	23.4	74.7
Coronary atherosclerosis	414.0	36.4	40.7	46.1	27.1	67.3	15.3	*	3.9	62.3	158.6	0.0	3.4	68.1	144.6
Other ischemic heart disease	411-413,414.1-414.9	6.3	1.6	6.6	6.0	1.1	2.1	*	1.2	10.8	25.2	0.0	0.0	2.2	7.9
Cardiac dysrhythmias	427	26.1	14.4	25.4	26.7	17.6	11.4	0.8	4.5	24.8	145.0	0.0	1.4	14.2	79.4
Congestive heart failure	428.0	37.3	11.5	36.3	38.4	15.7	7.5	0.6	3.1	33.0	225.0	0.0	0.5	12.0	63.5
Cerebrovascular disease	430-438	31.0	21.2	29.0	32.9	25.4	17.1	*	3.8	30.8	175.6	0.0	1.9	24.5	106.4
Diseases of the respiratory system	460-519	121.4	48.2	119.3	123.4	51.2	45.3	113.0	27.7	104.2	490.6	30.7	17.9	39.8	198.6
Acute bronchitis and bronchiolitis	466	9.1	1.5	9.9	8.3	1.5	1.4	32.8	1.3	2.2	9.4	4.2	0.0	1.6	1.6
Pneumonia	480-486	45.5	21.0	44.4	46.5	24.7	17.5	29.8	8.3	34.5	220.4	12.7	4.3	18.0	96.9
Chronic bronchitis	491	16.6	6.9	15.7	17.5	7.1	6.8	*	0.9	21.2	88.9	0.0	0.5	2.7	50.8
Asthma	493	17.0	3.8	14.5	19.4	3.0	4.6	31.2	7.3	15.9	28.7	9.5	1.4	1.6	9.5
Diseases of the digestive system	520-579	122.4	86.1	110.1	134.3	74.0	97.7	40.8	68.9	151.4	386.9	26.5	42.5	112.2	243.1
Appendicitis	540-543	10.7	11.5	12.7	8.8	14.2	8.9	13.5	12.6	7.7	5.7	11.6	14.0	10.9	4.8
Noninfectious enteritis and colitis	555-558	10.8	8.0	8.6	12.9	4.5	11.4	9.2	7.5	9.9	26.4	4.2	4.8	9.8	19.1
Diverticula of intestine	562	10.7	6.9	9.2	12.1	4.9	8.9	*	3.3	13.1	48.8	0.0	1.0	10.9	25.4
Cholelithiasis	574	12.1	10.9	7.8	16.2	9.7	12.1	0.4	9.8	14.6	35.0	0.0	6.8	14.7	30.2
Diseases of the genitourinary system	580-629	66.4	51.3	40.6	91.2	26.2	75.2	13.8	46.5	70.2	215.4	3.2	40.5	67.6	111.2
Calculus of kidney and ureter	592	5.9	6.0	6.1	5.6	8.6	3.6	*	5.8	9.6	7.9	0.0	3.9	9.8	11.1
Complications of pregnancy, childbirth, and the puerperium	630-676	17.9	4.7	-	35.1	-	9.3	*	41.7	*	-	0.0	12.5	0.0	0.0
Diseases of the skin and subcutaneous tissue	680-709	26.1	11.1	27.5	24.7	12.3	10.0	*	17.2	29.8	64.4	4.2	3.9	10.4	47.7
Cellulitis and abscess	681-682	19.2	8.6	20.6	17.9	9.7	7.5	8.8	13.2	24.1	47.9	1.1	3.9	8.2	36.5
Diseases of the musculoskeletal system and connective tissue	710-739	65.7	84.5	56.1	74.9	79.6	89.1	6.3	25.0	96.4	245.1	10.6	29.4	113.9	290.7
Osteoarthritis and allied disorders	715	23.8	39.0	18.1	29.3	32.5	45.3	*	1.8	34.8	117.7	0.0	5.3	54.5	163.6
Intervertebral disc disorders	722	12.6	19.5	12.4	12.8	22.8	16.4	*	10.4	21.7	23.4	0.0	16.9	28.9	30.2
Congenital anomalies	740-759	7.0	3.8	7.8	6.3	3.4	4.3	23.4	2.6	3.1	2.5	13.8	2.4	1.1	1.6
Certain conditions originating in the perinatal period	760-779	7.0	2.4	7.8	6.1	3.0	1.8	33.3	*	*	*	13.8	0.0	0.0	0.0
Symptoms, signs, and ill-defined conditions	780-799	8.5	25.5	8.0	8.9	24.3	26.7	9.7	6.3	9.0	12.8	9.5	13.0	29.4	79.4
Injury and poisoning	800-999	97.3	54.5	97.0	97.5	51.6	57.4	39.5	66.4	100.3	294.4	14.8	36.7	51.8	181.1
Fractures, all sites	800-829	35.5	17.9	32.0	38.9	14.6	21.0	12.0	19.3	27.0	147.0	7.4	8.2	12.0	82.6
Fracture of neck of femur	820	11.3	4.7	6.5	15.8	2.6	6.8	*	0.6	4.4	79.6	0.0	1.0	1.1	34.9
Poisonings	960-989	8.8	1.5	7.5	10.0	1.5	1.4	3.2	12.0	8.8	6.9	0.0	2.9	1.1	0.0
Supplementary classifications	V01-V82	173.3	106.9	28.1	313.2	18.7	191.0	13.4	340.5	36.6	133.1	0.0	251.9	24.5	30.2
Female with deliveries	V27	141.4	91.9	-	277.7	-	179.6	0.9	330.5	1.5	-	0.0	243.2	0.0	0.0



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M E M O R A N D U M

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

FROM: *BTR*
BRYAN T. REINHARDT

DATE: October 19, 2006

SUBJECT: GROUP MEDICAL PLAN - SURPLUS/AFFORDABILITY UPDATE

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

Net premium sent to BCBS in July 2005 was \$10,853,370. For comparison, net premium sent to BCBS in June 2005 was \$9,821,731. The NDPERS health plan ended up with 23,580 contracts in June, 2005. There were 22,947 contracts in June, 2003, and 21,792 in July 2001. There are now 24,115 contracts.

The projection for the 2003 - 2005 biennium shows an ending balance of \$15.67 million. The cash settlement back to NDPERS should be around \$1.4 million. The \$14.3 million deposit date for the 05-07 biennium was July 1, 2006. These amounts are at BCBS and receiving interest.

The projection for the 2005 - 2007 biennium shows a June 30, 2007 ending balance of less than \$.5 million. Since we share 50/50 in the first \$3.0 million surplus with BCBS, future growth in this surplus will be difficult.

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

NDPERS - ESTIMATED SURPLUS PROJECTION: 2005-2007 BIENNIUM

September, 2006

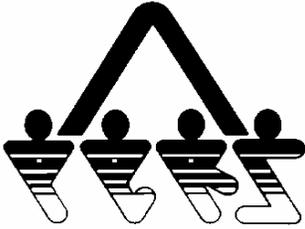
The following exhibit summarizes the estimated surplus for the NDPERS group medical plan at the end of the 2005-2007 biennium. The estimate has been updated to include account activity through September, 2006.

1) Preliminary Underwriting Gain for the 2005-2007 Biennium	(\$16,160,500)
2) Cash Balance Interest Accumulation	\$692,696
3) Estimated Underwriting Gain for the 2005-2007 Biennium	(\$15,467,804)
5) Refunds and Settlements	
07/05/05 Perform Rebate (Included as claim rebates)	\$418,453
10/04/05 Perform Rebate (Included as claim rebates)	\$425,316
12/01/05 Perform Rebate (Included as claim rebates)	\$8,716
01/01/06 Perform Rebate (Included as claim rebates)	\$350,907
03/01/06 Perform Rebate (Included as claim rebates)	\$15,236
04/01/06 Perform Rebate (Included as claim rebates)	\$384,639
07/04/06 Perform Rebate (Included as claim rebates)	\$280,399
10/01/06 Perform Rebate	\$400,000
01/01/07 Perform Rebate	\$400,000
04/01/07 Perform Rebate	\$400,000
EPO Settlement Payments 7/05 - 6/06 (Included as rebates & paid)	\$0
EPO Settlement Payments 7/06 - 6/07 (Included as rebates & paid)	\$0
6) Cash Reserve Account Balance	\$15,666,912
2003-2005 Settlement Cash Out:	(\$1,439,151)
Future Interest:	\$634,614
Total	\$14,862,375
7) Total Estimated Surplus Held by BCBS	\$874,970
8) BCBS Portion of Surplus (50% upto \$1,500,000)	\$437,485
9) PERS Portion of Surplus Held by BCBS	\$437,485
10) NDPERS Wellness Accounts	
My Health Connection	\$171,362
Employer Based Wellness	\$62,372
Wellness Benefit Program	\$20,972
SubTotal	\$254,705
Total Adjusted for Usage	\$0
11) Total Estimated Funds Available to PERS on June 30, 2007	\$437,485

NDPERS - Projected Underwritten Experience for the 2005-2007 Biennium
 September, 2006

MONTH	NET PREMIUM COLLECTED	PREMIUM ADJUSTMENT	TOTAL PREMIUM INCOME	ADMIN EXPENSE \$26.98/CON	NET PREMIUM	CLAIMS INCURRED & PAID TO DATE	ESTIMATED IBNR CLAIMS	TOTAL INCURRED CLAIMS (1)	ESTIMATED GAIN / LOSS
Jul-05	\$11,491,070	(\$2,387)	\$11,488,683	\$637,699	\$10,850,984	\$10,905,026	\$0	\$10,905,026	(\$54,042)
Aug-05	\$11,486,984	\$0	\$11,486,984	\$635,676	\$10,851,308	\$10,755,760	\$0	\$10,755,760	\$95,548
Sep-05	\$11,592,130	\$0	\$11,592,130	\$641,396	\$10,950,735	\$9,681,927	\$0	\$9,681,927	\$1,268,808
Oct-05	\$11,564,639	(\$995)	\$11,563,644	\$640,748	\$10,922,896	\$9,886,744	\$0	\$9,886,744	\$1,036,152
Nov-05	\$11,565,139	\$1,417	\$11,566,556	\$640,478	\$10,926,078	\$11,297,190	\$0	\$11,297,190	(\$371,112)
Dec-05	\$11,575,731	\$7,675	\$11,583,406	\$640,829	\$10,942,577	\$11,797,838	\$0	\$11,797,838	(\$855,261)
Jan-06	\$11,053,969	\$332	\$11,054,300	\$644,606	\$10,409,694	\$9,919,944	\$0	\$9,919,944	\$489,750
Feb-06	\$11,053,628	\$0	\$11,053,628	\$645,308	\$10,408,320	\$10,011,332	\$104,000	\$10,115,332	\$292,988
Mar-06	\$11,049,994	(\$26,775)	\$11,023,218	\$645,146	\$10,378,073	\$11,928,532	\$159,000	\$12,087,532	(\$1,709,459)
Apr-06	\$11,066,004	(\$36,321)	\$11,029,683	\$645,820	\$10,383,862	\$10,356,912	\$258,000	\$10,614,912	(\$231,050)
May-06	\$11,064,390	\$3,501	\$11,067,891	\$646,198	\$10,421,693	\$11,189,299	\$564,000	\$11,753,299	(\$1,331,606)
Jun-06	\$11,076,821	\$0	\$11,076,821	\$647,385	\$10,429,436	\$10,934,540	\$785,000	\$11,719,540	(\$1,290,104)
Jul-06	\$11,056,557	\$0	\$11,056,557	\$646,495	\$10,410,063	\$8,843,449	\$1,599,000	\$10,442,449	(\$32,386)
Aug-06	\$11,052,995	\$0	\$11,052,995	\$646,414	\$10,406,581	\$9,157,835	\$3,780,000	\$12,937,835	(\$2,531,254)
Sep-06	\$11,153,014	\$0	\$11,153,014	\$650,785	\$10,502,229	\$2,634,961	\$8,751,000	\$11,385,961	(\$883,732)
Oct-06	\$11,153,014	\$0	\$11,153,014	\$650,785	\$10,502,229	\$0	\$0	\$11,314,785	(\$812,556)
Nov-06	\$11,153,014	\$0	\$11,153,014	\$650,785	\$10,502,229	\$0	\$0	\$11,390,915	(\$888,686)
Dec-06	\$11,153,014	\$0	\$11,153,014	\$650,785	\$10,502,229	\$0	\$0	\$11,467,046	(\$964,816)
Jan-07	\$11,153,014	\$0	\$11,153,014	\$650,785	\$10,502,229	\$0	\$0	\$11,543,176	(\$1,040,947)
Feb-07	\$11,153,014	\$0	\$11,153,014	\$650,785	\$10,502,229	\$0	\$0	\$11,619,306	(\$1,117,077)
Mar-07	\$11,153,014	\$0	\$11,153,014	\$650,785	\$10,502,229	\$0	\$0	\$11,695,436	(\$1,193,207)
Apr-07	\$11,153,014	\$0	\$11,153,014	\$650,785	\$10,502,229	\$0	\$0	\$11,771,567	(\$1,269,337)
May-07	\$11,153,014	\$0	\$11,153,014	\$650,785	\$10,502,229	\$0	\$0	\$11,847,697	(\$1,345,467)
Jun-07	\$11,153,014	\$0	\$11,153,014	\$650,785	\$10,502,229	\$0	\$0	\$11,923,827	(\$1,421,598)
BIENNIAL TOTAL	\$269,280,188	(\$53,554)	\$269,226,634	\$15,512,043	\$253,714,591	\$149,301,289	\$16,000,000	\$269,875,044	(\$16,160,452)

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



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

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

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

Memorandum

TO: PERS Board

FROM: Sparb

DATE: November 8, 2006

SUBJECT: Federal Pension Legislation Update

Melanie Walker from Segal will be available via videoconference to present information to the Board relating to the federal pension legislation.



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Memorandum

TO: PERS Board

FROM: Diane & Kathy

DATE: November 16, 2006

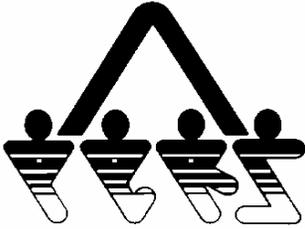
SUBJECT: Expedited Enrollment Deferred Compensation Plan

In order to promote awareness of the 457 deferred compensation plan and vesting in the employer's contribution to the Defined Benefit retirement plan through PEP (Portability Enhancement Provision), staff developed the Expedited 457 Deferred Compensation Plan & PEP Enrollment form. This form is included in the New Hire Kit to ensure that all new employees are given the earliest opportunity to vest in the employer's contribution.

The Expedited Enrollment form was made available to all employees when staff printed a shortened version of the form in the summer edition of the Perspectives' newsletter. Employees were encouraged to clip the form from the newsletter and enroll in the deferred compensation plan if they were not yet participating. The number of forms submitted from the newsletter was monitored for the months of July, August and September. The total number submitted for this time period was 30 forms.

The week of October 22 – October 28 was declared national "Save for Retirement Week" based upon Senate Resolution 550, introduced by Senator Gordon Smith (R-OR) and Senator Kent Conrad (D-ND). Employees were sent an email notice of the announcement and resolution.

This is informational and requires no action by the Board.



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Memorandum

TO: PERS Board

FROM: Kathy

DATE: November 8, 2006

SUBJECT: FlexComp Plan Amendment

Currently when a participant is on an approved, unpaid leave of absence, one of the options they have to pay for pretax premiums or to fund contributions to a medical spending or dependent care account is the “pay as you go option.” Under this option a participant may make after tax contributions to fund these accounts during an unpaid leave. Our current administration system is integrated with the State payroll system which requires the spending account deduction to be taken from the employee’s paycheck in order for a contribution to be recorded. Due to this limitation, we are unable to post after tax contributions. Therefore, we are proposing that the “pay as you go” option be replaced with a “catch-up” option. This option allows the participant to continue coverage during the leave and upon return to make catch-up contributions on a prorated basis by pretax salary reduction. This is allowed according to Section 125 regulations and has been verified with our plan consultant, The Segal Company.

A copy of the proposed amendment is included for your information. Staff recommends that the amendment be approved.

Board Action Requested

Approve the amendment to eliminate the “pay as you go” option and add the “catch-up” option for participants on an approved, unpaid leave of absence.

AMENDMENT NO. 4
TO THE
STATE OF NORTH DAKOTA
FLEXCOMP PROGRAM
PLAN DOCUMENT

Effective January 1, 2007, the Plan Document for THE STATE OF NORTH DAKOTA FLEXCOMP PROGRAM is hereby amended as follows, new text is identified by underscoring and deleted text is identified by ~~strike-through~~:

ARTICLE VI SALARY REDUCTION ELECTIONS section 6.05 Amendment of Salary Reduction Elections Due to Leave of Absence, Family and Medical Leave (FMLA) or Military Leave. subsection a. Benefit Plan and Qualified Health Care Expense Account. paragraph 3. is hereby amended as follows:

6.05 Amendment of Salary Reduction Elections Due To Leave of Absence, Family and Medical Leave (FMLA) or Military Leave.

- a. Benefit Plan and Qualified Health Care Expense Account.
 - 1. *Leave with taxable compensation:* Pre-tax contributions during a leave may be made if taxable compensation is due to the Participant while on leave of absence, FMLA leave, or military leave.
 - 2. *Leave without taxable compensation:* An unpaid leave of absence will be considered a change in status, and the Participant may amend salary reduction elections to be consistent with the change in status.
 - 3. *FMLA.* A Participant commencing a qualifying leave under the FMLA may, to the extent required by the FMLA, continue to maintain coverage under the Benefit Plan and Qualified Health Care Expense Account under the terms and conditions set forth hereafter. For leaves of absence and leaves under the FMLA, if no coverage during leave is elected and the Participant returns to active work during the same Plan Year, and the salary reduction election has not been amended, as provided in 6.05, a., 2., then the same election the Participant had before the leave must be maintained for the remainder of the calendar year upon return from the leave.

~~(a.) "Pay as you go option": A Participant may make after-tax contributions to reduce his/her salary or wage to pay for applicable Pre tax Premium or to fund a Qualified Health Care Expense account during an unpaid leave of absence. In addition, a Participant may make pre tax contributions for these purposes during an unpaid leave of absence if the Participant receives compensation during the leave (e.g., unused sick or vacation days). In addition, a Participant may make pre-tax contributions for these purposes during an unpaid leave of absence if the Participant receives compensation during the leave (e.g., unused sick or vacation days).~~

~~(ba.) "Pre-pay option": A Participant may make pre-tax contributions by increasing his/her salary reduction contributions before taking the leave, but only for the portion of the leave that occurs during the Plan Year. A Participant may also make after-tax contributions before taking the leave.~~

(b.) "Catch-up option": Employer will continue coverage during the leave. A Participant must make pre-tax contributions after the leave, by salary reduction.

4. A Participant may elect not to continue coverage during the leave. If the Participant does not make the salary reduction on a pre-tax basis ~~or by after tax contributions~~ described in 6.05, a., 3., (a), his/her participation will cease the last day of the month in which a contribution is received. The Participant may submit claims for eligible expenses incurred before participation ended, and will be reimbursed as described in section 4.02 herein.
5. *USERRA*. If a Participant returns from a qualified military leave under the Uniformed Services Employment and Re-employment Rights Act and commences employment again, he/she may choose to become a Participant and salary reduction contributions will be increased to reflect any contributions for the Plan Year not yet paid or to amend the salary reduction election, as provided in 6.05, a., 2., or to elect not to participate for the remainder of the Plan Year.
6. For the Qualified Health Care Expense account, if a Participant revokes coverage upon commencement

of the leave and elects to be reinstated upon return from the leave, the Participant has a choice between two options:

- (a.) *Full Coverage:* The Participant may maintain the same election the Participant had before the leave and reinstate the level of coverage in effect when the leave began, provided that the Participant makes contributions to reduce his/her salary or wage to fund the Qualified Health Care Expense account for the contributions that were missed during the leave.
- (b.) *Prorated Coverage:* The Participant may reinstate a level of coverage that is reduced by the amount of contributions to reduce his/her salary or wage to fund the Qualified Health Care Expense account that were missed during the leave.

ARTICLE VI SALARY REDUCTION ELECTIONS section 6.05 Amendment of Salary Reduction Elections Due to Leave of Absence, Family and Medical Leave (FMLA) or Military Leave. subsection b. Qualified Dependent Care Expense Account. paragraph 3. is hereby amended as follows:

- b. Qualified Dependent Care Expense Account.
 - 1. *Leave with taxable compensation:* Pre-tax contributions during a leave may be made if taxable compensation is due to the Participant while on leave of absence, FMLA leave, or military leave.
 - 2. *Leave without taxable compensation:* An unpaid leave of absence will be considered a change in status, and the Participant may amend salary reduction elections to be consistent with the change in status.
 - 3. *FMLA.* A Participant commencing a qualifying leave under the FMLA may, to the extent required by the FMLA, continue to maintain coverage under the Qualified Dependent Care Expense Account under the terms and conditions set forth hereafter. For leaves of absence and leaves under the FMLA, if no coverage during leave is elected and the Participant returns to active work during the same Plan Year, and the salary reduction election has not been amended, as provided in 6.05, b., 2., then the same election the Participant had before the

leave must be maintained for the remainder of the calendar year upon return from the leave.

~~(a.) "Pay as you go option": A Participant may make after tax contributions to reduce his/her salary or wage to fund a Qualified Dependent Care Expense account during an unpaid leave of absence. In addition, a Participant may make pre tax contributions for these purposes during an unpaid leave of absence if the Participant receives compensation during the leave (e.g., unused sick or vacation days).~~

~~(b.) "Pre-pay option": A Participant may make pre-tax contributions by increasing his/her salary reduction contributions before taking the leave, but only for the portion of the leave that occurs during the Plan Year. A Participant may also make after tax contributions before taking the leave.~~

(b.) "Catch-up option": Employer will continue coverage during the leave. A Participant must make pre-tax contributions after the leave, by salary reduction.

4. A Participant may elect not to continue coverage during the leave. If the Participant does not make the salary reduction on a pre-tax basis ~~or by after tax contributions~~ described in 6.05, b., 3. (a), his/her participation will cease the last day of the month in which a contribution is received. The Participant may submit claims for eligible expenses* incurred before participation ended, and will be reimbursed as described in section 4.03 herein.

*** "Eligible expenses" are only those expenses that enable the employee or the employee and their spouse to be gainfully employed. Any other expenses would not be reimbursable during the leave of absence period.**

5. *USERRA*. If a Participant returns from a qualified military leave under the Uniformed Services Employment and Re-employment Rights Act and commences employment again, he/she may choose to become a Participant and salary reduction contributions will be increased to reflect any contributions for the Plan Year not yet paid or to amend the salary reduction election, as provided

in 6.05, b., 2., or to elect not to participate
for the remainder of the Plan Year.

Dated: _____

By: _____
North Dakota Public Employees
Retirement System

Title: _____

148478v1/01640.010



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

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Memorandum

TO: PERS Board

FROM: Deb & Sparb

DATE: November 8, 2006

SUBJECT: LASR PROJECT REPORTING

Attached is a copy of the Quarterly Report that was submitted to ITD as required for all major IT projects. As you will see, good progress was made and the project is progressing as expected.

In addition to the Quarterly Report, staff also made a presentation to the Legislative IT Committee and SITAC regarding the project. A single copy of the power point presentation is attached as similar information was presented to both groups.

Also attached is the LASR Monthly Status Report for the month ending October 31, 2006.

Quarterly Large Project Oversight Status Report

Legacy Application System Review

Project Phase 3

For period:	<i>July 1, 2006 – September 30, 2006</i>
Submitted by:	Sparb Collins, Project Sponsor
Green	Strong probability the project will be delivered on time, within budget, and with acceptable quality.
Yellow	Good probability the project will be delivered on time, within budget, and with acceptable quality. Schedule, budget, resource, or scope changes may be needed.
Red	Probable that the project will NOT be delivered with acceptable quality without changes to schedule, budget, resources, and/or scope.

EXECUTIVE SUMMARY

Status Item	Current Status	Prior Status	Summary
Overall Project Status	Green	NA	<p>As of the end of the third quarter, 2006, the LASR project is within budget, on schedule and within the quality parameters expected by NDPERS. Steering committee has been very active and met weekly during this phase. The LRWL workbooks used in the RFP development process have been modified and are currently being consolidated into the full draft of the RFP. Our expectation is, and the Project Plan calls for, the revised draft being returned to PERS on 10/23/2006. The RFP will then be reviewed with staff, revised as necessary, and published by 11/30/2006.</p> <p>We rate the current overall project status as "green."</p>
Scope	Green	NA	<p>The project remains within the scope originally identified within the Project Charter submitted to ITD in July 2006. Our vendor has shared with us that some of the deliverables typically developed in this methodology - the detail related to evaluation criteria, specifically - have been moved up within the timeline but do not represent a scope change.</p> <p>We rate the current overall project status as a "green."</p>
Schedule	Green	NA	<p>The Project remains on schedule. Key milestones include receipt of the RFP draft on 10/23/2006 and a publication date of 11/30/2006. Adjustments within the project schedule have occurred, but were agreed to between both parties. A variance does exist between the original Project Charter and the current Project Plan for delivery of the draft RFP. The Project Charter calls for it being delivered on 10/15. The current Project Plan calls for it being delivered on 10/23. We do not consider this a problem as the Project Charter timeline was a preliminary.</p> <p>Overall, we rate the current schedule status as green to yellow.</p>
Cost	Green	NA	<p>The project costs remain within the budget identified by PERS and is accumulating at an acceptable rate (i.e., one commensurate with the activities and tasks conducted).</p>

Quarterly Large Project Oversight Status Report

			Overall, we would rate the cost status as a green.
Project Risk	Green	NA	<p>The only noteworthy Project risk that has arisen within the reporting period is the demand on staff time. It was difficult to appreciate at the inception of the Project the amount of effort that would be demanded of staff. However, both staff and management have risen to the challenge and have balanced mandated requirements of their position with additional responsibilities arising from the Project itself. A key staff person in the accounting area became unexpectedly unavailable during this period. This absence has impacted others on the project team, resulting in less participation than originally planned. Unfortunately, this absence coincides with a scheduled visit from the auditors, as well as critical responsibilities for PeopleSoft testing and training. These demands are being shouldered for now, but staff and management are experiencing significant strain from the additional work load. Action is being taken to find a temporary fill-in for the missing staff person, but this will continue to impact team members until the temporary can be trained.</p> <p>Overall, the Project risks are rated as a green as objectives are being met.</p>

Accomplishments:

Major accomplishments through the reporting period include defining the scope of functionality NDPERS wants to include within the RFP, conducting workbook review sessions (LRWL uses a set of seven workbooks to gather and refine system requirements and requirements of the procurement). Workbook reviews dominated much of July, August and September. At various points, two LRWL resources were on-site, conducting workbook reviews in parallel. Where appropriate, subject matter experts from ITD, the Attorney General's office, State Procurement Office, Risk Management and NDPERS staff were also involved in these workbook reviews. Following the sessions, modifications were made to the workbooks and the workbooks were submitted to PERS for review and held for consolidation into the larger RFP. Weekly status meetings were held each Wednesday. On occasion, LRWL Project Manager participated remotely. Weekly status notes and agendas were provided for the Steering Committee as well as a monthly status report for the NDPERS Board and updated monthly project plans.

Expected Accomplishments:

Project activities planned for the next reporting period include: Receipt of the consolidated draft RFP, making revisions to it, finalizing it and publishing it by 11/30. Much of October and the early part of November will be invested in finalizing the draft and making revisions to it following PERS' review. In December, we anticipate receiving questions back from vendors on the RFP. We will respond to them and make them available on the web, but intend to review them at the Bidders' Conference on 12/27. We will respond to any questions raised at the Bidders' Conference and finalize our responses to them, posting them to the web for the vendors to review. In mid-October the NDPERS Project Manager will review the OMB procurement Web-site to determine how it can be used to best serve NDPERS' needs.

RISK MANAGEMENT

Status Item	Current Status	Prior Status	Summary
Project Risk	Green	NA	One risk was realized in the past quarter and is currently being addressed. Staff time continues to be a concern however.
Risk Management Log Summary			
Risk #	Description	Response Plan	Owner
2006-1	Key staff member became temporarily unavailable for an extended period of	LASR steering committee members were assigned to provide back-up for	Sharon Schiermeister is responsible for hiring and

Quarterly Large Project Oversight Status Report

	time.	daily duties and will provide feedback during the final review of the RFP. Attendance at LASR Steering Committee meetings was suspended temporarily.	training the new temporary employee.
Comments: Although workloads had to be re-evaluated and shifted during this period, the project is still on schedule. Temporary help is being hired to address absent staff member's workload.			
Issues Log Summary			
Issue #	Description	Required Action	Owner
Comments: No issues were identified during this time period			

SCOPE MANAGEMENT

Status Item	Current Status	Prior Status	Summary
Scope	Green	NA	There were no changes to scope and all anticipated deliverables were accepted.
Change Control Log Summary			
Change #	Description	Action Accept / Reject	Action Date
Comments: There were no changes in scope during this quarter. The state's procurement evaluation criteria required elaborating and detailing this area earlier in the project than originally anticipated. However, this was accommodated.			
Deliverable Acceptance Log Summary			
Deliverable #	Deliverable Name	Action Accept / Reject	Action Date
	Workbooks 1 – 7	Accepted	
Comments: Workbooks and monthly status reports and project plan updates were delivered to Project Manager pursuant to the project plan agreed upon by NDPERS & L. R. Wechsler.			

COST MANAGEMENT

Status Item	Current Status	Prior Status	Summary
Budget	Green	NA	Project is currently within budget and is expected to remain so.
Project Budget	Revised Budget (if applicable)	Expenditures to Date	Estimated Cost at Completion
Phase III \$590,326.00	\$0.00	\$153,492.82	\$590,326.00
Comments: Some NDPERS staff who have participated in the LASR project have not accounted for their time, so related expenses will not be fully reflected. For the most part, this represents a small portion of staff time. All individuals will be reminded to log their time spent on the LASR project for the next quarter.			



L.R. Wechsler, Ltd.

North Dakota Public Employees Retirement System

Legacy Application System Review Project

Monthly Status Report – October 31, 2006

Activities and tasks accomplished this reporting period

- General
 - Assisted Deb with ITD Quarterly Status report.
 - Provided support for board meeting regarding evaluation criteria presentation.
 - Began work of consolidating all workbook material into the RFP.
- RFP Development
 - Completed internal quality assurance review of RFP.
 - Assembled “punch list” of issues for discussion and actions by PERS.
 - Submitted consolidated RFP to PERS for internal review.
 - Reviewed RFP TOC with PERS and assigned review responsibilities to management and staff.
 - Conducted review sessions with PERS of the consolidated RFP.

Activities planned for the next month

- General
 - Provide evaluation criteria to Sparb for board meeting.
- RFP Development
 - Complete review of consolidated RFP with PERS making modifications as necessary
 - Finalize the RFP and submit final version to PERS for publication.
- Procurement Activities
 - Provide PERS with list of vendors to contact regarding the RFP.
 - Prepare for questions from vendors and responses from PERS.
 - Prepare for bidder’s conference in December.

Problems Encountered this Period

- None

Reconciliation of Progress

- None

Problems Anticipated Next Period

- None

INFORMATION TECHNOLOGY COMMITTEE



**NORTH DAKOTA
PUBLIC EMPLOYEES RETIREMENT SYSTEM**

LASR - Project Description

- To replace the current PERS Business System
 - Feasibility Study (Spring/summer 2006)
 - ***RFP (2006-2007)***
 - *Project Implementation (Summer 2007-2010 if approved)*

Legacy Application System Replacement (LASR) - RFP

- Project Description
- Project Objectives
- Business Need or Problem
- Cost
- Project Risks

Project Objectives - RFP

- Develop an accurate projected cost for the implementation phase of the system replacement project for budget request to be considered by the Legislature in January 2007 session.
- Develop an RFP for the procurement and implementation phase of the LASR Project.
- Review the responses from vendors to determine the bid that is most cost effective and responsive.
- If approved conduct contract negotiations with an implementation vendor that will ensure the best interests of NDPERS and the State of North Dakota.

Business Need or Problem

- The systems for many of the programs and functions that NDPERS administer are not integrated. This forces NDPERS staff to enter data multiple times and gives opportunity for data to be out of sync, missing and inaccurate and provides poor internal controls.
- The legacy systems are now between 8 and 33 years old. After going through many changes and enhancements over the years, the systems have become very complex and difficult to maintain or enhance.
- The State of North Dakota has also experienced difficulty in recruiting, training and retaining technical staff capable of maintaining the system.
- New programs and benefit options implemented by NDPERS have led to several stand alone systems being implemented to solve the immediate processing needs.
- The fragile nature of the application evidences itself when maintenance is performed on the system. Even seemingly simple changes often cause unanticipated problems in other areas of the application.

Business Need or Problem

- All these shortcomings have brought NDPERS to an understanding that replacement of the legacy system with a comprehensive, all inclusive record keeping system that accommodates all the various benefit plans they administer would be the best course for the agency. The NDPERS Board of Trustees reviewed the Feasibility Study and authorized the next step of developing an RFP to solicit more precise information for consideration.

Project Scope

- Develop criteria to be included in the RFP
- Develop a procurement strategy and detailed specifications
- Create draft RFP
- Create final RFP
- Conduct pre-bid conferences
- Evaluate RFP responses and provide an analysis to NDPERS
- Post-bid sessions with finalists
- Conduct on-site visits of finalists
- Recommend top implementation vendors to NDPERS
- Reference checks on vendor finalists
- Final contract negotiations
- Develop estimated implementation timeframes and NDPERS staffing requirements
- Present information to the Board & Legislature

Constraints

- **Schedule** – The completion date of this phase is June 1, 2007.
- **Project Resources** – Participation by NDPERS staff and management in the RFP development process is constrained by the need to get their daily responsibilities done and by their familiarity with the RFP development process. Currently, staff is working at capacity. Their ability to participate in data gathering sessions, to collect and provide pertinent information and review and comment on document deliverables, all part of the RFP development process, will all materially impact the timely delivery of an RFP that reflects all NDPERS' requirements.
- **Affordability** – NDPERS is limited in amount of dollars available for this project.

PROJECT TIMELINE

- **July 1, 2006** Project Kick-off
- **August 1, 2006** Project update, Review of Project documents developed to date
- **September 5, 2006** Project update, Review of Project documents developed to date
- **October 3, 2006** Project update, Review of Project documents developed to date
- **October 23, 2006** Submission of draft RFP to NDPERS
- **November 15, 2006** Final draft of RFP completed.
- **November 30, 2006** RFP released to solicit bids
- **January 15, 2007** RFP responses due
- **January 15 – March 15** Review RFP, develop recommendations, review with Legislature and seek approval
- **March 15, 2007** Review findings with NDPERS Board
- **April 15, 2007** Conduct interviews of final candidates if approved by Legislature and Governor
- **April 30, 2007** Conduct and participate in site visits of finalists
- **May 15, 2007** Final recommendation presented to NDPERS Board
- **June 1, 2007** Selection decision conveyed to finalists

PROJECT BUDGET

Cost Item	Cost Unit	Rate	Sub-total	
Wechsler staff	1824 hours	Mixed rate	\$316,720	
NDPERS Staff/SME	806 hours/month	Salaries & benefits	\$177,865	
Site Visits	No more than 3 sites, or 4 people	\$1600.00/per person	\$ 19,200	
ITD Costs	305 hours (assuming 20% time of 80% of 11 months)	\$75.00/hr	\$ 22,875	
Contingency		10%	\$53,666	
Total				\$590,326

Project Risks

Risk Area	Assessment		Impact	Mitigation
	Probability	Severity		
Timeframe is aggressive, while trying to handle heavy workload.	High	High	Response times and availability could be impacted. Staff may become stressed due to workloads.	Workload has been analyzed and prioritized. If necessary, some non-essential services will be suspended.
It is assumed that five or six vendors will be interested in bidding. It is possible there may be insufficient interest in the marketplace.	High	High	If there is insufficient interest in the project, pricing could exceed the proposed budget.	Project would have to be re-evaluated.
NDPERS is a smaller entity with limited back-up available. In the event atypical turnover or a key person leaves employment, significant impact would be felt.	Medium	Medium	Depending on turnover, project resources would be affected negatively.	<ul style="list-style-type: none"> • Project timelines may have to be extended. • Project budget may have to be enhanced.

Project Communications Plan

Deliverable/Description	Sender/organizer	Receiver Categories	Delivery Method	Delivery Frequency
Project Charter	NDPERS Project Mgr LRW Project Mgr	NDPERS Board	Paper report emailed to Project Coordinator	Project Initiation
Weekly LASR Steering Committee Meeting	Project Coordinator	LASR Steering Committee Members	Meeting	Weekly Wednesdays at 9:00 a.m.
Status Reports	LRW Project Manager	LASR Steering Committee Members	Via email	Weekly
Project Updates	LRW Project Manager	NDPERS Board	Paper report mailed to Project Coordinator	Monthly
Deliverable reviews	LRW Project Mgr & NDPERS Project Mgr	Team members	Meeting	As needed
RFP Release	LRW Project Mgr & NDPERS Project Mgr	Venders	Hard copy letter containing link to RFP on web	Once at beginning of bidding process.
Bidders Conference	LRW Project Mgr	Venders	Meeting	Once, in middle of bidding process
Post project review	Project Coordinator	SME's, Steering Committee Members, Core members	Meeting & Paper report emailed	Once when project closes out.

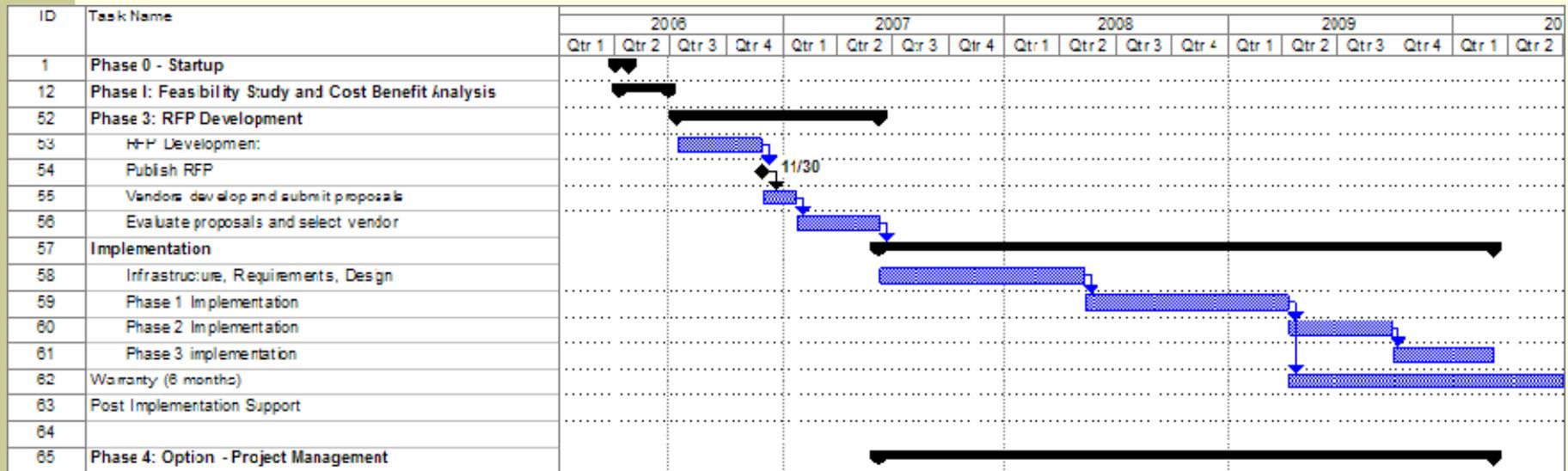
Estimated Cost & Timeline of Implementation

- \$9,563,000
- Three years to complete – starting in July of 2007

Cost Drivers of Implementation

- Complexity of requirements to be supported
- Scope – what is included and what is not
- Degree of precision of specification (RFP detail)
- Competitive pressures of marketplace
 - Vendor backlogs
 - Vendor desires
 - Plain old competition
- Quality of data
- Backfilling staff

Anticipated Timeline





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Memorandum

TO: PERS Board

FROM: Deb & Sparb

DATE: November 7, 2006

SUBJECT: Request for Proposal Timeline

As of the date of this memo, the Request for Proposal is, in fact, ahead of schedule. Provided we continue at the present pace, it is staff's intention to release the RFP earlier than our preliminary timeline indicated.

The results of releasing the RFP earlier than anticipated allow the Bidder's Conference, which was originally scheduled for Wednesday, December 27 to be moved to an earlier date, Wednesday, December 13. Staff believes this is beneficial as the conference will now be held before the holidays, which should eliminate any conflicts potential bidders may have encountered with the previous date.

Although the RFP will be released earlier than previously scheduled, the original schedule will be maintained for the duration of this project phase. That is:

January 15, 2007	RFP Responses due
January 15 – March 15	Review RFP, develop recommendations, review with Legislature and seek approval.
March 15, 2007	Review findings with NDPERS Board
April 15, 2007	Conduct interviews with finalists, subject to legislative approval of project.
April 30, 2007	Complete site visits of finalists
May 15, 2007	Final recommendation presented to the NDPERS Board.
June 1, 2007	Selection decision conveyed to finalists.

The Request for Proposal will be posted out on OMB's Procurement Website and will be referenced out on the NDPERS website as well.

Sparb and I will both be at the NDPERS Board meeting if you have any questions or concerns or please feel free to contact either of us prior to the Board Meeting.



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Memorandum

TO: PERS Board

FROM: Sparb

DATE: November 8, 2006

SUBJECT: Legislation

Attached is the matrix we reviewed at the last meeting relating to the proposed PERS legislation. An additional column has been added on the right that shows the action of the Legislative Employee Benefits Committee which met on October 24 to review these bills.

Concerning the six bills submitted by PERS, 3 received a “favorable recommendation” and 3 were forwarded with “no recommendation”. The 3 with “no recommendation” were the 13th check bill, the increase in the retiree health credit (last time we received an “unfavorable recommendation” of this bill) and the increase in the retirement contribution to give the retirees a 2% increase in 2009. Generally those bills having a fiscal effect received no recommendation with the exception of the life plan increase which received a favorable recommendation.

The minutes of the meeting are available for your review on the Legislative Council website at <http://www.legis.nd.gov/assembly/59-2005/interim-info/minutes/eb102406minutes.pdf> .

Board action requested to approve the following PERS bills: 70075, 70076, 70077, 70078, 70079, and 70080.

2007 Legislative Session
Analysis of the Financial and Technical Impact of Legislation
North Dakota Public Employees Retirement System

LC Bill Number	Sponsor	Summary	Critical Issues	Recommendation	Legislative Employee Benefits Committee Action
70030	S. Mathern	As proposed, this bill would expand the uniform group insurance program to allow participation by members of the ND National Guard in the medical and life insurance coverages. The member of the National Guard must be a "resident" of ND. Premiums will be paid directly by the individual and State coverage would be secondary to any military coverage available. Guard members called to active duty outside of ND do not lose eligibility. Finally, the bill authorizes the Board to allow licensed agents to sell the uniform health insurance coverage and receive commissions.	Section 7 of the bill mitigates the concerns of GBS and provides the board the authority not to implement the bill unless it can be done in a manner that will not impact the plan	Remain "neutral" on the bill	The committee gave the bill an unfavorable recommendation
70031	S. Mathern	As proposed, this bill would allow participation in the State uniform group insurance program for "permanent employees of non-profit organizations." It allows the Board to establish minimum eligibility requirements for the non-profit organization,	Section 8 of the bill mitigates the concerns of GBS and provides the board the authority not to implement the bill unless it can be done in a manner that will not impact the plan	Remain "neutral" on the bill	The committee gave the bill an unfavorable recommendation

LC Bill Number	Sponsor	Summary	Critical Issues	Recommendation	Legislative Employee Benefits Committee Action
		including medical underwriting and risk-adjusted premium requirements. Section 5 of the bill authorizes the Board to allow licensed agents to sell the health insurance coverage and receive commissions. Section 6 of the bill allows the Board to accept “grants, donations, legacies and devices for the purpose of implementing (the bill).”			
70032	S. Mathern	As proposed, this bill would expand the uniform group insurance program to allow participation by small (50 or fewer employees) private sector employers subject to minimum requirements established by the Board. It also allows licensed agents to sell the program and receive commissions.	Section 8 of the bill mitigates the concerns of GBS and provides the board the authority not to implement the bill unless it can be done in a manner that will not impact the plan	Remain “neutral” on the bill	The committee gave the bill an unfavorable recommendation
70062	R. Price	As proposed, this bill would clarify that distinct health units and the Garrison Conservancy District participate in the uniform group insurance program under the same terms and conditions as State agencies. Therefore, they would pay medical premiums on a flat (composite) basis.	GBS states they have no concerns with the bill	Remain “neutral” on the bill but indicate we have no concerns with the bill.	The committee amended the bill based upon the PERS Boards review and gave the amended bill a favorable recommendation
70071	S. Krebsbach	The proposed legislation would permit a specified association of counties and their employees to participate in the Public Employees Retirement System	Segal indicates that it does not appear that the specified association of counties satisfies the requirements to be a political subdivision under	Remain “neutral” on the bill but indicate we have no concerns with the bill as amended.	The committee gave the bill a favorable recommendation

LC Bill Number	Sponsor	Summary	Critical Issues	Recommendation	Legislative Employee Benefits Committee Action
		(Hybrid Plan), the Retiree Health Benefit Fund and the Deferred Compensation Program.	applicable federal law. I have reviewed this with the association and they have prepared amendments that will resolve this and Segal concurs		
70073	Career & Tech. Education	The proposed legislation would permit current and future employees of the State board for career and technical education to irrevocably elect to transfer to and/or participate in the Public Employees Retirement System (PERS) Hybrid Plan and the Retiree Health Benefit Fund effective July 1, 2007. Employees of the State board for career and technical education currently may participate only in the Teachers' Fund for Retirement (TFFR). For current employees of the board who elect to transfer to the Hybrid Plan, the TFFR must transfer the greater of the actuarial equivalent of the employee's accrued benefit or the employee's account balance to the Hybrid Plan.	For PERS retirement plan the bill is neutral as a result of the asset transfer from TFFR. For the retiree health program we need since no assets will be transferred for past service liability we need an increase in contributions to pay for this liability over time. Segal indicates this should be.....	Remain "neutral" on the bill if it pays the past service liability for the retiree health program. Oppose the bill if it does not provide for payment for the past service liability for the retiree health program.	The committee gave forwarded the bill with "no recommendation"
70075	PERS	The proposed legislation would allow the Board to provided for a one-time post-retirement payment equal to 75% of the member's, beneficiary's, disability retirees or prior service retirees current monthly benefit payment amount	Final actuarial numbers on the 13 th check were not completed at the time this memo was prepared. Segal will present this information at the board meeting.	Support the bill as amended.	The committee accepted the amendment of PERS and gave the bill a "no recommendation"

LC Bill Number	Sponsor	Summary	Critical Issues	Recommendation	Legislative Employee Benefits Committee Action
		payable in January of either 2008 or 2009, if the trust fund's total annualized return on investments is at least 9.16% for the fiscal year ending June of 2007 or 2008, applicable to both the Hybrid Plan (except the Judges retirement plan) and the Highway Patrol Retirement System. This is a potential one-time payment in the biennium.	For the Judges 2% increase for each year of the biennium Segal indicates the cost is .46% of payroll. Since the judges have a margin of 2.16% this is affordable.		
70076	PERS	<p>The proposed legislation would make the following important changes:</p> <p>Applies the definition of final average salary under the Hybrid Plan and Highway Patrolmen's Retirement System, which is currently the highest salary for 36 months in the last 180 months of employment, to employees who <u>terminate employment</u> on or after August 1, 2010, rather than those employees who <u>retire</u> on or after July 1, 2009. Also, for employees who terminate employment between July 1, 2005 and August 1, 2010, final average salary would be the highest salary for 36 months for any period for which the Board has accurate salary records, but no longer</p>	No Concerns were expressed and it was indicated the bill would have no significant actuarial impact on the system.	Submit and support the bill as written	The committee accepted the amendment of PERS and gave the bill a "favorable recommendation"

LC Bill Number	Sponsor	Summary	Critical Issues	Recommendation	Legislative Employee Benefits Committee Action
		<p>than the last 180 months of employment;</p> <p>Updates federal compliance provisions of the Hybrid Plan and Highway Patrolmen's Retirement System;</p> <p>Provides record confidentiality rules under the Hybrid Plan and Highway Patrolmen's Retirement Plan to limit disclosure of information regarding employer service purchases to the minimum, necessary elements of data;</p> <p>Permits conversion of sick leave to retirement credit under the Hybrid Plan and Highway Patrolmen's Retirement System at any time, rather than within 60 days of termination only;</p> <p>Clarifies that employer service purchases on an actuarial equivalent basis under the Hybrid Plan must include contributions for both retirement and the Retiree Health Benefits Fund;</p> <p>Clarifies that temporary employees may not purchase any additional service credit, including repurchase of past service upon reemployment;</p>			

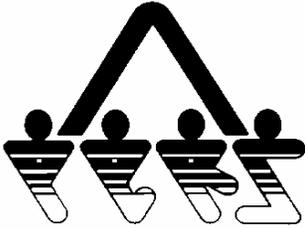
LC Bill Number	Sponsor	Summary	Critical Issues	Recommendation	Legislative Employee Benefits Committee Action
		<p>Permits members who retire and commence receiving benefits after their normal retirement date under the Hybrid Plan or Highway Patrolmen's Retirement System to elect between a single lump sum payment equal to missed payments since normal retirement date or an increase in monthly retirement benefits that reflects the missed payments;</p> <p>Permits conversion of sick leave under the Defined Contribution Plan after four or more years of service, instead of after 25 or more years of service;</p> <p>Provides for automatic refund of member accounts under the Defined Contribution Plan if the vested account balance is less than \$1,000, instead of \$5,000.</p>			
70077	PERS	The proposed legislation would automatically enroll new employees after August 1, 2007 in the Deferred Compensation Program and defer \$25 per month into the Program into a default investment option selected by the Board, unless the new employee opts out of enrollment within 30 days of	The bill indicates that if we had full participation (100%) the cost could be about .15%. However it is unlikely that we would achieve that level and therefore the existing assumption likely would remain accurate (50% of employees at 100% participation).	Submit and support the bill as written	The committee gave the bill a "favorable recommendation"

LC Bill Number	Sponsor	Summary	Critical Issues	Recommendation	Legislative Employee Benefits Committee Action
		beginning employment.			
70078	PERS	<p>As proposed, this broad-ranging bill addresses the following employee benefits issues:</p> <ul style="list-style-type: none"> • Section 1 requires that employees' lump sum accrued sick leave payout and unused annual leave at termination be deposited into a trust (as established under Section 7). • Section 2 increases basic and AD&D life insurance coverage to \$5,000 from the current \$1,000 benefit. • Section 3 creates a new subsection to the Century Code that creates separate coverage for "retired Medicare-eligible group prescription drug coverage" in response to the new federal Medicare Part D drug plan. • Section 4 revises the policy on how the retiree health care credit will be 	<p>Section 1 and 7 set up a trust with a mandatory deposit of sick leave and vacation time at termination of employment. When this was recommended to the board by the benefits committee it was their understanding that employees could withdraw from the trust the mandatory payments in cash if they so elected. The GBS review indicates that is not acceptable under federal law. When the committee discussed proposing this provision they did so because they thought employees had this option. They would not have been in favor of this if they had known that this was not an option. Therefore staff is recommending that we amend the bill to withdraw section #1 and #7.</p>	<p>Amend the bill to withdraw section #1 and #7 and support the bill as amended.</p>	<p>The committee accepted the amendment of PERS and gave the bill a "favorable recommendation"</p>

LC Bill Number	Sponsor	Summary	Critical Issues	Recommendation	Legislative Employee Benefits Committee Action
		<p>applied for married couples where both parties are eligible for the credit.</p> <ul style="list-style-type: none"> • Section 5 changes the eligibility requirements for a "temporary employee" of political subdivisions to a minimum of twenty hours per week and at least twenty weeks per year. • Section 6 relates to Section 3 above and authorizes the Board to bid and contract for a separate Medicare retiree drug plan distinct from the active employees' plan. • Section 7 gives the Board the authority to establish a trust to maintain employer and employee funds resulting from Section 1 above to be used for future health care expenses. <p>SEGAL: Section 4 of the proposed legislation would permit those members where</p>			

LC Bill Number	Sponsor	Summary	Critical Issues	Recommendation	Legislative Employee Benefits Committee Action								
		both the member and spouse have credit in the Fund to combine credits towards monthly retiree premiums under the uniform group insurance program.											
70079	PERS	The proposed legislation would increase the required monthly contribution to the Retiree Health Benefit Fund from 1.00% of monthly salary to 1.15% of monthly salary and increase the monthly retiree health credit from \$4.50 per year of credited service to \$5.00 per year of credited service. There is also a corresponding contribution rate increase for nonteaching employees of the superintendent of public instruction with a higher contribution rate for a specified period that is intended to fund past service.	Segal expressed no reservations with this bill and confirmed the actuarial cost to be .15% of payroll.	Support the bill as written.	The committee gave the bill a “no recommendation”								
70080	PERS	The proposed legislation would increase the employer contribution rate from 16.17% to 21.7% of salary for the Highway Patrolmen’s Retirement System and from 4.12% to 5.12% of salary for the Hybrid Plan and Defined Contribution Plan. In addition, the proposed legislation would provide for an increase of 2% of	<p>Segal indicated the actuarial cost of this bill to be:</p> <table data-bbox="842 1240 1079 1403"> <tr> <td>Main</td> <td>.64%</td> </tr> <tr> <td>Judges</td> <td>1.43%</td> </tr> <tr> <td>LE</td> <td>0%</td> </tr> <tr> <td>HP</td> <td>3.95%</td> </tr> </table>	Main	.64%	Judges	1.43%	LE	0%	HP	3.95%	The cost of these bills is less then we had originally estimated, therefore we should amend the bills with the new estimates. Please note the judges are not included in the increased contributions since they already have	The committee accepted the amendment of PERS and gave the bill a “no recommendation”
Main	.64%												
Judges	1.43%												
LE	0%												
HP	3.95%												

LC Bill Number	Sponsor	Summary	Critical Issues	Recommendation	Legislative Employee Benefits Committee Action
		monthly retirement benefits to retirees and their beneficiaries in both the Hybrid Plan and the Highway Patrolmen's Retirement System effective August 1, 2009.		sufficient margin to pay for the proposed enhancement.	
70100	S. Mathern	As proposed, this bill would expand the uniform group insurance program to allow participation by permanent and temporary employees of private sector employers and any other individual who is without health insurance coverage. It would also authorize the Board to allow licensed agents to sell the uniform program and receive commissions.			The committee gave the bill an unfavorable recommendation



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Memorandum

TO: PERS Board
FROM: Sparb
DATE: November 8, 2006

PROPOSED 2007 NDPERS BOARD MEETING DATES

- **January 18**
- **February 15**
- **March 15**
- **April 19**
- **May 17**
- **June 21**
- **July 19**
- **August 16**
- **September 20**
- **October 18**
- **November 15**
- **December 20**